



Notice of General Meeting and Explanatory Statement

Notice is hereby given that a General Meeting of the members of Ainsworth Game Technology Limited (ABN 37 068 516 665) ("**the Company**") will be held at the following time and location, and will conduct the business as specified below:

Date: Wednesday 22 February 2012
Time: 9.30 am (AEDT)
Location: Ainsworth Game Technology,
10 Holker Street, Newington, NSW 2127

BUSINESS

Resolution - Sale and leaseback of property to related party in reduction of debt

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Chapter 2E of the Corporations Act 2001, Listing Rule 10.1 of the ASX Listing Rules and for all other purposes, approval is given for the Company to:

- (a) sell the commercial property owned by the Company situated at 10 Holker Street Newington, New South Wales ("**the Newington Property**") to Associated World Investments Pty Ltd ABN 14 075 429 480 ("**AWI**"), a shareholder of the Company and an entity controlled by the Company's Executive Chairman and majority shareholder Mr Leonard Ainsworth, for a price of \$20,300,583 (excluding GST) ("**Purchase Price**");
- (b) accept payment of the Purchase Price plus GST from AWI by way of set off against certain amounts owing by the Company to AWI; and
- (c) enter into a lease agreement under which the Newington Property (excluding the mezzanine storage area) will be leased by AWI to the Company,

in each case on the terms set out in the Explanatory Statement."

("the Resolution")

Please refer to the accompanying Explanatory Statement for more information.

Voting exclusion statement

The Company will disregard any votes cast on the Resolution by Associated World Investments Pty Limited, Mr Leonard Ainsworth, Mrs Margarete Ainsworth and any associate of any of those persons ("**Excluded Voters**").

However, the Company will not disregard a vote if:

- (a) it is cast by an Excluded Voter as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by an Excluded Voter because they are chairing the meeting and the vote is being cast as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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DETERMINATION OF MEMBERSHIP AND VOTING ENTITLEMENT FOR THE PURPOSE OF THE MEETING

For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of ordinary shares in the capital of the Company if that person is registered as a holder of those shares at 7:00pm (AEDT) on Monday 20 February 2012.

HOW TO VOTE

A member can vote at the General Meeting:

- (a) in person;
- (b) by proxy;
- (c) by attorney; or
- (d) by corporate representative (if you are a corporate shareholder).

A member will be counted as being present at the General Meeting if the member votes in any of the ways outlined above.

Voting at the General Meeting

All persons attending the General Meeting are asked to arrive at least 30 minutes prior to the time the General Meeting is to commence, so that either their shareholding may be checked against the Share Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

Voting in person

If a member wishes to vote in person at the General Meeting, they may attend the General Meeting which will be held at the date, time and place set out in this Notice of General Meeting.

Voting by proxy

A member entitled to attend and cast a vote is entitled to appoint a proxy to attend and vote for the member. The person appointed as a proxy need not be a member of the Company and may be an individual or a body corporate. An appointment of proxy form accompanies this Notice of General Meeting.

Members can direct their proxy how to vote by marking one of the boxes opposite the item of business on the proxy form attached. If the member does not mark a box on the proxy form, or instruct its proxy on how to vote, the proxy may vote as they choose at the General Meeting. If the member marks more than one box on the proxy form on an item, their vote will be invalid on that item.

A member can vote a portion of their voting rights by inserting the percentage or number of securities the member wishes to vote in the For, Against or Abstain box or boxes on the proxy form attached. The sum of the votes cast must not exceed the member's voting entitlement or 100%.

If the member is entitled to cast two (2) or more votes, the member may appoint two (2) proxies and may specify the proportion or number of the member's votes each proxy may exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If the member appoints two (2) proxies, neither proxy may vote on a show of hands. When appointing a second proxy, a member should write both names and the percentage of votes or number of securities for each, on the proxy form attached to this Notice of General Meeting. An instrument of proxy in which the name of the appointee is not filled in is taken to be given in favour of the Chairman of the meeting to which it relates.

At the point of entry to the General Meeting, a proxy will be admitted and given a voting card upon providing written evidence of their name and address.

The lodging of a proxy form will not preclude a member from attending in person and voting at the General Meeting if the member is entitled to attend and vote. If the member votes on the Resolution, their appointed proxy is not entitled to vote and must not vote as that holder's proxy on the Resolution. In order for the appointment of a proxy to be valid, the proxy form MUST be received by the Company or its Share Registry (details of which are set out below) not less than 48 hours before the time for holding the General Meeting. Proxy forms received after this time will be invalid.

Proxy forms submitted online or sent by fax or post in the manner set out below and on the proxy form must be received by the Company or its Share Registry not less than 48 hours before the time for the holding of the General Meeting.

Where the proxy form is executed under a power of attorney, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the proxy form (unless it has already been lodged with the Company).

How the Chairman of the meeting will vote undirected proxies

Mr Stewart Wallis (or in his absence, another director other than Mr Leonard Ainsworth) will act as Chairman of the General Meeting. The Chairman's voting intention is to vote undirected proxies in favour of the Resolution set out in this Notice of General Meeting.

A member can appoint the Chairman as proxy with directions to cast that member's votes contrary to the Chairman's stated voting intention on the Resolution, or to abstain from voting on the Resolution. Where a member appoints the Chairman as their proxy but does not direct their vote on the Resolution, the member will be directing the Chairman to vote in accordance with the Chairman's clearly stated voting intention.

Voting by attorney

At the point of entry to the General Meeting, an attorney will be admitted and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer.

The lodging of a power of attorney will not preclude a member from attending in person and voting at the General Meeting if the member is entitled to attend and vote. If the member votes on the Resolution, their appointed attorney is not entitled to vote, and must not vote as that holder's attorney on the Resolution.

In order for the appointment of an attorney to be valid, the original power of attorney or an attested copy of the power of attorney or other authority under which it is signed MUST be lodged with the Company not less than 48 hours before the time for holding the General Meeting. An appointment of attorney received after this time will be invalid.

Voting by corporate representative

To vote at the General Meeting (other than by proxy or by attorney), a corporation that is a member may appoint a person to act as its authorised corporate representative. The appointment must comply with section 250D of the Corporations Act.

At the point of entry to the General Meeting, an authorised corporate representative will be admitted and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

Lodgement of proxy forms, powers of attorney and authorities

To be effective, duly signed proxy forms, powers of attorney and authorities MUST be received at an address or by fax or email shown below on or before 7:00pm (AEDT) on 20 February 2012. Any forms received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON	Registered Office Share Registry	10 Holker Street, Newington, NSW, 2127, Australia Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW, 2000, Australia
BY MAIL	Registered Office Share Registry	10 Holker Street, Newington, NSW, 2127, Australia Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC, 3001, Australia
BY FAX	1800 783 447 +61 3 9473 2555	(within Australia) (outside Australia)
ONLINE	www.investorvote.com.au	

By Order of the Board



ML Ludski
Company Secretary
23 January 2012 - Sydney

Notice of General Meeting and Explanatory Statement

EXPLANATORY STATEMENT

Resolution – Sale and leaseback of property to related party in reduction of debt

Background

The Company currently owns its registered office and principal place of business at 10 Holker Street Newington, New South Wales (**“the Newington Property”**). The Newington Property has a size of 1.651 hectares. All of the Company's operations in Australia are undertaken at the Newington Property, including product assembly, warehousing, inventory distribution and research and development.

Associated World Investments Pty Ltd ABN 14 075 429 480 (**“AWI”**) is a shareholder of the Company and is an entity controlled by the Company's Executive Chairman and majority shareholder, Mr Leonard Ainsworth. Currently, the following facilities are provided by AWI to the Company:

- (a) a \$40.0 million facility secured by a mortgage over the Newington Property and a fixed and floating charge over the assets of the Company, under which a principal amount of \$13,126,773 is currently drawn down (**“the Secured Facility”**). This facility was originally provided by AWI to the Company to finance the Company's business growth and assist to progress development strategies; and
- (b) an unsecured loan of \$4,800,583 (**“the Unsecured Facility”**) which related to the Company's initial expansion of the Newington Property's facilities so that the Company could relocate some its operations from leased premises in Melbourne and allowed for planned growth.

Under the terms of both the Secured Facility and the Unsecured Facility (together **“the Facilities”**), full repayment of the balance of the principal amounts and accrued interest is not required to be made until a date that is 4 years after the will of Mr Leonard Ainsworth comes into effect.

The Sale and Leaseback Agreement

On 20 December 2011, as announced by the Company to the ASX on that date, the Company and AWI entered into an agreement whereby it was agreed that, subject to shareholder approval and the parties entering into the necessary sale of land contract and lease documentation:

- (a) the Company will sell the Newington Property to AWI for a price of \$20,300,583 (excluding GST) (**“Purchase Price”**);
- (b) the Company would accept payment of the Purchase Price plus GST of approximately \$2 million from AWI by way of set off amounts owing by the Company to AWI under the Secured Facility and Unsecured Facility; and
- (c) the parties will simultaneously enter into a lease agreement under which the Newington Property (excluding the mezzanine storage area, being the storage room located on the mezzanine level of the Newington Property, with an area of 1,988m²) will be leased by AWI to the Company for a period of 10 years (with 2 options for the Company to renew the lease of 3 years each), on the following basis:
 - (i) the initial rent payable by the Company under the lease will be \$1.310 million per annum plus outgoings of \$189,000 per annum, exclusive of GST and payable monthly in advance;
 - (ii) the rent will increase annually by 2.0%, with market based rental adjustments on commencement of each option period, with any such market based rental adjustment capped and collared at 5.0% of the rent immediately prior to the commencement of each option period.

“the Sale and Leaseback Agreement”).

The purpose of the Resolution is to seek shareholder approval for the transaction proposed under the Sale and Leaseback Agreement (**“the Transaction”**).

Under the terms of the lease, the leased part of the Newington Property can only be used by the Company for commercial offices and factory, as it is currently. The lease is substantially in the form of the Law Society of NSW Commercial Lease (2006 Edition). The termination rights and assignment rights of the parties under the lease are those contained in the Law Society standard covenants.

It is anticipated that the Company and AWI will enter into the necessary sale of land contract and lease documentation prior to the day of the General Meeting. This will be confirmed to shareholders by the Chairman at the General Meeting. Assuming that this does occur by the General Meeting, the sole remaining condition precedent to the Transaction at the time of the General Meeting will be shareholder approval. If shareholder approval is granted, the Company and AWI will be required to complete the Transaction within 3 business days of that approval.

Reasons for seeking shareholder approval

Related party transaction

Under Chapter 2E of the Corporations Act 2001 (**“the Act”**), a public company cannot give a **“financial benefit”** to a **“related party”** unless one of the exceptions to the section apply or shareholders have in general meeting approved the giving of that financial benefit to the related party. A **“financial benefit”** is defined in the Act in broad terms and includes the disposal of an asset.

AWI is a related party of the Company because it is an entity controlled by Mr Leonard Ainsworth, who also has a controlling interest in the Company.

The Transaction includes the following elements and each may be considered to constitute a **“financial benefit”** as defined in the Act:

- (a) the sale by the Company of the Newington Property to AWI;
- (b) the Company entering into the lease-back of the Newington Property (excluding the mezzanine storage area); and
- (c) the set-off by the Company of the Purchase Price plus GST of approximately \$2 million against the Secured Facility and Unsecured Facility in circumstances where those amounts are not currently due and owing.

Listing Rule 10.1

ASX Listing Rule 10.1 provides that the Company must not dispose of a substantial asset to a related party without shareholder approval. The Newington Property is a substantial asset of the Company.

Shareholder approval

Therefore, the non-associated directors of the Company (being all directors other than Mr Leonard Ainsworth) have decided to seek shareholder approval for the Transaction under Chapter 2E of the Act and Listing Rule 10.1.

In accordance with the voting exclusion statement applicable to the Resolution, any votes cast by AWI, Mr Leonard Ainsworth, Mrs Margarete Ainsworth or their associates will be disregarded.

Commercial rationale for the Transaction

The non-associated directors wish to complete the Transaction as:

- (a) the Newington Property is an asset that is surplus to the Company's main operating activity at a time when the Company is looking to reduce its debt;
- (b) the Company will recoup the market value of the Newington Property (excluding mezzanine level improvements) as valued by an independent valuer, Robertson and Robertson, such valuation being attached to this Explanatory Statement ("**Valuation Report**");
- (c) the Company will recoup the cost of mezzanine level improvements to the Newington Property, such improvements having been undertaken as part of an expansion strategy no longer required by the Company in the short to medium term;
- (d) the rental to be charged under the leaseback arrangement is equivalent to the market rate assessed in the Valuation Report;
- (e) the sale and leaseback will result in rental expense of some \$1.64 million per annum (inclusive of outgoings) being incurred for the next 10 years. However, this expense is offset by interest savings of some \$2.7 million per annum (based on projected FY12 interest costs). This will impact favourably on the earnings per share ("**EPS**");
- (f) a capital profit on sale (after tax) of \$2.6 million will be recognised on the sale of the Newington Property in the year ended 30 June 2012 and as a result, the Transaction will increase the Company's net tangible asset ("**NTA**") backing per share; and
- (g) having engaged the services of an independent expert, Lonergan Edwards & Associates Limited ("**Independent Expert**"), the Independent Expert has concluded in its attached report ("**IER**") that the Transaction is "fair and reasonable" to the non-associated shareholders of the Company.

The Company has entered into the Transaction with AWI (a related party) because the non-associated directors believe that:

- (a) the Company will incur fewer transaction costs (marketing and selling costs, including agent's commission) by entering into the Transaction with AWI and repaying AWI directly, than it would by looking for a completely independent buyer for the Newington Property and then repaying the Facilities to AWI;
- (b) there will be a shorter lead time associated with selling the Newington Property to AWI than there would be in locating a completely independent buyer for the Newington Property in the current economic environment meaning that less interest is paid to AWI by the Company under the Facilities in the interim; and
- (c) by entering into the Transaction with AWI rather than an independent buyer, the Company will recoup the full cost of the improvements to the mezzanine level of the Newington Property, such improvements originally undertaken as part of expansion plans by the Company but no longer required by the Company in the short to medium term.

The alternative options available to the Company are to:

- (a) incur the transaction costs associated with finding an independent buyer for the Newington Property;
- (b) incur the lead times associated with finding an independent buyer in the current economic climate while continuing to pay interest under the Facilities;
- (c) potentially realise less on the sale of the Newington Property given the Company is recouping the market value of the Property (excluding the mezzanine level improvements) and the cost of those mezzanine level improvements; and
- (d) retain the Newington Property and keep paying the interest costs associated with the Facilities to AWI resulting in a lower net tangible assets (NTA) and EPS for the Company than had the Transaction proceeded.

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Impact of the Transaction

The advantages and disadvantages to the Company of entering into the Transaction are set out below:

Advantages

The non-associated directors believe that the potential advantages of the Transaction are as follows:

- (a) the Transaction enables the Company to realise value for a surplus asset (i.e. surplus to the Company's main operating activity) and to use the proceeds to reduce debt and interest costs;
- (b) the Company incurs lower transaction costs than selling the Newington Property to an independent third party;
- (c) the Company will save more interest costs under the Facilities as finding an independent buyer in the current economic climate will have a longer lead time than selling to AWI;
- (d) the Company will be able to recoup the cost of the mezzanine improvements, surplus to current needs;
- (e) the Company's shareholders (taken as a whole) will benefit from a higher NTA per share and higher EPS because:
 - (i) the Company's rental expense of some \$1.64 million per annum (inclusive of outgoings) for at least the next 10 years is offset by interest savings of some \$2.7 million per annum (based on projected FY12 interest costs);
 - (ii) a capital profit on sale (after tax) will be recognised on the sale of the Newington Property for the year ended 30 June 2012; and
- (f) the Transaction does not reduce the Secured Facility limit of \$40 million, subject to any review to be subsequently undertaken, and as a result the Company will still have this facility available to fund operations if required.

Disadvantages

The non-associated directors believe that the potential disadvantages of the Transaction are as follows:

- (a) if the Transaction (or any sale and lease back transaction) is implemented the Company:
 - (i) relinquishes its title to the Newington Property and the indefinite tenure period associated with owning the Newington Property;
 - (ii) will forgo any future market value appreciation of the Newington Property; and
- (b) if the lease is not renewed by AWI at the end of the potential lease term (of sixteen years), the Company will incur costs in making good the Newington Property and relocating the Company's operations. These costs would also be incurred if AGT entered into a sale and leaseback arrangement with a third party.

Property Valuation

As stated above, to determine the value of the Newington Property and the market rental for the Newington Property (excluding the mezzanine storage area), the Company commissioned an independent property valuation from Robertson and Robertson ("**Independent Property Valuer**"), a copy of which is attached.

Part 4 of the valuation report prepared by the Independent Property Valuer on 19 December 2011 states that:

"This valuation is for the use only of the party to whom it was addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.

Neither the whole nor any part of this report or any other advice given in respect of the property which is the subject of this report, nor any reference thereto, may be relied upon or included in any document, circular or statement without our written approval of the form and context in which it will appear."

Subsequent to the issue of the valuation report, the valuation report was relied upon with the agreement of the Independent Property Valuer in the IER and the Company requested that the Independent Property Valuer provide its consent for the valuation report to be attached to this Explanatory Statement to substantiate the conclusions made within the IER.

The Independent Property Valuer provided its consent for the valuation report to be attached to the Explanatory Statement on the following conditions:

- 1 The valuation report and instruction letter are attached in their entirety.
- 2 The advised lease terms and conditions adopted in the valuation report have not changed in any way including, but not limited to the annual rent, lease term and payment of outgoings.
- 3 The valuation report has been made available to shareholders of the Company on the basis that the report contains the information relied upon in the preparation of the IER.

The valuation report has been attached to this Explanatory Statement subject to these conditions.

Valuation Summary

Basis of valuation

The market value of the Newington Property has been assessed by the Independent Property Valuer in accordance with the following definition¹:

“the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.”

The following assumptions are implicit in the Property Valuation:

- (a) the valuation assumes that the sale and leaseback arrangement is in place, that is, that the Newington Property is tenanted on a long term lease; and
- (b) the mezzanine floor area is part of a larger property redevelopment and at this time is predominantly basic storage space and is substantially underutilised. As a result, no value has been attributed to these improvements when assessing the current market value of the Newington Property.

Valuation methodology

The Independent Property Valuer applied a number of valuation methodologies to assess the value of the Property, including:

- (a) **income capitalisation methodology** - this methodology involves the application of a market yield to the net rental from the Newington Property to indicate its market value. The assessed net rental was based on first year net rental income from the Newington Property. The market yield was assessed having regard to the strength, weakness, opportunity and threat (SWOT) analysis factors affecting the Newington Property, outlook for the market and yields indicated from relevant sales evidence (paragraph 16.01 of the Valuation Report);
- (b) **discounted cash flow methodology** - this methodology involves calculating the present value of the Newington Property using forecast cash flows and discount rates based on industry benchmarks (paragraph 16.02 of the Valuation Report); and
- (c) **direct comparison methodology** - where the valuation of Newington Property is based on observed historical transactions, usually expressed in terms of dollar value per square metre of lettable area (paragraph 16.03 of the Valuation Report).

Of the three methodologies mentioned above, the initial yield capitalisation methodology was the primary methodology adopted by the Independent Property Valuer with the other two methodologies used as a cross-check.

Market value of the Newington Property

The following table summarises the conclusions of the Independent Property Valuer as to the market value of the Newington Property:

Market value of the Newington Property	
Summary of independent valuation	
Valuation date	19 December 2011
Market value	\$15,500,000 exclusive of GST ⁽¹⁾
Primary methodology	Income capitalisation methodology – first year rental earnings capitalised at an appropriate yield ⁽²⁾
Net rental income adopted	\$1,280,000 – being rental income of \$1,310,000 plus outgoings of \$188,994 recovered less outgoings paid of \$218,994 ⁽³⁾
Yield ⁽³⁾	8.25%
Note:	
1 Paragraph 17 of the Valuation Report.	
2 Paragraph 16 of the Valuation Report.	
3 Paragraph 16.01 of the Valuation Report.	

The Independent Property Valuer has excluded the mezzanine level from its valuation assessment as these are being sold at the cost incurred by the Company of undertaking those improvements of \$4.8 million (\$4.1 million in FY08 and \$0.7 million in FY09).

Independent Expert’s Report

As stated above, the non-associated directors have commissioned an independent expert’s report from an Independent Expert in relation to the Transaction. The IER is attached to this Explanatory Statement. The Independent Expert has concluded that the Transaction is “fair and reasonable” to the non-associated shareholders of the Company. A summary of its reasons are set out at paragraph 8 of the IER.

¹ International Valuation Standard 1.

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Directors' recommendations and interests in the outcome

The only director of the Company with an interest in the outcome of the Resolution is Mr Leonard Ainsworth, as AWI is controlled by Mr Leonard Ainsworth. The remaining directors in the Company, Mr Danny Gladstone, Mr Michael Yates, Mr Stewart Wallis and Mr Graeme Campbell, have no interest in the outcome of the Resolution, other than as shareholders in the Company. The non-associated directors of the Company have considered the Transaction, the Property Valuation and the Independent Expert's Report. The non-associated directors agree with the evaluation of the Transaction as set out in section IV of the Independent Expert's Report. The non-associated directors believe the Transaction is in the interests of the Company and the shareholders not associated with the Excluded Voters and that despite some disadvantages of the Transaction set out on page 6 of this Explanatory Statement, the advantages also listed on that page outweigh the disadvantages. Furthermore, the non-associated directors refer to the IER which concludes that the Transaction is "fair and reasonable" to the non-associated shareholders. The non-associated directors confirm that they are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

For the reasons referred to above, the non-associated directors of the Company recommend that shareholders vote in favour of the Resolution.

Nothing in this Explanatory Statement is intended as financial advice. If you are unsure about any aspect of this Explanatory Statement, you should seek your own independent financial advice.



Valuation Report



**10 Holker Street
Newington NSW 2127**

Our Ref: **0314/1211**

Instructed by

**Mr Mark Ludski
Chief Financial Officer/Company Secretary
Ainsworth Game Technology Limited**



Date of Inspection and Valuation

December 19, 2011



Liability limited by a scheme approved under Professional Standards Legislation

Pubs
Hotels
Motels
Caravan Parks

Child Care Centres
Service Stations
Business Valuations
Restaurants

Compulsory Acquisition
Vineyards
Expert Reports
Consultancy Reports

Registered Clubs
Commercial
Industrial
Residential



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Annexure A



Executive Summary

Address	10 Holker Street Newington NSW 2127
Instructed By	Mr Mark Ludski, Ainsworth Game Technology Limited
Purpose	Financial reporting
Interest Valued	Freehold subject to notional lease
Current Use	Design, manufacturing and distribution of gaming machines
Land Area	16,510m ²
Zoning	B7 Business Park
Location	Newington is a suburb in western Sydney, located approximately 19km west of the Sydney Central Business District, in the Local Government Area of Auburn.
Brief Description	Modern industrial facility comprising three levels of office space, clearspan warehouse space and associated production/storage areas. Well-positioned within the Silverwater/Newington industrial/business park precinct. Access is available via Holker Street and Avenue of the Americas.
Occupancy	Leased to Ainsworth Game Technology Limited on a 10 year lease term with 2 x 3 year options. Although the subject property is currently owner occupied, our valuation assumes a sale and leaseback arrangement.



Executive Summary (Cont.)

Valuation Approaches

1. Capitalisation		2. Discounted Cash Flow	
Yield	8.00%-8.50%	Term	10 yrs
Net Income	\$1,280,000	IRR	9.50%
Value	\$15,500,000	Value	\$15,500,000

Valuation

\$15,500,000 excluding GST

Recent Sales History

There have been no transactions of the subject property within the past five years.

Critical Assumptions and Recommendations

- The recently completed mezzanine comprising various offices is the first stage of a building works program. The remaining mezzanine area (as at the valuation date) comprises basic storage space only but is proposed for office fit-out in the future. This remaining mezzanine area has been excluded from the valuation assessment as these works will be accounted for separately.
- Our valuation is subject to execution of a commercial lease, based upon the terms and conditions detailed within our report.

The above valuation summary should only be read in conjunction with the accompanying report, which comprises 32 pages and Annexure A.

This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.



1.0 Instructions

We have been instructed to assess the market value of the fee simple of the subject property, subject to a notional leaseback, for financial reporting purposes.

A copy of our instructions is enclosed as Annexure A.

This valuation has been prepared in accordance with the Australian Property Institute (API) Code of Professional Practice.

2.0 Definition of Market Value

Market value is defined as *the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.*

Source: International Valuation Standard 1

3.0 Limitations

This valuation advice is subject to limitations in that the following satisfactory reports and certificates have not been sighted:-

- Current survey report confirming legal identification
- Structural report confirming no deficiencies and/or other essential repairs
- Pest inspection report confirming the property to be free from infestation
- Final Inspection advice/Occupation Certificate/Building Certificate
- Certificate issued under Section 149(5) of the Environmental Planning and Assessment Act 1979

In preparing our advice, we have assumed that satisfactory reports and certification would be readily obtainable from the relevant authority/expert. Should any other advice be obtained that contradicts this assumption, then this report should be returned for comment.

A satisfactory final inspection advice/occupation certificate should be obtained from the Local Government and/or the principal Certifying Authority to ensure compliance with any development and/or building consents. Should no such consents exist, a Building Certificate issued under Section 149D of the Environmental Planning & Assessment Act 1979 (as amended) must be obtained.

Our valuation is based on the subject being compliant with all previous development and/or building consents conditions and that a building certificate is able to be issued.



Information relevant to Town Planning (including Zoning and Development Applications) has usually been advised verbally by Council officers or sourced electronically from Council's internet resources. Actual approvals may have not been sighted. Our valuation is on the basis that the information supplied is complete in every detail.

We have not tested any of the services either connected or available to confirm they are free of any defect. Our valuation is based on all services being in proper working order. Unless otherwise noted, a sewer diagram has not been sighted.

During our inspection we did not note any visible presence of site contamination nor were we provided with any soil tests or environmental studies indicating any contamination. Our valuation has therefore been determined on the basis that no contamination exists. To confirm that there is no contamination, an Environmental Audit undertaken by an appropriately qualified expert would be required. Should any problem exist, this valuation should be returned to us for comment and possible revision.

3.01 Areas not Inspected

Please be advised that our inspection did not include the roof, roof and wall cavity and any inaccessible parts of the buildings either internally or externally.

4.0 General Qualifying Statements

This valuation is not to be relied upon for mortgage purposes.

This valuation report may only be relied upon if you have the signed original report document.

This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.

Neither the whole nor any part of this report, or any other advice given in respect of the property which is the subject of this report, nor any reference thereto, may be relied upon or included in any document, circular or statement without our written approval of the form and context in which it will appear.

Robertson & Robertson hereby declares that it makes no guarantee, promise, warranty, representation or undertaking that the lodgement of this valuation report will result in any predetermined requirements of the instructing party or client being satisfied.



This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

We hereby certify that we do not have any direct, indirect or financial interest in the property described herein.

We direct your attention to the other qualifying statements contained within this report document.

Privacy Statement

Robertson & Robertson acknowledges its obligations under the Privacy Act 1988 (as amended). Personal information collected from clients will be used primarily to ensure Robertson & Robertson discharges its professional duties to the standards required by the Australian Property Institute and by the relevant State and Federal Government legislation. The use of personal information is limited to use as required for the purpose of valuation and property consultancy. Personal information provided to Robertson & Robertson will not be used for any other purpose, be re-sold or used for client marketing. Our policy is available upon request.

Market Evidence

Information comprising the detail of the market evidence can be obtained from a number of sources. These sources include, but are not limited to, records from the Land Titles Office delivered by third party providers, real estate sales persons, real estate media in both print and electronic forms, vendors, purchasers, other valuation professionals and other persons involved within the property market. Information provided verbally, in print and electronic forms may be subject to errors or omissions.

For the most part, we are unable to examine contracts relating to the sales and therefore have no knowledge of any terms or special conditions included therein which may have affected the purchase price.

Our inspection of the market evidence is external unless otherwise noted. We will make an assumption on internal condition based on external condition and/or advice received from other sources.

Our valuation relies on the detail contained within the market evidence. We have assumed this detail to be correct and complete.

Our valuation is based on the treatment of GST as detailed in the market evidence stated in this report.



If any of the assumptions are found to be inaccurate, or if the party to whom this valuation is addressed wishes the valuation to be based upon different assumptions, the valuation must be returned to us for comment and, if appropriate, amendment.

5.0 Title Details and Ownership

A title search of the subject property is reproduced below.

**Espreon Online Information System
NSW LPI Title Search**

LAND AND PROPERTY INFORMATION NEW SOUTH WALES - TITLE SEARCH

FOLIO: 12/1009436

SEARCH DATE	TIME	EDITION NO	DATE
19/12/2011	12:02 PM	5	31/1/2003

LAND

LOT 12 IN DEPOSITED PLAN 1009436
AT NEWINGTON
LOCAL GOVERNMENT AREA AUBURN
PARISH OF ST JOHN COUNTY OF CUMBERLAND
TITLE DIAGRAM DP1009436

FIRST SCHEDULE

AINSWORTH GAME TECHNOLOGY LIMITED (T 8949255)

SECOND SCHEDULE (23 NOTIFICATIONS)

- 1 RESERVATIONS AND CONDITIONS IN THE CROWN GRANT(S)
- * 2 LAND EXCLUDES MINERALS (S.141 PUBLIC WORKS ACT, 1912)
- 3 DP878356 EASEMENT FOR SUPPORT VARIABLE WIDTH (A) APPURTENANT TO THE LAND ABOVE DESCRIBED
- 4 DP878356 RIGHT OF CARRIAGEWAY VARIABLE WIDTH (A) APPURTENANT TO THE LAND ABOVE DESCRIBED
- 5 DP878356 RIGHT OF CARRIAGEWAY VARIABLE WIDTH (B) APPURTENANT TO THE LAND ABOVE DESCRIBED
- 6 DP878356 RIGHT OF CARRIAGEWAY VARIABLE WIDTH (C) APPURTENANT TO THE LAND ABOVE DESCRIBED
- 7 DP878356 RIGHT OF CARRIAGEWAY VARIABLE WIDTH (D) APPURTENANT TO THE LAND ABOVE DESCRIBED
- 8 DP883573 RIGHT OF ACCESS 27,21,20,17.5,15 WIDE AND VARIABLE APPURTENANT TO THE LAND ABOVE DESCRIBED
- 9 DP883573 EASEMENT FOR DRAINAGE OF WATER 27,21,20,17.5,15 WIDE AND VARIABLE APPURTENANT TO THE LAND ABOVE DESCRIBED
- 10 DP883573 EASEMENT FOR SERVICES 27,20,17.5,15 WIDE AND VARIABLE APPURTENANT TO THE LAND ABOVE DESCRIBED
- 11 E301993 EASEMENT FOR SEWER RISING MAIN 3 WIDE AFFECTING THE PART SHOWN SO BURDENED IN THE TITLE DIAGRAM
- 12 DP883573 RESTRICTION(S) ON THE USE OF LAND
5739421 VARIATION OF RESTRICTION DP883573
- 13 DP883573 POSITIVE COVENANT
5739421 VARIATION OF POSITIVE COVENANT DP 883573
- 14 DP270188 EASEMENT FOR DRAINAGE OF WATER 20,15,14.75,12.5,10 WIDE AND VARIABLE APPURTENANT TO THE LAND ABOVE DESCRIBED
- 15 DP1009436 EASEMENT FOR DRAINAGE OF WATER 3 METRE(S) WIDE AFFECTING THE PART(S) SHOWN SO BURDENED IN THE TITLE

END OF PAGE 1 - CONTINUED OVER

0314/1211 lc PRINTED ON 19/12/2011



Espreon Online Information System NSW LPI Title Search

LAND AND PROPERTY INFORMATION NEW SOUTH WALES - TITLE SEARCH

FOLIO: 12/1009436

PAGE 2

SECOND SCHEDULE (23 NOTIFICATIONS) (CONTINUED)

- DIAGRAM
- 16 DP1009436 RIGHT OF ACCESS 12 METRE(S) WIDE AFFECTING THE PART(S)
SHOWN SO BURDENED IN THE TITLE DIAGRAM
- * AB146707 EASEMENT RELEASED IN SO FAR AS IT BENEFITS LOT 18
IN DP1013475
- 17 DP1009436 EASEMNT FOR OVERLAND WATER FLOW 7 WIDE & VARIABLE
AFFECTING THE PART(S) SHOWN SO BURDENED IN THE TITLE
DIAGRAM
- 18 DP1009436 POSITIVE COVENANT
- 19 DP1009436 EASEMENT FOR DRAINAGE OF WATER 2 METRE(S) WIDE
AFFECTING THE PART(S) SHOWN SO BURDENED IN THE TITLE
DIAGRAM
- 20 8562605 EASEMENT FOR ELECTRICITY SUBSTATION PREMISES
AFFECTING THE PART SHOWN AS "PROPOSED EASEMENT FOR
ELECTRICITY SUBSTATION PURPOSES 4 WIDE" IN DP1032798
- 21 8562605 RIGHT OF WAY AFFECTING THE PART(S) SHOWN AS
"PROPOSED RIGHT OF WAY 4 WIDE, 5 WIDE & VARIABLE WIDTH"
IN DP1032798
- 22 8562605 EASEMENT FOR ELECTRICITY PURPOSES AFFECTING THE
PART(S) SHOWN AS "PROPOSED EASEMENT FOR ELECTRICITY
PURPOSES 2 WIDE" IN DP1032798
- 23 9336136 MORTGAGE TO ASSOCIATED WORLD INVESTMENTS PTY LTD

NOTATIONS

NOTE: THE CERTIFICATE OF TITLE FOR THIS FOLIO OF THE REGISTER DOES
NOT INCLUDE SECURITY FEATURES INCLUDED ON COMPUTERISED
CERTIFICATES OF TITLE ISSUED FROM 4TH JANUARY, 2004. IT IS
RECOMMENDED THAT STRINGENT PROCESSES ARE ADOPTED IN VERIFYING THE
IDENTITY OF THE PERSON(S) CLAIMING A RIGHT TO DEAL WITH THE LAND
COMPRISED IN THIS FOLIO.

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

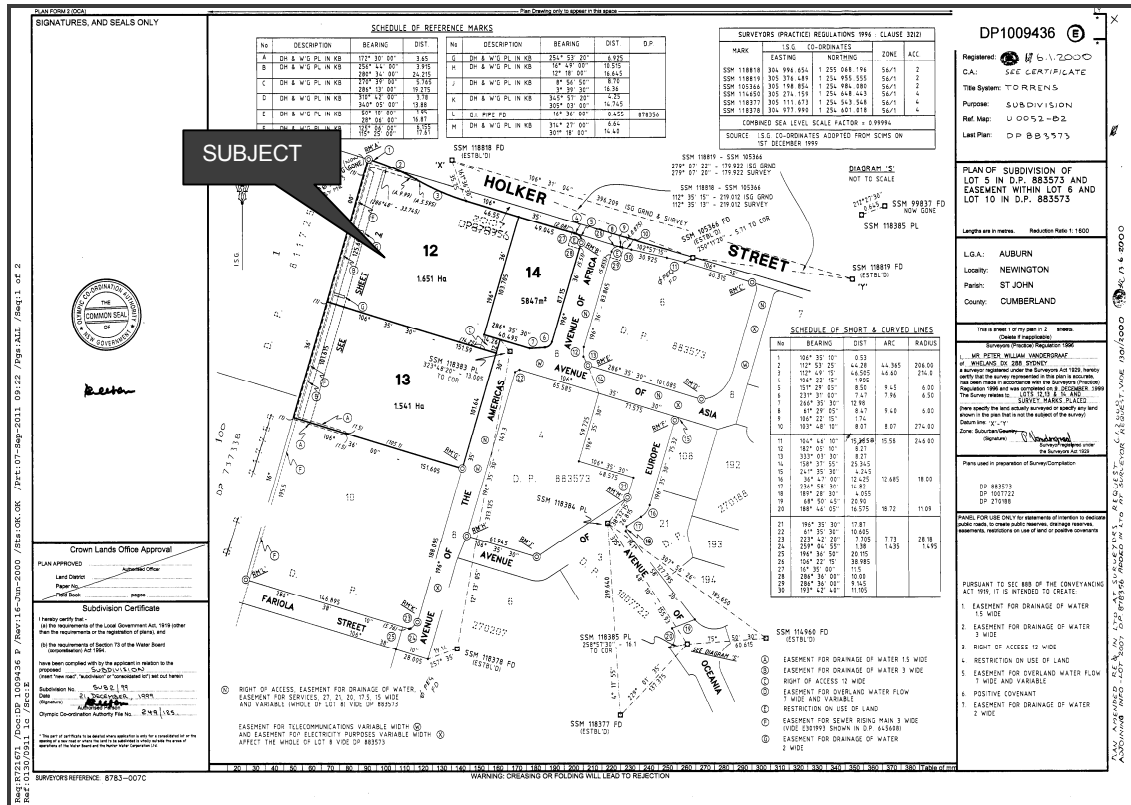
Implications

We have reconciled the above easements with the deposited plan and have identified same during our inspection. We are of the opinion that there is no significant detrimental impact upon the value as assessed within this report as a result of these easements.

The above notifications have not been searched. We have therefore assumed unless information is provided to us to the contrary, that these notifications would have no significant impact upon value.

6.0 Identification

The property has been identified by registered plan, a copy of which is reproduced below.



7.0 Town Planning

Zoning	B7 Business Park
Instrument	Auburn Local Environmental Plan 2010
Current Use	Design, manufacturing and distribution of gaming machines.
Current Use Permitted	Yes

7.01 Development Applications

The subject property has the following development consents:-

- DA 258/2010 for alterations and additions to existing warehouse and construction of carpark



8.0 Environmental Considerations

The current use of the property is as for the design, manufacturing and distribution of gaming machines. Historical uses are unknown.

Contamination

We have conducted a search under the Office of Environment & Heritage Contaminated Land Record. The subject property was not listed on this register.

Source: <http://www.environment.nsw.gov.au/prclmapp/searchregister.aspx>

To the best of our knowledge, we are not aware of any other environmental issues affecting the described land.

9.0 Location

Newington is a suburb in western Sydney, located approximately 19km west of the Sydney Central Business District, in the Local Government Area of Auburn.

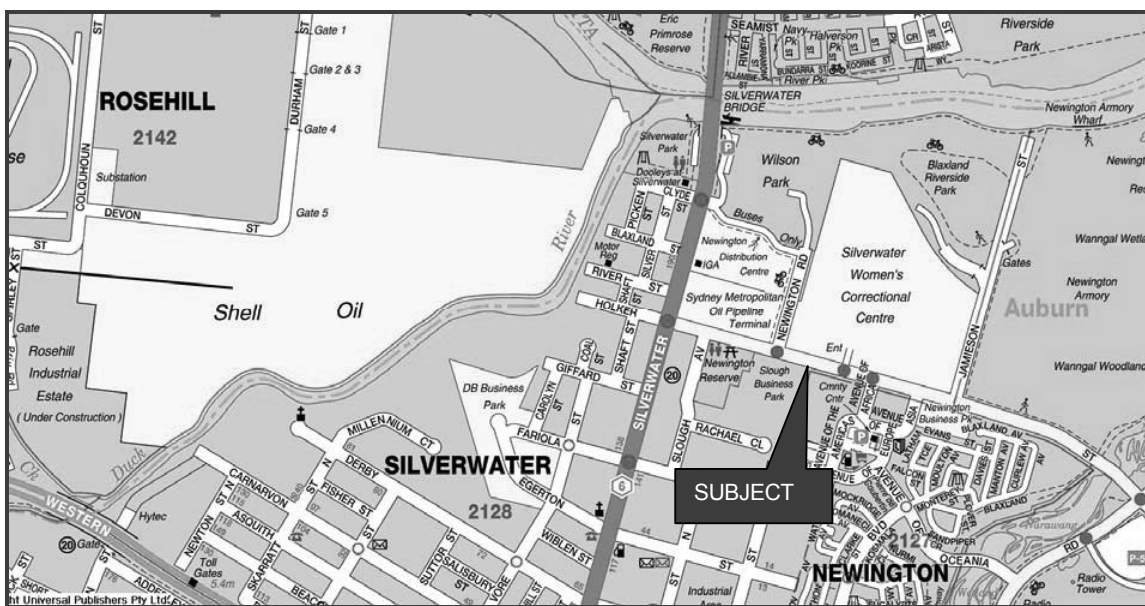
Newington is located 2km west of Homebush Bay, on the Parramatta River, and 1km north-west of Sydney Olympic Park. It is best known as the location of the Athletes Village for the Sydney 2000 Olympics and 2000 Summer Paralympics.



Source: Google Maps

9.01 Subject Property

The subject property is positioned on the southern side of Holker Street, approximately 500 metres east of the intersection with Silverwater Road at Newington in Sydney's central west. Surrounding and adjoining development comprises a mixture of modern low-rise office developments, along with industrial facilities. Silverwater correctional complex and Sydney Oil Pipeline terminal are positioned opposite (over Holker Street) whilst 'Slough Business Park' adjoins to the west. A neighbourhood shopping centre 'Newington Marketplace' is also positioned within close proximity. The property is well-positioned and is considered to complement the surrounding development.



Source: UBD

10.0 Site Details

Feature	Comment
Area	16,510m ² ⁽¹⁾
Site Description	<p>Topography Falls gently from east to west.</p> <p>Exposure Good to both directions of traffic along Holker Street.</p> <p>Vegetation Minimal.</p> <p>Access Provided to westbound traffic along Holker Street with secondary access available via Avenue of the Americas (south-east corner). Holker Street is a tar sealed carriageway with dual lanes in each direction separated by a concrete median strip.</p> <p>Parking No kerbside parking is permitted. On-site parking is provided for 139 vehicles.</p> <p>Services Electricity, telephone, water, sewer connected.</p>

⁽¹⁾ Source: Deposited Plan



VIEW EAST ALONG HOLKER STREET



VIEW WEST ALONG HOLKER STREET



VIEW SOUTH ALONG WESTERN BOUNDARY
 (DRAINAGE/SEWER EASEMENT)



VIEW SOUTH ALONG EASTERN BOUNDARY



Source: www.nearmap

11.0 Improvements

Erected upon the land is a modern industrial facility comprising three levels of office space, clearspan warehouse space and associated production/storage areas.



NORTHERN ELEVATION



WESTERN ELEVATION



11.01 Construction

Flooring	Reinforced concrete (suspended to mezzanine level and supported via steel beams and concrete columns)
External Walls	Precast tilt concrete panel (painted finish); masonry block and glazing with aluminium frames (northern elevation)
Roof	Ribbed metal
Internal Walls & Linings	Plasterboard (office/administration areas)
Frame	Steel portal with a single row of internal columns
Clearance Height	8.65 metres to rear bay; 4.5 metres (under mezzanine)
Building Access	Five covered 4.5m high loading docks with levellers (eastern elevation); four covered 4.5m high roller shutter doors (western elevation)
Building Services	Passenger lift (26 person/2,000kg); Ducted air-conditioning to offices; fire sprinklers to warehouse; swipe card controlled internal and external doors; CCTV security system; fire hydrants.

11.02 Layout & Details of Finish

Ground/First Floors – Office/Administration

The main entry to the building is available at the northern elevation. Layout of the ground floor comprises reception, open plan and partitioned office space, showroom with bar, meeting rooms, male/female/disabled amenities and kitchen facilities. Access to the first floor and mezzanine floor is provided via a passenger lift or internal staircase. The first floor comprises a mixture of open plan and partitioned office space, along with meeting/board rooms and staff amenities.



MEETING ROOM



KITCHEN



RECEPTION



SHOWROOM



FIRST FLOOR OFFICES





Mezzanine Floor

The mezzanine floor extends south from the main office/administration area and is accessed via the lift or internal stairs. Layout comprises a main corridor along with open plan and partitioned office space and staff amenities. The majority of the mezzanine level is currently being utilised as basic storage space only. Due to the substantial under-utilisation of this space (utilised as storage), we have attributed it no value within our report.



MAIN CORRIDOR



STAFF LUNCH ROOM



OFFICE SPACE



STORAGE SPACE (UNDER-UTILISED)



Warehouse/Production

The warehouse/production area comprises unencumbered space, along with an area under the mezzanine. Layout comprises a mixture of clearspan space, manufacturing/assembly areas, production offices and staff amenities. Lighting is a mixture of high bay halogen and natural.



WAREHOUSE SPACE



MANUFACTURING/ASSEMBLY AREAS



PRODUCTION OFFICES



LUNCH ROOM



VIEW FROM WAREHOUSE TO AREA UNDER
MEZZANINE



LOADING DOCKS

11.03 Other Improvements

Other improvements include:

- Concrete driveways and hardstand
- Boundary fencing
- Powder coated aluminium entry gates
- Soft landscaping
- Plant room and electricity substation
- Signage



11.04 Building Areas

Component	Area (m ²)
Ground Floor Offices	840
First Floor Offices	840
Mezzanine Offices	1,612
Mezzanine Storage	1,988
Warehouse	6,218
Gross Floor Area	11,498
Gross Building Area	7,058

Component	Ratio
Site Coverage	42.75%
Office/Warehouse	28.63%

The areas have been calculated or stated on the plan as measured from the outer face of the external walls. The gross building area (GBA) is the "footprint" of the building on the site. Site coverage is the GBA divided by the land area.

Source: Plans

All areas except those sourced from a Strata Plan are subject to survey to confirm accuracy. Our valuation is on the basis that the areas advised are accurate. In the event that these areas are incorrect and/or incomplete, this valuation may require revision.

11.05 Age and Condition

The building appears to have been erected circa 1999/2000 and is in good condition. Refurbishment of the ground and first floor offices, along with construction of the mezzanine level was completed circa 2008.

During inspection of the property no significant items of repair were noted.



11.06 Improvements Summary

Feature	Rating	Comment
Appearance	Positive	Well designed building with attractive street presence.
Layout	Neutral	Typical for an asset within this segment.
Condition	Positive	Well maintained building presenting in good condition.
Size	Neutral	Typical for an asset within this segment. Office/warehouse ratio is towards the upper end of market parameters.

12.0 Occupancy Details

As per our instructions, our assessment is based upon a sale and leaseback arrangement. We have been provided with the following lease details. This information was supplied verbally by the instructing party.

Lessee	Ainsworth Game Technology Limited
Permitted Use	Design, manufacturing and distribution of gaming machines.
Demised Area	The whole building with the exception of the mezzanine storage areas.
Base Rent p.a.	\$1,310,000 (plus GST)
Term	10 years
Expiry	December 19, 2021
Option	3+3 years
Outgoings	100% payable in addition to the rent, with the exception of insurance.
Rent Reviews	Annual fixed @ 2.0%; Market review at exercise of option (capped at 5.0% increase and collared at 5.0% decrease).
Special Conditions	N/A



12.01 Outgoings

We have provided below a schedule of outgoings for the property. These outgoings represent \$19/m², which is considered to be within market parameters.

Item	Cost (\$)
Land Tax	123,365
Council Rates	48,344
Water Rates	1,412
Insurance*	30,000
Lift Maintenance	5,304
General Maintenance	5,000
Fire Safety	5,570
Total	218,994
M²/Lettable Area	19.05

* Non recoverable

The above outgoings comprise a combination of supplied information and/or our own estimates. Our valuation is based on the detail above. In the event that these details are incorrect and/or incomplete, then this valuation may require revision.



13.0 Market Commentary

Industrial yields throughout the Sydney Metropolitan area have generally softened over the past three years. Average yields for A-grade stock peaked in the second half of 2007 at between 7.00 and 7.75%. As a result of the GFC, average yields within this segment have softened by up to 150 basis points. Notwithstanding, the majority of softening occurred through 2008 with yields having stabilised over the past two years – averaging 8.00% to 9.00%.

Net face rents for the inner/central western industrial precincts currently average between \$100/m² p.a. and \$125/m² p.a. According to local commercial real estate agents, increasing demand for A-grade premises has resulted in downward pressure on incentive levels – now averaging 8% to 10%. This is considered to be a positive sign towards potential rental growth over the short/medium term.

Demand from investors has been more subdued through 2011, which can be attributed to negative economic sentiment, along with funding constraints - particularly within the \$10 million plus segment. Furthermore, the last quarter of 2011 has particularly been subdued, with the worsening European sovereign debt crisis impacting local sentiment. In the current market, the majority of demand is generated for 10+ year initial terms with strong lease covenants to high quality tenants (National, ASX listed etc). Secondary assets with poor lease covenants and/or short remaining lease terms are less sought-after and therefore attract a higher yield.

In summary, the Sydney Metropolitan industrial market has now stabilised from the GFC, however yields remain up to 150 basis points softer. A general re-weighting of risk has occurred and as such, investors are more critical of secondary stock with poor lease covenants. Our outlook for the sector is stable for the short term with minimal rental/capital growth.



14.0 SWOT Analysis

The points that we have considered include, but are not necessarily limited to, the following.

Strengths

Asset

- Modern asset with functional layout.
- Recently refurbished and new office space.
- Lift access to each level.
- Drive around capability.
- Good onsite parking provision.

Location

- Well located within a popular industrial/business park precinct.
- Within close proximity to major arterial roads including the M4 motorway and Parramatta Road.

Occupancy

- Notional lease to Ainsworth Game Technology Limited (ASX listed).
- Remaining lease term of 10 years with fixed annual reviews.

Weaknesses

Asset

- Office/warehouse ratio is towards the upper end of market parameters.
- Warehouse area under the mezzanine is not clearspan.

Location

- Positioned directly opposite Silverwater correctional facility.

Occupancy

- None apparent.

Opportunities

- Fit-out of the under-utilised mezzanine area.
- Improvements in the local/global economy may lead to increased demand/activity in this segment.

Threats

- Increasing \$A has lead to decreased demand for manufacturing exports impacting upon the viability of some industrial tenants.
- Further deterioration of the local/global economy may lead to further reduced demand/activity within this segment.



15.0 Market Evidence

15.01 Rental Evidence

We have provided below a list of our primary rental evidence utilised in estimating the market rental for the subject property.

Address	Tenant	Area	Rate/m ²	Commence	Term
Block E, Regents Park Estate	Tebi Pty Ltd	14,567	\$95	Jul 11	5
Comprises 'Block E' within a modern industrial/office development comprising low and high clearance buildings. Leased to a company associated with Matt Blatt furniture. The building has frontage to Rose Crescent and comprises a tilt slab industrial premises. Annual reviews are fixed at 3.0%, with incentives of approximately 16% agreed.					
8 Penelope Crescent, Arndell Park	Tyre Max	11,423	\$105	May 11	5
Modern tilt concrete panel warehouse building with large awning extending from the northern elevation. The building has clearance height of approximately 6 metres with access provided via various roller shutter doors. Two access points are available from Penelope Crescent. Annual reviews and incentives are unknown.					
Block W, Regents Park Estate	Thomas Electrics	5,396	\$110	Jan 11	10
Comprises 'Block W' within a modern industrial/office development comprising low and high clearance buildings. The building has frontage to Commercial Road and Industry Street and comprises a tilt slab industrial premises with two level office component. Annual reviews are fixed at 3.5% (commencing Yr4), with incentives of approximately 10% agreed.					
Building B, Rosehill Industrial Estate	Fuji Xerox	8,852	\$120	Sep 11	5
Comprises a modern industrial development located in the central west industrial area of Camellia opposite Rosehill Gardens Race Course. Located within proximity to James Ruse Drive and the M4 motorway. Onsite parking for 69 vehicles is also included. Annual reviews are fixed at 3.25% with a market review due at exercise of option. Incentives of approximately 8% applicable.					

As depicted above, our primary evidence reflects a net rental range of between \$95/m² and \$120/m² p.a. In general, our research suggests that average rental ranges for A-grade industrial stock within the Inner/Central Western industrial precincts of Sydney are between \$110/m² and \$120/m² p.a. net.



15.02 Net Income Assessment

We have provided below, our net market rental estimate for the subject property based upon market evidence. The adopted rental reflects \$114/m² (GFA), which is considered to be within market parameters.

Component	Area (m ²)	Rent (\$/m ²)	Net Rental (p.a.)
Ground Floor Offices	840	210	\$176,400
First Floor Offices	840	210	\$176,400
Warehouse	6,218	105	\$652,890
Mezzanine Offices	1,612	190	\$306,280
Total			\$1,311,970
Adopt			\$1,310,000

15.03 Sales Evidence

We have provided below a list of our primary sales evidence utilised in assessing the market value for the subject property. It is important to note that sales activity within this market segment (single tenanted) has been limited through 2011.

Address	Sale Price	Sale Date	Land Area (m ²)	Lettable Area (m ²)	Term Remain (yrs)	Net Income (p.a.)	Capital Value	Initial Yield
43 NEWTON RD, WETHERILL PARK	\$12,750,000	Aug-10	20,950	10,908.7	7.1	\$1,255,349	\$1,169	9.84%



Modern tilt concrete industrial facility (circa 2007) comprising clearspan warehouse space, along with two levels of offices and on-site parking for 160 vehicles. The warehouse has a clearance height of 10-11 metres, with vehicular access via 11 loading docks. The office space is modern with lift access between each level. Positioned on the southern side of Newton Road within the Wetherill Park Industrial Estate.

Leased to Thom Lighting Pty Ltd on an 8+5+5 year term commencing 7 October 2009. Sold at auction via mortgagee to a private investor.

Address	Sale Price	Sale Date	Land Area (m ²)	Lettable Area (m ²)	Term Remain (yrs)	Net Income (p.a.)	Capital Value	Initial Yield
15-17 LOYALTY ROAD, NORTH ROCKS	\$18,050,000	Apr-10	40,410	12,145	8.2	\$1,471,879*	\$1,383 [^]	8.15%



Modern tilt concrete industrial facility (circa mid 1990's) comprising clearspan warehouse space (fully sprinklered), along with two levels of offices adjacent to the south-eastern corner. The warehouse has a clearance height of up to 12 metres, with vehicular access via various roller shutter doors to the western elevation. The property also has surplus land available for expansion of the improvements.

Leased to Officeworks on a 10+3x5 year term. Sold via an expressions of interest campaign. Reviews are fixed at 4.0% with a market review (with ratchet) at years 6 & 11.

*Reviewed rental as at August 2010.

[^]Accounts for unutilised land (5,000m² @ \$250/m²)



Address	Sale Price	Sale Date	Land Area (m ²)	Lettable Area (m ²)	Term Remain (yrs)	Market Income (p.a.)	Capital Value	Market Yield
195 NEWTON ROAD, WETHERILL PARK	\$12,500,000	Aug-10	20,350	11,162	1.5	\$1,180,000	\$1,120	9.44%



Modern tilt concrete industrial facility (circa 2000) comprising clearspan warehouse space, along with two levels of offices. The warehouse has a clearance height of 8-9 metres, with vehicular access via various roller shutter doors. Positioned on the northern side of Newton Road, approximately 500 metres east of the intersection with Cowpasture Road within the Wetherill Park Industrial Estate.

Leased to Blue Star Logistics Australia Pty Ltd on a 10 year term expiring April 2012. Purchased with the intention to occupy post lease expiry. The initial passing yield reflected 10.62%, due to an above market rent.

Address	Sale Price	Sale Date	Land Area (m ²)	Lettable Area (m ²)	Term Remain (yrs)	Net Income (p.a.)	Capital Value	Initial Yield
51 EASTERN CREEK DRIVE, EASTERN CREEK	\$33,250,000	Oct-10	40,530	26,248	5.7	\$2,736,475	\$1,267	8.23%



Modern (circa 2008) high quality industrial distribution facility separated into two units. Comprises tilt concrete building with steel portal frame and clearance of approximately 10-12 metres. On-site parking for approximately 180 vehicles is also provided. Positioned at Eastern Creek, within close proximity to the M7 motorway.

Investment grade sale with unit 1 leased to DATS Pty Ltd (11,893m²) on a 10 year initial term expiring 30 October 2018 and unit 2 (14,395m²) leased to DHL Supply Chain (Australia) Pty Ltd on a 5 year initial term expiring 31 May 2014. Purchased by Dexu Property Group.

15.04 Sales Reconciliation

Address	Comments
43 Newton Road	Slightly larger land in an inferior location. Slightly more modern improvements of a similar size and overall quality. Strong lease covenant with lower remaining lease term. Sold via mortgagee reflecting a higher than anticipated yield. The subject is expected to reflect a lower yield and higher capital value rate.
15-17 Loyalty Road	Larger land in an inferior location. Slightly more dated, similar size improvements. Inferior overall quality. Lower remaining lease term. Single national tenant with strong lease covenant underpins yield. The subject is expected to reflect a similar yield and similar capital value rate.
195 Newton Road	Slightly larger land in an inferior location. Similar age/size improvements. Inferior overall quality. Far lower remaining lease term with purchaser intending on owner occupying. Single national tenant. Low remaining term reflected in the higher yield. The subject is expected to reflect a lower yield and higher capital value rate.
51 Eastern Creek Drive	Larger land in an inferior location. More modern/larger improvements. Similar overall quality. Lower remaining lease term. Occupied by two tenants on strong lease covenants. The subject is expected to reflect a similar to slightly lower yield and higher capital value rate.



Furthermore, the above sales evidence reflects a market IRR range of between 9.50% and 10.50% (after costs). This has also been of assistance in determining the value of the subject property.

Having regard to our sales evidence, along with the specific attributes of the subject property, we have adopted the following valuation parameters:-

Initial Yield	8.00% - 8.50%
Discount Rate (IRR)	9.50%

16.0 Valuation Rationale

International Valuation Standards (IVS) 2007 details the definition and application of valuation approaches for property/real estate valuation reports as follows:-

- 9.1 *Valuations of any type, whether undertaken to estimate market value or a defined non-market value, require that the Valuer apply one or more valuation approaches. The term "valuation approach" refers to generally accepted analytical methodologies that are in common use. In various States these approaches may be referred to as "valuation methods".*
- 9.2 *Market based valuations normally employ one or more of the valuation approaches by applying the principle of substitution, using market-derived data. This principle holds that a prudent person would not pay more for a good or service than the cost of acquiring an equally satisfactory substitute good or service, in the absence of the complicating factors of time, greater risk, or inconvenience. The lowest cost of the best alternative, whether a substitute or the original, tends to establish Market Value.*

We have relied upon the income capitalisation method of valuation as our primary approach. As a secondary approach, we have utilised the discounted cash flow method of valuation.



16.01 Income Capitalisation Approach

In accordance with IVS 2007 9.2.1.2 *this comparative approach considers income and expense data relating to the property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.*

Our income capitalisation approach calculations are as follows:-

	(\$)	
Rental Income	1,310,000	
Outgoings Income	188,994	
Gross Annual Income	1,498,994	
Less Outgoings Payable	-218,994	
Net Annual Income	1,280,000	
Capitalised @	8.00%	8.50%
Calculated Value Range	16,000,000	15,058,824
Market Value (Adopt)		\$15,500,000



16.02 Discounted Cash Flow Approach

In accordance with International Valuation Standards, the DCF method utilises explicit assumptions regarding the benefits and liabilities of ownership over the assets life including an exit or terminal value.

Our critical inputs and assumptions are as follows:-

DCF Inputs/Assumptions

<i>Cash Flow Period[^]</i>		10 Yrs
<i>Income</i>	Current Net Rent	1,310,000
	Market Rent (Yr. 0)	1,310,000
<i>Adjustments</i>	Fixed Increases	2.00%
	CPI	2.75%
	CapEx (yr/yr)	\$2.00/m ²
	Refurbishment	10.00%
<i>Outgoings</i>	Recoverable	188,994
<i>Hurdle Rates</i>	Discount Rate	9.50%
	Terminal Yield	8.50%
<i>Vacancy/Letting Up</i>	Letting Up (yrs)	1
	Retention	50%
	Incentive (yrs)	0.25
<i>Acquisition/Realisation</i>	Selling Costs	0.50%
	Acquisition costs*	6.00%

* Include stamp duty, legals, due diligence etc.

[^] 10+3+3 year net commercial lease arrangement.

Our DCF analysis based upon the above inputs/assumptions is as follows:-



Year	19-Dec-11 0	19-Dec-12 1	19-Dec-13 2	19-Dec-14 3	19-Dec-15 4	19-Dec-16 5	19-Dec-17 6	19-Dec-18 7	19-Dec-19 8	19-Dec-20 9
<i>Income</i>										
Rental Income	1,310,000	1,336,200	1,362,924	1,390,182	1,417,986	1,446,346	1,475,273	1,504,778	1,534,874	1,565,571
Outgoings Income	188,994	194,191	199,532	205,019	210,657	216,450	222,402	228,518	234,802	241,260
Gross Income	1,498,994	1,530,391	1,562,456	1,595,201	1,628,643	1,662,796	1,697,675	1,733,296	1,769,676	1,806,831
<i>Expenditure</i>										
Outgoings Payable	-218,994	-224,191	-229,532	-235,019	-240,657	-246,450	-252,402	-258,518	-264,802	-271,260
Capex	-19,000	-19,523	-20,059	-20,611	-21,178	-21,760	-22,359	-22,973	-23,605	-24,254
Redecorate										-116,000
Letting Up										-903,415
Incentives										-391,393
Relisation Costs										-96,697
Total Expenditure	-237,994	-243,714	-249,591	-255,630	-261,835	-268,210	-274,761	-281,492	-288,408	-1,803,019
Net Cashflow	1,261,000	1,286,678	1,312,865	1,339,571	1,366,808	1,394,586	1,422,914	1,451,805	1,481,269	3,812
Realisation (Yr 10)										19,339,410

Based on our inputs, our DCF analysis produces the following results:

Results

NPV Cashflow	8,700,837
PV Terminal Value	7,803,726
Acquisition (incl. costs)	16,504,564
Less Costs	-990,274
Market Value	15,514,290
Adopt	15,500,000

16.03 Valuation Conclusion

Capitalisation	\$15,500,000
Discounted Cash Flow	\$15,500,000
Market Value (Adopt)	\$15,500,000



17.0 Valuation

We are of the opinion the market value of the subject property subject to notional lease, for financial reporting purposes, subject to the comments and qualifications contained within this report document, as at December 19, 2011 is:

\$15,500,000

(FIFTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS)

The valuation figure determined above is exclusive of GST.

ROBERTSON & ROBERTSON

A handwritten signature in black ink, appearing to read 'Luke Chadwick', written over a dotted line.

LUKE CHADWICK
Commercial Valuations Manager
B. Com (Prop Econ)
AAPI Certified Practising Valuer
Registered Valuer 10484

ROBERTSON & ROBERTSON
CONSULTING VALUERS

Mark Ludski
Chief Financial Officer/Company Secretary
Ainsworth Game Technology Pty Ltd

December 14, 2011

Quotation No: 11748

Dear Mark,

PROPOSAL	10 HOLKER STREET, NEWINGTON
Property Type	Industrial premises
Description	Owner occupied property
Valuation Purpose	Financial Reporting
	This valuation is not to be relied upon for the purposes of obtaining a mortgage.
Interest to be Valued	Unencumbered fee simple
Basis of Value	Value assuming market lease terms and conditions
Scope of Works	<ul style="list-style-type: none"> • Pre-inspection enquiries • Initial market research and collation of relevant material • Property inspection • Consideration of market evidence • Post inspection enquiries • Report preparation and delivery

Should you wish to proceed with the valuation, please sign below and the accompanying Fee Agreement and return both pages via email or fax.

We look forward to being of assistance to you. If you wish to discuss any aspect of this proposal, please contact the undersigned.

Yours faithfully,
ROBERTSON & ROBERTSON

.....
LUKE CHADWICK
Commercial Valuations Manager
B. Com (Prop Econ)
AAPI Certified Practising Valuer
Registered Valuer 10484

I accept your quotation:

Date: 19 December 2011

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GPO Box 1640, Sydney NSW 2001

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Facsimile: [61 2] 8235 7550
www.lonerganedwards.com.au

The Independent Directors
Ainsworth Game Technology Limited
10 Holker Street
Newington NSW 2127

11 January 2012

Subject: Sale and leaseback of building to / from Associated World Investments Pty Ltd

Dear Sirs

Introduction

- 1 On 20 December 2011, Ainsworth Game Technology Limited (AGT or the Company) and Associated World Investments Pty Ltd (AWI), an entity owned and controlled by the Executive Chairman, Mr Len Ainsworth (Mr Ainsworth) entered into a Sale and Leaseback Agreement (the Agreement). Under the terms of the Agreement, AGT proposes to sell its premises located at 10 Holker Street, Newington, NSW (the Property) to AWI for a price of \$20.3 million (exclusive of GST) (the Purchase Price) and enter into a leaseback of the Property (excluding the mezzanine storage areas) with AWI on terms and conditions set out in the Agreement (the Proposed Transaction). The Agreement is conditional upon the parties agreeing and entering into the contract for sale and the lease agreement and receiving shareholder approval.
- 2 The obligation of AWI to pay the Purchase Price to AGT will be fully satisfied by an equivalent prepayment or payment of the amounts owing by AGT to AWI under the Secured Facility and Unsecured Facility. Payments will first comprise principal owing under the facilities and then be applied to accrued interest under the Unsecured Facility and thereafter to the accrued interest under the Secured Facility.
- 3 As at the date of our report, Mr Ainsworth and entities controlled by him, own 174,044,331 ordinary shares (62.39% of the issued shares) and 10,385,282 convertible notes (60.51% of the convertible notes currently on issue) in AGT.

Scope

- 4 The Proposed Transaction is a related party transaction under Chapter 2E of the *Corporations Act 2011* (Cth) (Corporations Act) and the Australian Securities Exchange (ASX) Listing Rules and requires the approval of AGT shareholders that are not considered a party to the transaction (the non-associated shareholders). The ASX Listing Rules require the notice of meeting sent to shareholders to include an independent expert's report (IER), stating whether the transaction is "fair and reasonable" to the non-associated shareholders¹.

¹ Chapter 2E of the Corporations Act does not impose an IER requirement.

- 5 Accordingly, the Independent Directors of AGT that are not associated with the Proposed Transaction have requested that LonerGAN Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Proposed Transaction is “fair and reasonable” to the non-associated shareholders, together with the reasons for this opinion.
- 6 Our report will accompany the notice of the General Meeting and Explanatory Statement (the Meeting Documents) sent by AGT to its shareholders for the purposes of approving the Proposed Transaction.
- 7 LEA is independent of AGT and Mr Ainsworth and has no other involvement or interest in the transaction.

Summary of opinion

- 8 In LEA’s opinion, the Proposed Transaction is “fair and reasonable” to the non-associated shareholders of AGT. This is primarily because:
 - (a) the assets being acquired by AWI are as follows:
 - (i) the market value of the Property (excluding the mezzanine level improvements which, is Stage 1 of a building upgrade / development) has been assessed at \$15.5 million (exclusive of GST) by Robertson & Robertson Consulting Valuers (Independent Property Valuer)
 - (ii) the mezzanine level improvements will have a written down value of \$4.38 million as at 31 December 2011 and were undertaken at a cost of \$4.8 million (\$4.1 million in FY08 and \$0.7 million in FY09). The cost of the mezzanine level improvements will be recouped as part of the sale of the Property
 - (b) the Purchase Price of \$20.3 million (exclusive of GST) comprises the independently assessed market value of the Property (\$15.5 million exclusive of GST) and the cost of the mezzanine level improvements which are not reflected in the market value of the Property due to the incomplete nature of the total proposed upgrade / redevelopment (\$4.8 million exclusive of GST)
 - (c) as (a) and (b) are equal, the Proposed Transaction is “fair” to the non-associated shareholders of the Company (i.e. the Purchase Price is equivalent to the independently assessed market value of the Property plus the cost of the improvements)
 - (d) the rental to be charged under the lease is equivalent to the market rate assessed by the Independent Property Valuer
 - (e) the terms of the lease are consistent with an arm’s length arrangement and are based on the standard NSW Law Society Lease – 2006 edition
 - (f) the sale and leaseback will result in rental expense of some \$1.64 million per annum (inclusive of outgoings) being incurred for the next 10 years. This expense is offset by interest savings of some \$2.7 million per annum (based on projected FY12 interest costs). This will impact favourably on the earnings per share (EPS)
 - (g) a capital profit on sale (after tax) of \$2.6 million will be recognised on the sale of the Property in the year ended 30 June 2012
 - (h) as a result of (g) above, the Proposed Transaction increases the Company’s net asset backing per share

- (i) the ability of AGT to pay its creditors will be improved as the annual rent commitment is less than the interest expense incurred on AGT's debt.

Advantages and disadvantages

- 9 In concluding whether the Proposed Transaction is "fair and reasonable" to the non-associated shareholders of the Company we have also had regard to the advantages and disadvantages of the Proposed Transaction from the perspective of non-associated AGT shareholders:

Advantages

- (a) the Proposed Transaction enables AGT to realise value for a surplus asset (i.e. surplus to the Company's main operating activity) and to use the proceeds to reduce debt
- (b) the Proposed Transaction is more expedient than selling the Property to a third party given the current economic conditions and the nature of the Property
- (c) if the Proposed Transaction is implemented AGT shareholders (taken as a whole) will benefit from a higher NTA per share and higher earnings per share
- (d) the Proposed Transaction does not reduce the Secured Facility limit of \$40 million and as a result AGT will still have this facility available to fund operations, if required

Disadvantages

- (e) if the Proposed Transaction (or any sale and lease back transaction) is implemented:
 - (i) AGT relinquishes its title to the Property and the indefinite tenure period associated with owning the Property
 - (ii) AGT will forgo any future market value appreciation of the Property
- (f) if the Lease is not renewed by AWI at the end of the Lease term (of 16 years), AGT will incur costs in making good the Property and relocating the Company's operations. These costs would also be incurred if AGT entered into a sale and leaseback arrangement with a third party.

- 10 On balance, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages.

Other matters

- 11 In preparing this report we have considered the interests of the AGT non-associated shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 12 The ultimate decision by AGT non-associated shareholders whether to approve the Sale and Leaseback of the Property should be based on each non-associated shareholder's assessment of the Proposed Transaction. This report has been provided for shareholders in AGT not associated with Mr Ainsworth.

- 13 If in doubt about the Proposed Transaction or matters dealt with in our report, shareholders should seek independent professional advice. For our full opinion on the Proposed Transaction, and the reasoning behind our opinion, we recommend that AGT non-associated shareholders read the remainder of our report.

Yours faithfully



Julie Planinic
Authorised Representative



Wayne Lonergan
Authorised Representative

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I Key terms of the Proposed Transaction

- 14 On 20 December 2011, AGT and AWI, an entity owned and controlled by the Executive Chairman, Mr Ainsworth entered into the Sale and Leaseback Agreement (the Agreement). Under the terms of the Agreement, AGT proposes to sell its premises located at 10 Holker Street, Newington, NSW (the Property) to AWI for a price of \$20.3 million (exclusive of GST) (the Purchase Price) and enter into a leaseback of the Property (excluding the mezzanine storage areas) with AWI on the terms and conditions set out in the Agreement (the Proposed Transaction).
- 15 Under the terms of the Agreement², despite any contrary provision in the Property Contract, the obligation of AWI to pay the Purchase Price to the Company will be fully satisfied by an equivalent reduction to the prepayment or payment (as indicated below) against amounts owing by the Company to AWI under the loan facilities, such reduction prepayments or payments to be made in the following order of precedence until the full amount of the Purchase Price has been satisfied:
- (a) firstly, in satisfaction as prepayment of the total principal owing under the Secured Facility (being \$13,126,773 as at the date of the Agreement)
 - (b) secondly, payment in satisfaction of the total principal owing under the Unsecured Facility (being \$4,800,583 as at the date of the Agreement)
 - (c) thirdly, in full or part satisfaction of the accrued interest owing under the Unsecured Facility (being \$1,528,621 as at 31 December 2011); and
 - (d) fourthly and finally, in part (if any) satisfaction of the accrued interest owing under the Secured Facility (being \$15,014,084 as at 31 December 2011).
- 16 Following completion of the Proposed Transaction amounts owing to AWI, representing accrued interest, will be approximately \$11.9 million.
- 17 The terms of the Lease for the Property are as follows:
- (a) AGT will lease the Property (excluding the mezzanine storage areas)
 - (b) the lease commences on completion of the sale and lease-back of the Property
 - (c) the term of the Lease will be for an initial period of 10 years with two options to renew granted to the Company of three years each (each such option is to be exercised by the Company at least three months prior to the expiry of the current term)
 - (d) the initial rent payable by the Company to AWI will be \$1,310,000 (exclusive of GST) per annum, subject to annual increases of 2.0% per annum and market rent reviews³ on the exercise of an option (in each case as defined in the Lease)
 - (e) the Company will pay the standard outgoings with respect to the Property (excluding the mezzanine storage areas), being:
 - (i) council rates and charges

² Clause 3.2 of the Agreement.

³ A 5% cap and collar in place on market rent review.

- (ii) water, sewerage and drainage charges
- (iii) land tax (on a single holding basis)
- (iv) repair and maintenance charges that are not capital in nature; and
- (v) landscaping costs
- (f) the permitted use for the Property will be as commercial offices and factory
- (g) AWI as lessor will be required to maintain adequate building insurance at AWI's cost
- (h) the Company as lessee will be required to maintain public liability insurance in the amount of \$10 million for each accident or event
- (i) the Company will not be required to provide any security deposit, bank guarantee or other security with respect to the Lease
- (j) AWI must carry out any works to the Property necessary to comply with the obligations of the Lease and may also undertake minor repairs on the Property with the agreement of the Company which will not be unreasonably withheld
- (k) subject to (i) above, in the event that AWI carries out any other building improvements, the costs of those building improvements are to be borne solely by AWI, except that the rent payable by the Company to AWI may be adjusted to factor in any additional floor space created by the building improvements if that additional floor space is occupied by the Company
- (l) the make good obligations of the Company as lessee shall be restricted to reinstating the property to its condition at the commencement date of the Lease (fair wear and tear excepted) and for the avoidance of doubt, the Company shall not be required to repaint or otherwise restore the surfaces of the Property
- (m) each party will bear its own costs in relation to the preparation, negotiation and execution of the Lease
- (n) the Company will pay the costs of registering the Lease at Land and Property Information, NSW.

Conditions precedent

18 The obligations of the parties under the Agreement do not become binding until each of the following conditions precedent are met:

- (a) the parties agree the terms of, and enter into, the contract for sale and the lease agreement (Transaction Documents)
- (b) the Shareholders at a general meeting of the Company approving the Proposed Transaction in accordance with Chapter 2E of the Corporations Act and Listing Rule 10.1 (after being given all the information required by those provisions) at which no votes are cast in relation to the resolution by Mr Ainsworth or by any person who is an associate of Mr Ainsworth (other than directed votes cast as proxy for persons entitled to vote).

II Scope of our report

Purpose

- 19 The Proposed Transaction is a related party transaction under Chapter 2E of the Corporations Act and the ASX Listing Rules and requires the approval of AGT shareholders that are not considered a party to the transaction (the non-associated shareholders). The ASX Listing Rules require the notice of meeting sent to shareholders to include an IER, stating whether the transaction is “fair and reasonable” to the non-associated shareholders⁴.
- 20 Accordingly, the Independent Directors of AGT that are not associated with the Proposed Transaction have requested that LEA prepare an IER stating whether, in our opinion, the Proposed Transaction is “fair and reasonable” to the non-associated shareholders, together with the reasons for this opinion.
- 21 Our report will accompany the Meeting Documents sent by AGT to its shareholders for the purpose of approving the Proposed Transaction.
- 22 LEA is independent of AGT and Mr Ainsworth and has no other involvement or interest in the transaction.

Basis of assessment

- 23 In preparing our report, we have given due consideration to the ASX Listing Rules and Regulatory Guides issued by the Australian Securities & Investments Commission (ASIC), Particularly Regulatory Guide 111 – *Content of expert reports* (RG 111) and Regulatory Guide 76 – *Related Party Transactions* (RG76)⁵.
- 24 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to a substantial holder (of > 10% of the voting rights) or an associate of a substantial holder without the approval of holders of the entity’s ordinary securities. Approval is required by resolution at a general meeting.
- 25 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity.
- 26 ASX Listing Rule 10.10 requires that the notice of general meeting includes a report from an independent expert stating whether the transaction is fair and reasonable to non-associated holders of the entity’s ordinary securities.
- 27 The ASX Listing Rules does not define “fair and reasonable” in the context of a related party transaction (that is not also considered to be a control transaction). However, RG 111 states that “fair and reasonable” should not be applied as a composite test and states there should be a separate assessment of “fair” and “reasonable”. RG 111 provides that a proposed related party transaction:

⁴ Chapter 2E of the Corporations Act does not impose an IER requirement.

⁵ We will also have regard to Consultation Paper 142 – *Related Party Transactions* and the guidance with respect to IERs.

- (a) is “fair” if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity by the related party. This comparison is required to be made assuming an arm’s length transaction between knowledgeable and willing, but not anxious parties
 - (b) is “reasonable” if it is “fair”. A related party transaction may also be “reasonable” despite being “not fair” if the expert believes there are other reasons for non-associated shareholders to vote for the proposal.
- 28 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposed Transaction is “fair and reasonable” to the non-associated shareholders is to consider:
- (a) the value of the Property (market value as assessed by an independent property valuer and the mezzanine level improvements)
 - (b) the consideration payable by AWI for the Property (i.e. the Purchase Price)
 - (c) the extent to which (a) and (b) differ in order to assess whether the transaction is “fair”
 - (d) the terms of the lease between AWI and AGT for the premises
 - (e) the impact of the Proposed Transaction on EPS
 - (f) the impact of the Proposed Transaction on the net asset backing per share
 - (g) the impact on the Company’s cash reserves / debt position and ability to pay its creditors
 - (h) any issues associated with the related party shareholder.
- 29 In considering the reasonableness of the Proposed Transaction we have considered the position of AGT before and after the Proposed Transaction and have assessed the net benefits inherent in the transaction.
- 30 We have concluded that the Proposed Transaction is reasonable to AGT non-associated shareholders if the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of AGT non-associated shareholders.

Limitations and reliance on information

- 31 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over a relatively short period of time.
- 32 Our report is also based upon financial and other information provided by AGT (including the independent property valuation). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 33 The information provided was evaluated through analysis, equity and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of the AGT non-associated shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecast is beyond the scope of an IER.
- 34 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transactions rather than a comprehensive audit or investigation of detailed matters.
- 35 In forming our opinion, we have also assumed that the information set out in the Explanatory Statement is complete, accurate and fairly presented in all material respects.

III Valuation of the Property

- 36 An independent valuation of the Property was undertaken by the Independent Property Valuer and presented in a Valuation Report as at 19 December 2011 (Valuation Report). A summary of the key points from the Valuation Report follows.

Basis of valuation

- 37 The market value of the Property has been assessed in accordance with the following definition⁶:

“the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion”.

- 38 The following assumptions are implicit in the valuation of the Property:
- (a) the valuation assumes that the sale and leaseback arrangement is in place, that is, that the Property is tenanted on a long term lease
 - (b) the mezzanine floor area is part of a larger property redevelopment and at this time is predominantly basic storage space and is substantially underutilised. As a result, no value has been attributed to these improvements when assessing the current market value of the Property.

Valuation methodology

- 39 The Independent Property Valuer applied a number of valuation methodologies to assess the value of the Property, including:
- (a) **income capitalisation methodology** – this methodology involves the application of a market yield to the net rental from the Property to indicate its market value. The assessed net rental was based on first year net rental income from the Property. The market yield was assessed having regard to the strength, weakness, opportunity and threat (SWOT) analysis factors affecting the Property, outlook for the market and yields indicated from relevant sales evidence (paragraph 16.01 of the Valuation Report)
 - (b) **discounted cash flow methodology** – this methodology involves calculating the present value of the Property using forecast cash flows and discount rates based on industry benchmarks (paragraph 16.02 of the Valuation Report)
 - (c) **direct comparison methodology** – where the valuation of Property is based on observed historical transactions, usually expressed in terms of dollar value per square metre of lettable area (paragraph 16.03 of the Valuation Report).

⁶ International Valuation Standard 1.

- 40 Of the three methodologies mentioned above, the initial yield capitalisation methodology was the primary methodology adopted by the Independent Property Valuer with the other two methodologies used as a cross-check.

Market value of the Property

- 41 The following table summarises the independent valuation of the Property:

Market value of the Property	
Summary of independent valuation	
Valuation date	19 December 2011
Market value	\$15,500,000 exclusive of GST ⁽¹⁾
Primary methodology	Income capitalisation approach – first year rental earnings capitalised at an appropriate yield ⁽²⁾
Net rental income adopted	\$1,280,000 – being rental income of \$1,310,000 plus outgoings of \$188,994 recovered less outgoings paid of \$218,994 ⁽³⁾
Yield ⁽³⁾	8.25%

Note:

- 1 Paragraph 17 of the Valuation Report.
- 2 Paragraph 16 of the Valuation Report.
- 3 Paragraph 16.01 of the Valuation Report.

Building improvements

- 42 The valuation is based on current lettable area (excluding the mezzanine storage areas). That is, the area on which a hypothetical purchaser of the building would receive rental income. Costs of \$4.8 million have been incurred in constructing the mezzanine level and cannot be dissected between what is currently occupied as office space and the remainder which is not utilised. However, as these costs are attributable to a larger redevelopment plan for the site which may proceed in the future and enhance the value of the Property once complete, AGT and AWI have agreed that the Purchase Price should include the cost of \$4.8 million associated with these improvements.
- 43 The written down value of the improvements as at 31 December 2011 is estimated at \$4.38 million.

IV Evaluation of the Proposed Transaction

Summary

- 44 In LEA's opinion, the Proposed Transaction is fair and reasonable to the shareholders of AGT not associated with Mr Ainsworth. We have arrived at this conclusion after considering the following:
- (a) the market value of the Property
 - (b) the purchase consideration for the Property
 - (c) the difference between (a) and (b) in order to assess if the Sale is fair
 - (d) the rental to be charged under the Lease and the terms of the Lease
 - (e) the impact of the rental expense and interest savings on AGT's EPS
 - (f) the impact of the Proposed Transaction on the Company's net asset backing per share
 - (g) the impact on the Company's debt position and ability to pay its creditors
 - (h) any issues associated with the related party shareholders.

Value of the Property

- 45 As per Section III, the Independent Property Valuer has assessed the value of the Property at \$15.5 million exclusive of GST and attributed no value to the underutilised mezzanine storage areas.
- 46 AWI and AGT have agreed that the Purchase Price should include the costs associated with these improvements of some \$4.8 million exclusive of GST.

Purchase Price

- 47 Under the terms of the Agreement, AWI has agreed to pay \$20.3 million for the Property plus GST.

Assessment of fairness of the sale

- 48 As the Purchase Price is equal to the assessed value of the Property plus the cost of the improvements, the sale of the Property is considered to be fair to the non-associated shareholders of AGT.
- 49 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently we have concluded that the sale of the Property is fair and reasonable to the non-associated shareholders of AGT.

Lease terms and charges

- 50 A summary of the key lease terms is outlined at paragraph 17 and the financial impact is as follows:
- (a) AGT will lease the Property, excluding the mezzanine storage areas
 - (b) rental \$1,310,000 per annum (exclusive of GST) plus outgoings of \$188,994 per annum
 - (c) rent to increase annually by 2%

- (d) initial lease term of 10 years with two options to renew granted to the Company of three years each
- (e) market rental review occurs once the lease option period is entered into with the increase capped at 5% and the decrease limited to 5%.

51 The Independent Property Valuer has assessed the market rental for the Property at \$1,311,970 per annum (exclusive of GST) based on the net lettable area excluding the mezzanine storage area (paragraph 15.02 of the Valuation Report).

52 Based on:

- (a) the rental charge being consistent with a market based rental
 - (b) the 10 year initial lease term with two options for renewal
 - (c) market based adjustments to the rental charge
 - (d) the lease agreement being in the form of the NSW Law Society Lease – 2006 edition
- the terms of the lease are considered to be on normal commercial terms. Consequently we have concluded that the Lease of the Property is fair and therefore reasonable to the non-associated shareholders of AGT.

Sale of the Property

53 The Property is a surplus asset (i.e. surplus to the main operating activity of the Company) and the business operations do not depend on the ownership of the Property. The sale and leaseback enables to company to realise value for this asset and reduce interest bearing debt.

54 The sale of the Property and leaseback of the Property (excluding the mezzanine storage areas) will result in the Company losing its title over the Property which provides an indefinite period of tenure. Further, as a consequence of the sale of the Property, AGT will forgo any future market value appreciation of the Property.

55 If the Lease is not renewed at the end of the lease period (some 16 years in total), additional costs will be incurred in making good the Property and relocating the Company's operations⁷. These costs would be incurred irrespective of whether the sale and leaseback was entered into with AWI or a third party. The present value of these costs is not significant. The proceeds from the sale of the Property enable the Company to pay down debt, reduce interest expense and increase its net asset base.

56 Whilst the sale of the Property gives rise to some uncertainty with respect to the tenure of the Property once the lease term of 16 years⁸ ends, the length of the lease is considered to be long-term. The lease of the Property (excluding the mezzanine storage areas) under a long term lease at current market rates does not prejudice the Company's operations. Accordingly, the sale of the Property and the leaseback of the Property (excluding the mezzanine storage areas) under the Proposed Transaction should not result in any adverse consequence for the Company in the short to medium term.

⁷ Current estimates of these costs are \$1.0 million to \$1.5 million.

⁸ Being the total lease term including the option periods.

- 57 The Proposed Transaction involves a related party. Accordingly, we have considered whether the Company could market and sell the Property to a third party and enter into a leaseback arrangement. However, a sale to a third party:
- (a) would result in increased transaction costs (e.g. marketing costs and agent's commission which are estimated to be 1.5% to 2.0% of the sale price⁹)
 - (b) is unlikely to realise the Purchase Price, as AGT is being compensated for improvements undertaken as part of a expansion strategy which is no longer required in the short to medium term and are not reflected in the market value of the Property
 - (c) may be protracted:
 - (i) as the office / warehouse ratio is towards the upper end of market parameters and the warehouse area under the mezzanine is not clearspan (as identified in the SWOT analysis undertaken in the Valuation Report on page 24)
 - (ii) in the current economic climate and require a marketing period of up to six months
 - (d) as a consequence of (c), could not be executed within the timeframe of the Proposed Transaction and would result in the Company incurring interest on the AWI Secured Facility and Unsecured Facility during the marketing period which AGT management estimate at some \$1.4 million.

Impact on earnings

- 58 A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset¹⁰.
- 59 If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. That is, the transaction is a normal sale transaction. The profit on sale as at 31 December 2011 is estimated as follows:

Profit on sale of the Property	
	\$000
Sale proceeds ⁽¹⁾	20,300
Book / carrying value of Property ⁽²⁾	(17,700)
Profit on sale ⁽³⁾	<u>2,600</u>

Note:

- 1 As per the Purchase Price.
- 2 Estimated written down value as at 31 December 2011 (including the cost of improvements).
- 3 No tax is payable as carry forward tax losses will be utilised to offset the capital gain.

⁹ This represents \$0.23 million to \$0.31 million based on the assessed market value of the Property of \$15.5 million.

¹⁰ AASB 117 – Leases paragraph 58.

- 60 Lease payments, at fair value, are charged to the profit and loss as an expense on a straight line basis over the lease term in accordance with paragraph 33 of AASB 117. On this basis, the Company will incur rental expenses, including outgoings, of some \$1.64 million per annum. This expense will be offset by “savings” in the following expenses:
- (a) depreciation of some \$358,000 per annum¹¹
 - (b) interest on the AWI facilities of some \$2.7 million per annum based on projected FY12 interest expense.
- 61 The net income benefit is therefore some \$1.44 million per annum, which equates to 0.5 cents of additional EPS per annum.

Impact on net assets

- 62 The Proposed Transaction will impact the net assets of AGT as follows:

- (a) the sale proceeds will be used to reduce debt
- (b) the net profit on the sale of the Property will increase the net assets of the Company as follows:

Impact on net asset position	Before Transaction \$000	After Transaction \$000
Net assets as at 30 June 2011	38,692	
Less depreciation charge on the Property to 31 December 2011	(179)	
Less Interest of AWI facilities to 31 December 2011	(1,349)	
Pro-forma net asset position	37,164	37,164
Less book value of the Property ⁽¹⁾	-	(17,700)
Less GST payable in respect of the Transaction ⁽²⁾	-	(2,030)
Less estimated transaction costs	-	(60)
Debt reduction ⁽²⁾	-	22,330
Adjusted net assets	37,164	39,704
Number of shares on issue (000)	278,942	278,942
Net asset backing per share (cents)	13.32	14.23

Note:

- 1 Estimated book value as at 31 December 2011 (after allowance for depreciation).
- 2 In consideration of the equivalent reduction in the amounts owing to AWI under the AWI facilities, the Company will pay the GST applicable to the Purchase Price.

- 63 The Proposed Transaction increases the net asset backing per share by some 6.8% as a result of the profit on sale of the Property.

AGT’s ability to pay its creditors

- 64 The Company will use the proceeds of the sale to reduce the AWI facilities. This will reduce the Company’s debt position by some \$22.3 million offset by a reduction in cash of some \$2.0 million arising from payment of GST¹².

¹¹ We note that this is a non-cash expense.

¹² The sale of the Property results in a taxable supply upon which GST is payable.

- 65 As at 30 June 2011, AGT's total cash reserves were \$15.4 million. If the Proposed Transaction is approved, the cash balance will reduce by \$2.0 million arising from the payment of GST. As at 30 June 2011, the Company's trade and other creditors totalled \$8.7 million (excluding loans and borrowings).
- 66 The Company had \$60.7 million of loans and borrowings (\$13.7 million current and \$47.0 million non-current) as at the end of the 2011 financial year. The Proposed Transaction will reduce this exposure by \$22.3 million.
- 67 The Proposed Transaction will improve the Company's ability to pay its creditors including amounts owing to convertible note holders as total rental costs are less than the interest expense that will no longer be incurred.
- 68 Further, under clause 3.3(a) of the Agreement at the date of the Proposed Transaction, the reduction of the amounts owing under the AWI Secured Facility does not reduce the AWI Secured Facility Limit of \$40 million¹³.

Advantages and disadvantages

- 69 We summarise below the advantages and disadvantages of the Proposed Transaction from the perspective of non-associated AGT shareholders:

Advantages

- (a) the Proposed Transaction enables AGT to realise value for a surplus asset and use the proceeds to reduce debt
- (b) the Proposed Transaction is more expedient than selling the Property to a third party given the current economic conditions and the nature of the Property
- (c) if the Proposed Transaction is implemented AGT shareholders will benefit from a higher NTA per share and higher earnings per share
- (d) the Proposed Transaction does not reduce the Secured Facility limit of \$40 million and as a result AGT will still have this facility available to fund operations, if required

Disadvantages

- (e) if the Proposed Transaction (or any sale and lease back transaction) is implemented:
 - (i) AGT relinquishes its title to the Property and the indefinite tenure period associated with owning the Property
 - (ii) AGT will forgo any future market value appreciation of the Property¹⁴
- (f) if the Lease is not renewed by AWI at the end of the Lease term (of 16 years), AGT will incur costs in making good the Property and relocating the Company's operations. These costs would also be incurred if AGT entered into a sale and leaseback arrangement with a third party.

¹³ However, the parties agree that after completion of the Transaction a review of the terms of the Secured Facility will be conducted in good faith to consider its replacement on terms acceptable to both parties.

¹⁴ Conversely, AGT will not be exposed to any decline in the market value of the Property.

- 70 On balance, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages.

Other matters

- 71 The ultimate decision by AGT non-associated shareholders whether to approve the Transaction should be based on each non-associated shareholder's assessment of the Transaction. This report has been provided for shareholders in AGT not associated with Mr Ainsworth.
- 72 If in doubt about the Transaction or matters dealt with in our report, shareholders should seek independent professional advice.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Meeting Documents to be sent to AGT non-associated shareholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$12,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports to shareholders.
- 2 This report was prepared by Ms Planinic and Mr Lonergan, who are each authorised representatives of LEA. Ms Planinic and Mr Lonergan have over 14 years and 36 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Independent Directors of AGT to accompany the Explanatory Memorandum to be sent to AGT non-associated shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable and in the best interests of AGT non-associated shareholders.

Interests

- 4 At the date of this report, neither LEA, Ms Planinic nor Mr Lonergan have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has previously prepared IERs for AGT.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, AGT agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of AGT which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Statement.

Appendix C

Glossary

Abbreviation	Definition
Agreement	Sale and Leaseback Agreement between AGT and AWI
AGT or the Company	Ainsworth Game Technology Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AWI	Associated World Investments Pty Ltd
AWI Loan	Loan from AWI to AGT
Corporations Act	<i>Corporations Act 2011</i> (Cth)
EPS	Earnings per share
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GST	Goods and services tax
IER	Independent expert's report
Independent Property Valuer	Robertson & Robertson Consulting Valuers
LEA	LonerGAN EDWARDS & ASSOCIATES LIMITED
Meeting Documents	Notice of General Meeting and Explanatory Statement
Mr Ainsworth	Mr Len Ainsworth
Property	10 Holker Street, Newington, NSW
Proposed Transaction	Sale and leaseback of the property at 10 Holker Street, Newington, NSW to / from AWI
Purchase Price	\$20.3 million (exclusive of GST)
RG 111	Particularly Regulatory Guide 111 – <i>Content of expert reports</i>
RG 76	Regulatory Guide 76 – <i>Related Party Transactions</i>
Secured Facility	\$40 million secured loan facility provided by AWI to AGT under the Secured Facility Agreement
SWOT	Strengths, weaknesses, opportunities and threats
Transaction Documents	The contract for sale of the Property and the lease agreement
Unsecured Facility	Unsecured loan facility in the amount of \$4,800,583 provided by AWI to AGT under the Unsecured Facility Agreement
Valuation Report	Valuation Report prepared by the Independent Property Valuer as at 19 December 2011



Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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For all enquiries call:
(within Australia) 1300 850 505
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000001 000 AGI
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form



Vote online, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 7:00pm (AEDT) Monday, 20 February 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or attorney appointed under a Power of Attorney is to attend the meeting you will need to provide the appropriate documentation evidencing the appointment prior to admission. A form of "Certificate of Appointment of Corporate Representative" may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Ainsworth Game Technology Limited ABN 37 068 516 665 hereby appoint

the Chairman
of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Ainsworth Game Technology Limited to be held at offices of Ainsworth Game Technology, 10 Holker Street, Newington, NSW 2127 on Wednesday, 22 February 2012 at 9.30am (AEDT) and at any adjournment of that meeting.

IMPORTANT FOR MEMBERS WHO APPOINT THE CHAIRMAN OF THE MEETING AS THEIR PROXY

By ticking the box on the left above, you appoint the Chairman of the Meeting as your proxy to vote at the General Meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

If you select the Chairman of the Meeting as your proxy and do not provide voting instructions in the section below, you authorise the Chairman of the Meeting to exercise your proxy in favour of the item of business below.

STEP 2

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

RESOLUTION

Sale and leaseback of property to related party in reduction of debt

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of the item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date

____ / ____ / ____

AGI

999999A

Computershare