



5 May 2004

Ms Michelle Shek  
Companies Advisor  
Australian Stock Exchange  
Exchange Centre  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

BY FACSIMILE: (02) 9241 7620

Dear Ms Shek,

RE: Ainsworth Game Technology Limited

Thank you for your letter of 4 May 2004. In response to your queries (following your numbering 1 to 7) we respond as follows:

1. The conclusion that the Company may only have sufficient cash to fund its activities for less than one quarter is not correct as the Company will be able to fund future activities as outlined below. Other factors which should be taken into account in assessing cash flows for the March 2004 quarter which will not reoccur to the same extent in future periods are:
  - As stated in the prospectus dated 10 November 2004, the Company had received in the first half of FY04, substantial orders from international customers. The proceeds from the recent rights issue were largely used to fund the Company's increased working capital requirements in respect of these orders. The extended terms provided on these initial sales are being progressively received over a 9 month period. These receipts are occurring as expected and will accelerate in the first quarter of FY05.
  - Significant material purchases during November / December period for scheduled production and delivery in the second half of FY04 were paid for early in 2004.
  - Further sales activity and the related manufacturing procurement has necessitated the forward ordering of inventory to fulfill demand in the second half of FY04. It should be noted that the terms of sale with the Company's major international customer has been substantially renegotiated to accelerate the receipt of sale proceeds.
  - The third quarter of the financial year is historically the quietest period domestically due to the post Christmas lull in the buying cycle, the January holiday period and customers holding off ordering until the March Club Managers Association trade show.

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2. An increased level of sales orders has necessitated that further working capital will be required during the quarter ending 30 June 2004. It is not envisaged that this working capital requirement will be at the same level to the recent 31 March 2004 quarter increase in working capital of \$7.5 million.

The Company's latest cash flow forecast indicates that the quarter ending 30 June 2004 will have net operating cash flow requirements of approximately \$5.0 million. FY05 is expected to be cash flow positive subject to no substantial increase in activity currently forecast for next year and the timing of receipts from international customers.

As reported \$6.8 million on stand-by credit facilities has been established, of which \$5.0 million is with the Company's Chairman and controlling shareholder. The stand-by credit arrangement of \$5.0 million is being established should it be required.

3. Actual revenues and expenses in the quarter were in line with the Company's expectations. The planned build up of inventory was made to fulfill anticipated sales forecast for the quarter ending 30 June 2004.
4. Not applicable.
5. As anticipated in the prospectus, the Company's focus on international customers is proving successful and it is meeting these orders that the additional working capital is required. As mentioned above, recent renegotiation of the terms of trade will accelerate receipts in future periods.
6. The Company confirms that it is in compliance with the listing rules, and in particular, listing rule 3.1
7. Available funds, including stand-by credit arrangements at 31 March 2004 totalled \$11.8 million. Other factors that have been taken into consideration in considering the financial condition of the Company are as follows:

Net working capital     \$26 million

Current Ratio            2.66 times

Debt/Equity ratio        42/58

Based on the above, the Company confirms its compliance with listing rule 12.2

I trust these responses clarify the issues raised in your letter. If you require any further information or explanation, please do not hesitate to contact me.

Yours sincerely,



MARK LUDSKI  
COMPANY SECRETARY



4 May 2004

Mr Mark Ludski  
Company Secretary  
Ainsworth Game Technology Limited  
54 Blackwell Point Road  
Chiswick NSW 2046

Dear Mark

**Ainsworth Game Technology Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 March 2004, released to Australian Stock Exchange Limited ("ASX") on 30 April 2004, (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$9,202,000.
2. Net negative operating cash flows for the quarter of \$7,473,000.
3. Cash at end of quarter of \$2,270,000.

In light of the information contained in the prospectus and the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than one quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated

revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives as set out in its prospectus? The Company's business objectives and strategies may have changed since the date of the prospectus. If so, this should be taken into account in your response.
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie before 9.30 a.m. E.S.T.) on Thursday, 6 May 2004).

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Michelle Shek

**Companies Advisor**

Direct Line: (02) 9227 0892