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THE STAR

ASX Announcement

7 March 2025

AGREEMENT TO EXIT DESTINATION BRISBANE CONSORTIUM AND CONSOLIDATE THE STAR'S POSITION AT THE GOLD COAST

Highlights of Agreement

- The Star has entered into a binding heads of agreement with its Joint Venture Partners, Chow Tai Fook Enterprises Limited and Far East Consortium International Limited (**Joint Venture Partners**)
- The Star will dispose of its 50% equity interest in Destination Brisbane Consortium (**DBC**) and has agreed to terminate the DBC Casino Management Agreement after a transitional period, subject to regulatory approval and other conditions
- The Star will not be required to make any further equity contributions to DBC after 31 March 2025. The Star had otherwise expected that its future equity contributions to DBC would be at least $212 million plus any additional equity contribution that may have been required as part of the refinancing of the DBC debt facility (current drawn balance is $1.4 billion), which has a maturity date of December 2025
- The Star will acquire the Joint Venture Partners' interests in the Dorsett (Tower 1 Hotel) and Andaz (Tower 2 Hotel, expected to open in H2 CY 2025) at The Star Gold Coast. This will result in The Star's interest in each asset increasing from a 33.3% to full ownership, consolidating its position on the Gold Coast
- The transaction consolidates the gaming and non-gaming assets on Broadbeach Island, Gold Coast, to being entirely owned by The Star. The Star believes there are several benefits by consolidating its position on the Gold Coast including:
    - the full ownership of two hotels (313 rooms at Dorsett, 4-star and 202 rooms at Andaz, 5-star) will enhance The Star's customer offering and provide further depth to its accommodation mix on the Gold Coast
    - The Star will retain its rights to future development, noting that the 6.7 hectare site has freehold title and existing plans to develop up to three additional towers. The Joint Venture Partners will retain their existing development rights for the next tower only, subject to The Star's option to buy-out those rights for the next tower for $17 million
- The transaction has a number of financial benefits for The Star, including:
    - an upfront cash payment of $53 million, with $35 million received today. This payment supports The Star's near-term liquidity needs

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- The Star will not be required to make further equity contributions to DBC after 31 March 2025. The Star had otherwise expected future equity contributions to DBC to be at least $212 million
- a condition of the transaction is that The Star will be released from the parent company guarantee in relation to its 50% share of the DBC debt facility (current drawn balance is $1.4 billion)
- the restructuring of the DBC Casino Management Agreement should improve The Star's EBITDA during the transition period
    - The transitional period has a term through to 31 March 2026 with an ability to be extended at the Joint Venture Partners' election
    - With effect from 1 March 2025, The Star will be paid a fixed fee of $5 million per month, and if the transitional period is extended, the fixed fee will increase to $6 million per month after 30 June 2026. By comparison, the operator fee was $2.4 million for January 2025
- DBC will fund reasonable costs associated with transferring and / or standing up employees, services and related systems from The Star to DBC in accordance with an agreed transition plan
- The Star may receive up to $225 million in future consideration from an earn-out mechanism in respect of The Star Brisbane. The earn-out will be calculated as 9.0x FY30 EBITDA less 31 March 2025 net debt (plus an allowance of $320 million in relation to future development capex commitments)
- The Star Brisbane's property MIR[1] EBITDA was $18 million[2] for H1 FY25 and the property MIR EBITDA was $1.0 million for January 2025. The Star's share of equity accounted losses in relation to DBC was ($20.2)[3] million for H1 FY25

- Following completion of the transaction, The Star will no longer own any assets in Brisbane. As part of the transaction, The Star will transfer the Treasury Hotel, the Treasury Car Park and its 50% equity interest in the Charlotte St Car Park to the Joint Venture Partners
- Completion of the transaction is subject to the entry into long form documentation by 30 April 2025 and satisfaction of all required conditions precedent thereafter (including receipt of applicable regulatory approvals, approvals from lenders to The Star, DBC and DGCC, amendments to DBC facility documentation, release of The Star's parent company guarantees in relation to DBC and other required third party consents)
- In certain circumstances where The Star elects to terminate the HoA, The Star may be required to transfer its 33.3% equity interest in the Dorsett Hotel (Tower 1) Gold Coast to the Joint Venture Partners for consideration equivalent to between $15 and $18 million

[1] MIR EBITDA represents 100% of the Managed Integrated Resort EBITDA, excluding certain central costs at the JV level
[2] Unaudited. For the period 29 August 2024 to 31 December 2024
[3] Unaudited 1H FY25 result

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Overview

The Star Entertainment Group Limited (ASX: SGR) (**The Star**, **the Group** or **the Company**) announces that the Company has entered into a binding heads of agreement (**HoA**) with Chow Tai Fook Enterprises Limited (**CTFE**) and Far East Consortium International Limited (**FEC**), the joint venture partners of the Company in relation to the Destination Brisbane Consortium (**DBC**) that owns the Queen's Wharf Brisbane Integrated Resort, and the Destination Gold Coast Consortium (**DGCC**) that owns the Gold Coast joint venture assets.

The Star refers to its separate ASX announcement released today in relation to various liquidity initiatives. The Star notes that the Joint Venture Partners have made the upfront payment to The Star of $35 million today. The Star intends to use these proceeds for short term liquidity purposes as it seeks to implement other liquidity initiatives.

Summary of transaction

The transaction agreed to in the HoA is summarised below. Completion of the transaction is subject to the entry into long form documentation by 30 April 2025 and satisfaction of all required conditions precedent (including receipt of applicable regulatory approvals, release of The Star's parent company guarantees in relation to DBC, approvals from lenders to The Star, DBC and DGCC, amendments to DBC facility documentation and other required third party consents).

<table>
<tr><td>Cash amount</td><td>$53 million, of which:
$35 million paid today
$10 million is payable by 31 March 2025
$8 million is payable by the earlier of 30 November 2025 and when the Andaz recapitalisation occurs on practical completion of the hotel
Part of these amounts represent a distribution of The Star's 33.3% share of future Tower 2 apartment sale net proceeds, and the parties have agreed that the underlying joint ventures agreements will be amended to confirm that those proceeds will be received by the Joint Venture Partners</td></tr>
<tr><td>Transaction perimeter</td><td><table>
<tr><th>Consideration from The Star</th><th>Consideration from the Joint Venture Partners</th></tr>
<tr><td>its 50% equity interest in DBC
Treasury Brisbane Car Park
Treasury Brisbane Hotel
50% interest in Charlotte St Car Park</td><td>$53 million cash
a 66.6% interest in Tower 1 Hotel (Dorsett)
a 66.6% interest in Tower 2 Hotel (Andaz)
the management rights for Dorsett hotel after a further period of management by FEC of up to 5 years</td></tr>
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DBC Casino Operator and transition	• The Star will continue as operator of The Star Brisbane for a transitional period that will end on 31 March 2026 (subject to extension at the Joint Venture Partners' election)
	• The Star will no longer receive the operator fee provided for under the DBC Casino Management Agreement. Instead, it will receive a fixed fee of:
	  ○ $5 million per month until 30 June 2026
	  ○ $6 million per month thereafter
	  ○ any operator fees beyond 31 March 2026 are subject to extension(s)
	• DBC will fund reasonable costs associated with transferring and / or standing up employees, services and related systems from The Star to DBC in accordance with an agreed transition plan
	• Any transition to another operator will be subject to regulatory approvals

Earn-out for DBC equity interest	• An earn out payment of up to $225 million, based on the lower of $225 million or 50% of DBC's pro forma equity value calculated as 9x FY30 EBITDA less 31 March 2025 net debt (plus an allowance of $320 million in relation to future development capex commitments)
Obligations and liabilities	• In general, each of The Star and the Joint Venture Partners will assume all obligations and liabilities in respect of the relevant assets which they are acquiring, including The Star managing and being responsible for the finalisation of construction at the Andaz Hotel

Termination	• If the HoA is terminated, the parties have agreed that:
	  ○ to the maximum extent possible, the parties would be restored to the position they were in at the commencement of the HoA
	  ○ cash amounts paid to The Star would be refunded to the Joint Venture Partners, other than $35 million paid today
	  ○ The Star would be required to repay DBC or otherwise reimburse the Joint Venture Partners for DBC equity contributions not otherwise made by The Star since the date of the HoA
	  ○ if The Star is unable to make the above payments, or in certain circumstances where the HoA has been terminated by The Star, the Star may be required to transfer to the Joint Venture Partners (for nominal consideration) its 33.3% interest in Tower 1 Hotel (Dorsett)

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Comment

Group CEO and Managing Director, Steve McCann said: "*This transaction is an important milestone for the company and contributes to providing a potential pathway towards financial viability. Our team has worked hard to deliver The Star Brisbane and establish a new precinct for Brisbane. We are grateful for the efforts of all of our employees and we will work with our joint venture partners and the regulator to transition to a new casino operator in due course.*"

"We are excited about our future in the Gold Coast. We will have almost 1,200 hotel rooms at the Gold Coast following the opening of the 5-star Andaz Hotel in late 2025 and believe that once we optimise these operations and our strategy, our full ownership of these hotels will enhance our integrated offering and provide an opportunity to improve the performance of the business. The receipt of cash funding will provide additional support in the near-term as we focus on putting in place additional liquidity measures and seek to implement a whole of company refinancing.

"This transaction is a step in the right direction for The Star. There are still a number of challenges that we need to address, including progressing short and long-term liquidity for the Company. We remain focused on the remediation of the business and restoring our reputation as a suitable licensee at both The Star Gold Coast and The Star Sydney.

"*While there is more to do to have access to the funding from the Bridge Facility and the Refinancing Proposal, these initiatives, together with the agreement to exit Destination Brisbane Consortium and expand our operations at the Gold Coast, improve our capacity to have a viable future, both for the company and its stakeholders. We are now focused on implementing these proposals, including continuing our engagement with Governments, regulators and existing lenders to seek their support for our plan. We also remain focused on implementing our plan to restore our licences.*

"The company still faces various risks, including the availability of funding, the ability to restore our licences (including implementing our remediation plan and various regulatory reforms relating to carded play and cash and time limits), maintaining support from stakeholders, resolving the various litigation and claims from historical issues and managing the business in a period of continuing lower revenue and negative cashflow.

"I would like to thank our team for their efforts and our stakeholders for their support in relation to the important matters we announced today."

Advisers:

UBS Securities Australia Limited is acting as sole financial adviser and Allens as legal adviser to The Star.

For further information:

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