

ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



9 April 2013

Echo Entertainment in confidential discussions with NSW Government Unsolicited Proposal advances to Stage 2

Highlights

- Echo to progress to Stage 2 of NSW Government's Unsolicited Proposals process
- Proposal to include a negotiated extension of exclusivity arrangements beyond November 2019
- Represents next phase of The Star's development as Sydney's only Integrated Resort
- Proposal to potentially incorporate significant additional investment in State tourism infrastructure
- Proposal complements the NSW Government's vision for the Pyrmont and Darling Harbour precinct
- Represents natural next step for The Star's remaining 80 year licence term
- Echo to undertake confidential Stage 2 discussions with NSW Government

Echo Entertainment Group Limited (**Echo**) today welcomed the NSW Government's announcement (attached) to progress Echo's proposal for the delivery of its vision for the next stage of the development of The Star, including the extension of exclusivity arrangements beyond November 2019, to Stage 2 of the Unsolicited Proposals process (the **Proposal**).

Echo Managing Director and Chief Executive Officer, John Redmond, said: "Echo looks forward to the opportunity to work collaboratively with the NSW Government to develop a compelling proposal that could result in major additional investment in tourism infrastructure in the heart of Sydney's tourism precinct of Darling Harbour and Pyrmont."

The Star has already contributed more than \$3 billion in taxes, licence fees and other charges to the NSW Government, as well as \$800 million in GST payments since commencing operations in 1995 as Sydney's sole casino. With around 4,000 employees and 10 million annual visitors, The Star is one of the State's largest single site employers and most visited attractions.

The Star's current exclusivity arrangements provided the necessary regulatory and investment certainty to commit to an \$870 million capital investment program, completed earlier this year. This enabled the addition of Sydney's first new five-star hotel since the 2000 Olympics, a premium brand retail precinct, more than 20 signature restaurants, a nightclub and a high quality Event Centre, to The Star's already extensive entertainment and leisure offering. The new facilities are already driving increased value to the State of NSW, with gaming taxes (including Community Benefit Levy) paid to the NSW Government

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increasing from approximately \$110 million in FY2010 to approximately \$150 million in FY2012 with The Star's contribution to the NSW economy estimated to have exceeded \$400 million per annum in FY2012.

The investment made is also driving a significant increase in international rebate VIPs to Sydney. International rebate VIP revenue at The Star has grown by 87% to \$226m from FY2010 to FY2012, resulting in an increase in the share captured by Sydney of the overall international rebate VIP gaming market in Australia. This growth makes The Star the fastest growing International VIP gaming facility in Australia.

Mr Redmond added, "Today marks the next natural step for Echo's development of a long term vision for The Star, to position it competitively for the remaining 80 years of its licence term."

"Implementation of this vision is expected to see The Star's contribution to the State grow significantly over the coming decades. This initiative should also provide a major contribution to the achievement of the Government's NSW 2021 Tourism targets of doubling overnight visitor expenditure in New South Wales. It also has the capability to be a vital element in helping Sydney to capture a greater share of the burgeoning Chinese middle class visitor market."

"The Star is Sydney's only Integrated Resort, and is located on a substantial site on Sydney's waterfront, in close proximity to the world-class convention, exhibition and entertainment precinct planned to be opened on Darling Harbour by 2017."

"Only The Star, further enhanced, can have the scale and diversity of offering to deliver the critical mass required to create the 'Integrated Resort effect' on tourism", said Mr Redmond.

Ends

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Barry O'Farrell MP

Premier of NSW

Minister for Western Sydney

MEDIA RELEASE

Tuesday 9 April 2013

NSW GOVERNMENT RECEIVES UNSOLICITED PROPOSAL FROM ECHO ENTERTAINMENT

NSW Premier Barry O'Farrell today announced the NSW Government had received an unsolicited proposal from Echo Entertainment Group Ltd, the operator of The Star in Sydney.

The Star's gaming licence was granted in 1994 and runs until 2093. This proposal seeks to extend the exclusivity aspect of the agreement that limits NSW to a single gaming licence until 2019.

The proposal has undergone an initial assessment and has been approved by the NSW Government for consideration under Stage 2 of the *Unsolicited Proposals Guide for Submission and Assessment, 2012*.

"Echo Entertainment is proposing to enter into an arrangement to extend its existing exclusivity agreement beyond 2019," Mr O'Farrell said.

"Echo's proposal foreshadows additional investment in and around The Star to develop a globally competitive integrated resort at Pyrmont, including investment in local transport initiatives."

Echo's proposal argues that NSW will be a stronger competitor in the international tourism market with one large resort, instead of two.

The receipt of Echo's proposal means the NSW Government is now considering two proposals:

- Crown Limited's proposal for a VIP gaming facility at Barangaroo starting operation once the current exclusivity arrangement ends; and,
- Echo Entertainment's proposal to extend the current exclusivity arrangement.

Both proposals will now be comprehensively assessed, but because of their mutually exclusive nature only one proposal could proceed to Stage 3 of the unsolicited proposal assessment process.

The NSW Government has approved the use of the existing assessment process, chaired by Mr David Murray AO to assess both proposals in parallel.

It will also advise government on whether one of the proposals should proceed.

The assessment process has been further boosted by the inclusion of the Hon Ken Handley QC, a recently retired judge of the NSW Court of Appeal, who is providing probity supervision and advice.

The assessment reports are now expected to be submitted to the NSW Government by the end of May.

HOW UNSOLICITED PROPOSALS ARE HANDLED BY THE NSW GOVERNMENT:

Stage 1 - Initial submission and strategic assessment: a comprehensive initial assessment of the proposal to identify the potential benefit to government of further consideration and development with the proponent. The outcome is advice to the proponent of progression to Stage 2, or that the government does not wish to proceed.

Stage 2 - Detailed proposal: requires the proponent and government to work cooperatively in the development and assessment of a detailed proposal. The outcome is advice to the proponent of progression to Stage 3, or that the government does not wish to proceed.

Stage 3 - Negotiation of final binding offer: involves the finalisation of all outstanding issues with a view to entering into a binding agreement, if the government decides to accept the final offer.

Website: <http://www.nsw.gov.au/unsolicitedproposals>

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