Annexure A

Independent Expert Report

23 May 2025

The Directors
The Star Entertainment Group Limited
Level 3, 159 William Street
Brisbane QLD 4000

Dear Directors

The Proposed Transactions with Bally's and Investment Holdings

1 Introduction

On 7 April 2025, The Star announced that it had entered into a binding terms sheet with Bally's Corporation ("Bally's") for a multi tranche convertible note and subordinated debt instrument with an aggregate principal value of $300 million. The tranches are structured as follows:

- the first tranche, which comprises a total principal amount of $100 million of which $33.4 million was in the form of convertible notes and the remainder in subordinated debt; and
- the second tranche, which comprises a total principal amount of $200 million in convertible notes. Technically, the issue involves $266.6 million of convertible notes of which $66.6 million will be used to repay the subordinated debt included in the first tranche. The funds will be paid in two stages.

The Notes are convertible at any time and at the holders' election into shares in The Star at 8 cents per share (subject to customary adjustments) and mature on 2 July 2029. In aggregate, the Notes are convertible into 56.7% of the diluted issued capital of The Star[1].

The Star subsequently announced on 8 April 2025 that it had entered into a commitment letter with its largest shareholder, Investment Holdings Pty Ltd (controlled by the Mathieson family) ("Investment Holdings") under which Investment Holdings will subscribe for $100 million of the investment (the "Investment Holdings Transaction"), reducing the investment from Bally's to $200 million (the "Bally's Transaction"). The combined investments from Bally's and Investment Holdings are on substantially the same terms (together the "Transactions"). If the Notes are all converted, Bally's will hold up to 38% of The Star's issued capital while Investment Holdings will hold 23% (including its existing holding).

The first tranche of the funding was received by The Star on 9 April 2025. However, the second tranche of funding requires the approval of The Star shareholders in a general meeting under Item 7 of Section 611 of the *Corporations Act 2001 (Cth)* (not for the issue of the Notes but for any subsequent conversion into shares). The Investment Holdings Transaction must be approved by a majority of The Star shareholders (other than Investment Holdings and its associates) who vote at the meeting while the Bally's Transaction must be approved by a majority of The Star shareholders (other than Bally's and its associates) who vote at the meeting. The two resolutions are not inter-conditional.

The Board of The Star unanimously recommends that shareholders of The Star other than Bally's and Investment Holdings (the "non associated shareholders") vote in favour of the Transactions, subject to an independent expert concluding (and continuing to conclude) that each of the Transactions is in the best interests of shareholders and in the absence of a superior proposal. Subject to the same qualifications,

[1] Excludes the impact of performance rights and out of the money options.

each director of The Star intends to vote, or procure the voting of, shares held or controlled by them in their personal capacity in favour of each of the Transactions.

The Directors of The Star have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion:

- the Bally's Transaction is fair and reasonable having regard to the interests of non associated shareholders of The Star; and
- the Investment Holdings Transaction is fair and reasonable having regard to the interests of non associated shareholders of The Star.

A copy of the report (and this letter) will accompany the Notice of Meeting and Explanatory Memorandum ("the Explanatory Memorandum") to be sent to shareholders by The Star. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Summary of Opinion

There are compelling reasons for non associated shareholders of The Star to approve each of the Transactions. They will clearly be better off if the Transactions proceed than if they do not. Accordingly, each of the Transactions are reasonable having regard to the interests of the non associated shareholders of The Star. Grant Samuel has concluded that the terms of each of the Transactions are "not fair" but the methodology required for this analysis under regulatory policy is, at best, theoretical and should not be the primary basis on which to judge merits of the Transactions.

3 Key Conclusions

- **The Star is in the midst of an existential liquidity crisis. Existing cash is insufficient to meet its needs over the next twelve months. Urgent action is needed to inject new funding into the business**

  Since its listing in 2011, The Star has emerged as one of two leading premium integrated casino resort operators in Australia. At its peak in FY19, the group generated over $550 million in EBITDA[2].

  However, the downturn in, and eventual loss of, the VIP business (which had been an important contributor to its growth until then) caused it to retrace some of these gains. These issues were further exacerbated with the onset of the COVID-19 pandemic in 2020, following which The Star's earnings were severely impacted by lockdowns and other restrictions imposed by State and Territory governments. The pressures on The Star's financial position and earnings were exacerbated by a series of regulatory inquiries that resulted in the suspension of its casino licence in New South Wales, the deferred suspension of its licence in Queensland as well as significant penalties and fines, increased operating costs and constraints on customers.

  There was a brief rebound in its earnings in FY23 and, during the year, The Star raised over $1.5 billion in new equity. Debt was materially reduced. However, since then, a litany of contributing factors has placed The Star's financial position under extreme pressure. There has been:

  - a dramatic deterioration in financial performance as group earnings collapsed, with EBITDA falling from $300 million in FY23 to negative EBITDA in FY25 to-date;
  - higher than expected equity contributions to the DBC joint venture, primarily as a result of cost overruns for the construction of *Queen's Wharf Brisbane* and funding of losses; and
  - emergence of substantial non-trading liabilities (including over $200 million of regulatory penalties that has already been paid to date and more to come).

[2] EBITDA is earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted associates.

Absent any major change in its circumstances, The Star is now in desperate need of additional funds and there is no scope for more funding from existing lenders.

- **The Star is now at the "end of the road". The Transactions are the only lifeline available to The Star**

  The Star and its advisers have pursued a range of funding options with an increasing degree of urgency over the last 12 months, including asset sales and a variety of recapitalisation proposals. In February and March 2025, it announced that it had received proposals from a number of parties including Oaktree Capital Management L.P. (for a refinancing of its debt stack albeit with further capital still needed to bridge it to completion), King Street Capital Management (for a short term bridge facility) and Salter Brothers Capital (for a full refinancing of its debt stack and an upsized debt facility).

  Although a number of these proposals were progressed, The Star ultimately did not receive binding debt commitment letters that could be implemented. It has essentially exhausted all of these options. The Transactions are the only remaining funding solution available to The Star. The prospects of an alternative recapitalisation proposal on terms more favourable to The Star are remote.

- **Under Australian regulatory policy, fairness is to be judged by comparing the fair market value of the company's shares pre-transaction on a control basis with the fair market value of the company's shares post-transaction on a minority basis**

  Regulatory policy requires that the Transactions be evaluated as if they were each a takeover of The Star by Bally's and Investment Holdings, respectively (as each will own more than 20% of The Star if their Notes are converted). For this type of transaction, ASIC[3] requires that assessment of the fairness of the Transactions involve a comparison of:

  - the value of the opportunity foregone to realise full underlying value (i.e. the fair market value of shares in The Star on a control basis prior to the Transactions); with
  - the "consideration" to be received by non associated shareholders, where that consideration is deemed to be the fair market value of shares in The Star post-transaction on a minority basis.

  However, this analysis is problematic:

  - regulatory policy requires that underlying value be determined disregarding any financial distress. Given the precarious state of The Star's financial position, this approach does not result in values that shareholders in The Star can expect to realistically achieve at the present time;
  - the underlying value of The Star is subject to considerable uncertainty. It is currently loss making, the pathway to restoring its profitability is not clear and, in large part, depends on factors outside The Star's control. These issues are exacerbated by its non trading liabilities that are likely to arise and which could vary significantly. The full range of possible equity value outcomes is, in reality, extremely wide; and
  - assessing the minority value of The Star (on a post transaction basis) is also vexed. Minority value of The Star cannot be based on the typical fundamentals such as current or near term earnings and cash flows or other metrics such as dividend yields. Rather, the share price is essentially a bet on the possibility of achieving a turnaround.

  In any event, fairness would require that the trading value of the shares achieves a substantial uplift (equal to the premium for control) through the Transactions. This is a very high hurdle and, in the ordinary course, it is to be expected that almost any recapitalisation proposal of this nature analysed on this basis would be "not fair".

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3 Australian Securities and Investments Commission.

- **Grant Samuel has estimated the control value of The Star (absent financial distress) to be in the range $0.13-0.31 per share although it is not possible to be definitive about value at the current point in time**

The valuation of The Star is summarised below:

THE STAR - VALUATION SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE[4]	
		LOW	HIGH
Business operations	6.4	1,170.0	1,380.0
Other assets and liabilities	6.5	(491.6)	(92.7)
Enterprise value		**678.4**	**1,287.3**
Adjusted net borrowings	6.6	(267.5)	(267.5)
Value of equity		**410.9**	**1,019.8**
Diluted shares on issue (millions)[1]	6.1	3,286.5	3,286.5
Value per share (diluted)[1]		**$0.13**	**$0.31**

The value is the aggregate of the underlying value of The Star's business operations less adjustments for net borrowings and other non-trading liabilities and contingent liabilities. The value range assumes that, without financial distress, The Star would be in a position to hold out for an "optimal" price and notional acquirers of the business would be prepared to assume that a turnaround could be achieved (albeit risk weighted). It is therefore not a value that could necessarily be realised in today's circumstances.

Even ignoring financial distress, the valuation is uncertain. The Star's earnings have been decimated in recent years and its financial results over the last nine months reveal a business in turmoil. A number of critical issues weigh on its outlook:

- how will the implementation of mandatory carded play and cash limits in Queensland affect trading in *The Star Gold Coast* (and, in the case of *The Star Sydney*, reduction in cash limits)?
- is there any political appetite to implement legislative reforms to "level the playing field" with pubs and clubs and, if so, how soon can it be rolled out and will the changes be effective?
- can it successfully restore the brand perception of *The Star* (especially after years of intense regulatory scrutiny and the poor customer experience of its enhanced vetting process)?
- will the legislated step up in casino tax for The Star Sydney in FY31 still occur or can it be amended to reflect The Star's straitened circumstances?

Even if The Star can successfully navigate its way through these issues, it still faces existential risks in relation to its licences. The casino licence for *The Star Sydney* is currently suspended, while the suspension of the casino licence for *The Star Gold Coast* has been deferred. The Star will need to meet the conditions of the relevant regulators to continue its gaming operations and, at some point, demonstrate its suitability or face cancellation of its licences.

In this context, the value range represents a relatively optimistic outlook for the company. It assumes a successful remediation program, full restoration of casino licences, introduction of a "level playing field" and that there will not be a full step up in casino duties in New South Wales in FY31. In the absence of these assumptions, there is a risk that the underlying value of The Star would likely be much closer to, if not, zero. It also assumes the DBC Transaction is completed[5].

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4 Includes the impact of the first tranche of the Transactions.

5 On 7 March 2025, The Star announced that it had entered into a binding Heads of Agreement with Chow Tai Fook and Far East Consortium to exit its 50% interest in the DBC joint venture (the "DBC Transaction"). See Section 5.2 of the full report for more detail.

On top of these issues, The Star is also exposed to a number of non-trading liabilities for which the outcomes are still unknown, including the AUSTRAC penalties as well as a number of other proceedings and disputes that have yet to be resolved. Some of these items are potentially material in their own right. However, the amounts that will be required to be paid are so uncertain that they are not capable of reliable quantification. At the same time, they do need to be taken into account in a value analysis.

The combination of debt and non trading liabilities means that the equity value for The Star can swing materially even for relatively small movements in the value of the operating business. Accordingly, it is unwise to be precise or definitive about value at the current point in time. Value could realistically fall in a very wide range.

- **The Transactions are not fair, but this conclusion is a technical outcome and should not be the primary basis on which to judge the merits of the Transactions**

  In evaluating the fairness of the Transactions, the bottom of the value range for The Star (i.e. $0.13 per share) represents the relevant threshold.

  Assessing the minority value of The Star (on a post transaction basis) is challenging. One approach is to apply a discount to the estimate of the full underlying value of The Star. This discount is notionally the reciprocal of the control premium commonly paid in takeovers, which at around 20-35%, corresponds to an implied minority value of shares in The Star (post Transactions) of $0.08-0.16 per share.

  However, Grant Samuel does not believe this approach is a meaningful basis on which to determine the minority value of shares in The Star (post Transactions):

  - control premiums are effectively outcomes of pricing decisions in control transactions, rather than determinants of value;
  - the value range adopted by Grant Samuel, as required by regulatory policy, is premised on ignoring any financial distress. The Transactions represent only a partial solution to The Star's funding issues and, as a result, the company will remain under financial pressure even after implementation of the Transactions. A "standardised" discount is arguably not appropriate in these circumstances; and
  - the trading price will not reflect fundamentals nor the kind of metrics that typically are used to evaluate listed shares such as earnings and cash flow multiples or dividend yields. Instead, the share price represents more in the nature of an option value or a bet on the likelihood of the necessary turnaround being achieved.

In Grant Samuel's view, a more meaningful approach is to consider the prices at which shares in The Star have actually traded in the period after announcement of the Transactions. Since its shares resumed trading on 16 April 2025 (and up until the date of this report), The Star shares have traded in the range $0.10-0.13 and in a narrower range of around $0.10-0.11 since release of its third quarterly results. The share price over this period represents a well informed price as the travails of the business are well publicised in the market and the trading was post announcement of the Transactions, The Star's 1HY25 results and, at least after 30 April 2025, was after release of the third quarterly results (which included cash flow movements). Given that Bally's and Investment Holdings have already invested $100 million in The Star, the market would likely assume a high probability of the Tranasctions proceeding.

Taking these factors into consideration, Grant Samuel believes that the more recent trading price of shares in The Star since announcement of the Transactions of around 10-11 cents represents a reasonably good estimate of the price at which The Star shares might be expected to trade immediately following completion of the Transactions. Although, given the inherent leverage and the circumstances, a high degree of volatility can be expected (and a "bounce" post transaction is not inconceivable). As $0.10-0.11 is below the bottom of the value range, the Transactions are, by definition, "not fair".

However, non associated shareholders in The Star should understand that this conclusion is a technical outcome resulting from the prescribed methodology required by regulatory policy. It does not imply that non associated shareholders are disadvantaged by the Transactions. The reality of the situation is that The Star is a forced seller on the verge of bankruptcy so other considerations are of much greater importance.

- **In the absence of the Transactions, it is almost certain that The Star would have to enter into voluntary administration**

  The rationale for voting in favour of the Transactions is straightforward. It is the only lifeline available to The Star that provides a meaningful quantum of cash that enables it to continue trading. It also preserves the opportunity for non associated shareholders to participate in any future turnaround of the business (albeit at the cost of dilution).

  The Star's liquidity position is extremely precarious. It has been receiving external advice on the application of the relevant safe harbour provisions under the *Corporations Act 2001 (Cth)* since at least September 2024 and has, for the last several months, been operating under these provisions to continue running its business while pursuing funding alternatives (with increasing urgency) to recapitalise the business.

  In light of these challenges, the directors of The Star were unable to sign off on the 1HY25 accounts on time as there was material uncertainty as to whether the group would be able to meet its liabilities over the next 12 months and remain a going concern. It was not until the group announced the Transactions and received the initial proceeds from the first tranche that the directors of The Star were able to conclude that there were reasonable grounds to believe that the group could continue to remain a going concern (albeit that the statement was heavily caveated with 13 provisos).

  In the absence of the second tranche of the Notes, The Star's unrestricted cash balance (i.e. $98.3 million as at 11 April 2025) could run out very quickly (perhaps even in just a matter of months). Its existing debt facilities are already fully drawn and the net proceeds from recent asset sales (i.e. *Treasury Brisbane* and *The Star Sydney Event Centre*) will remain in escrow and unavailable for use by the group. Moreover, The Star is unlikely to meet its debt covenant tests on 30 September 2025. There is no certainty that its lenders will agree to any further extension of covenant waivers (beyond the waivers previously granted through to 30 June 2025).

  If the Transactions are not approved, it is almost certain that The Star would have to enter into voluntary administration.

- **Voluntary administration would likely result in zero (or, at best, close to zero) value outcomes for non associated shareholders in The Star**

  Voluntary administration would likely come at significant cost to non associated shareholders of The Star. In practice, these processes are often designed to minimise losses for a company's creditors (with shareholders at the bottom of the hierarchy of receiving any compensation).

  The consequences of voluntary administration would almost certainly leave little to no residual value for non associated shareholders in The Star as:

  - if the DBC Transaction is not completed, the consequences of voluntary administration for The Star could be severely adverse. The parent company guarantee given by The Star would almost certainly be called and it would also be "on the hook" for further equity contributions;

- there is no certainty that, even if the DBC Transaction is completed, the voluntary administration can be funded. The competing interests between key stakeholders (e.g. respective state governments and the group's senior lenders) are not necessarily aligned;
- an unfunded voluntary administration in these circumstances would likely require The Star to cease trading and trigger additional $200 million in employee entitlements. It would also restrict the amount of time available to the administrators to achieve optimal outcomes for the group (further complicated in the case of *The Star Sydney*, which under its lease agreement with the Government of New South Wales, is required to operate a casino on site);
- even if fully funded, there are significant additional costs that would need to be incurred including voluntary administrator's fees, legal fees and other costs (estimated to be over $100 million in the first year) as well as default interest charged on the secured debt facility and various other costs and imposts; and
- the achievable sale prices for the group's assets or business operations would inevitably be compromised. Even if an orderly, funded sale process can be achieved, the fact that The Star would be in financial distress and loss making at an operating level would limit the ability to hold out for an optimal price.

  The complexities of a sale process (particularly in a distressed scenario) are manifold:

  - the limited buyer universe for casinos in Australia given the regulatory environment and the fact that The Star continues to operate under a suspended casino licences for both properties (deferred, in the case of *The Star Gold Coast*) and is subject to a rigorous monitoring and compliance regime under an appointed special manager;
  - in the case of *The Star Sydney,* its loss making status and the prospect of a material step up in casino duties in FY31 that, if implemented, would likely all but eliminate its ability to generate meaningful profits in the long term;
  - the value of hotels and other non-gaming offerings as part of an integrated casino may be compromised with an operating casino. The "integrated" model is designed so that the different components of the business are mutually reinforcing. On the other hand, some interested parties may see primary value in the hotels and view the casinos as a "millstone". The issue is further complicated in the case of *The Star Sydney* where alternative uses for the land (other than a casino) are restricted by the lease from the New South Wales Government;
  - the overlap of shared group services across its resorts. Even if a buyer can be successfully identified for any one of its properties, the new owners may be required to take on the risk of providing (or replacing) these shared group services over a transition period and individual sales could leave The Star with a significant quantum of stranded corporate costs if the portfolio is split.

  Not many investors or acquirers are likely to assume such level of risks that may prove existential to the business or, at a minimum, be extremely costly and difficult to disentangle.

Voluntary administration would likely result in zero value outcomes for non associated shareholders in The Star. In Grant Samuel's view, non associated shareholders will clearly be better off if the Transactions proceed than if they do not. Accordingly, the Transactions are reasonable.

- **However, the Transactions are not a complete solution to The Star's financial woes**

The Transactions are not a "silver bullet" that fully resets The Star's finances.

In the event that The Star's financial performance continues at current levels and all non-trading liabilities had to be paid within 12 months, there is a possibility that it will run out of cash in that period despite the funding from the Transactions. It is likely that it would become necessary to raise additional funding or face yet another liquidity crisis. If so, there are three primary sources available to The Star (albeit each with its own challenges):

- increasing secured debt. However, it is not clear whether there is further appetite in the market for more secured debt as The Star has already tapped its lenders multiple times for relief (although new sources may become available);
- issuing subordinated debt. However, it would rank behind $400 million in secured debt and would also be expensive; and
- raising additional equity. However, raising new equity would be very challenging as many shareholders are sitting on substantial losses of capital and there is little likelihood of dividends being paid for several years.

Ultimately, securing a meaningful amount of further capital will likely require The Star to demonstrate clear signs of progress on the turnaround of its business (although Bally's and the other parties were prepared to provide funding to The Star "as is"). While the company is undertaking a number of initiatives to restore earnings (each of which would undoubtedly be important contributors to growth), none of them would necessarily be transformational for the future of The Star.

Fundamentally, any meaningful turnaround of The Star is dependent on some form of "level playing field" being put in place across both New South Wales and Queensland. The imbalance in regulatory environments between casinos and pubs and clubs has been one of the main reasons why The Star has seen a sharp decline in EGM market share in both Sydney and the Gold Coast over the last 2-3 years. A reversal in its fortunes (and ability to attract capital) would depend on legislative change that has yet to be mandated. Any such progress would significantly enhance any ability to raise funding.

- **There are a number of other risks and drawbacks associated with the Transactions**

  There are a number of other risks and drawbacks associated with the Transactions that will remain with non associated shareholders:

- Bally's is seeking an active role in the future management of The Star. On approval of the Transactions, Bally's would be able to appoint two individuals to operational roles within The Star (subject to appropriate due diligence by The Star and having satisfied all regulatory and other appointment requirements). On conversion of the Notes, it would also be entitled to appoint nominees to the Board of The Star such that the Board of The Star will comprise two directors nominated by Bally's, one director nominated by Investment Holdings, the Managing Director and an additional independent director so that the Board initially comprises five directors. Such representation on the Board of The Star would give Bally's a meaningful level of control (or at least influence) over the future strategic direction and investment decisions of the group;
- commensurate with its shareholding (thus giving it a meaningful level of influence over the future strategic direction and investment decisions of the group). Bally's and Investment Holdings would collectively hold over 50% of the issued capital and have a majority of the non-executive directors on the Board of The Star if all of the Notes are converted.

  Although Bally's has provided some public commentary on its broader plans for The Star, no detailed strategic plans have been published to date. It is likely that any such comprehensive reset in strategy would only be announced after the Transactions are implemented and Bally's and Investment Holdings have secured the necessary Board positions.

  While any changes in plan and implementation of any new strategy would require approval of the full Board of The Star, it is reasonable to assume that Bally's will have a substantial involvement in the design and implementation of future strategies. Accordingly, non associated shareholders will heavily depend on Bally's ability to drive a successful turnaround.

  In this context, non associated shareholders should be aware that Bally's:

  - carries a significant level of gearing (which raises the question as to whether it has sufficient financial firepower to provide significant further capital if that is required by The Star);
  - has no prior experience in the casino industry in Australia; and
  - has a significant track record in successfully turning around casinos in the United States but most of its casinos are located in regional or suburban areas and they tend to be smaller in scale than The Star and principally focus on just gaming. Some of its larger and higher profile assets (comparable to The Star) are still under construction and have not yet opened;
- the Notes confer certain benefits to Bally's and Investment Holdings relative to an investment in underlying shares (until such time as they are converted), including:
  - the Notes have a coupon of 9.0% per annum while shares are unlikely to pay dividends for some time. If the Notes are not converted until maturity, the coupons would provide a net benefit to Bally's and Investment Holdings by reducing their effective purchase price of shares in The Star to approximately 6 cents per share; and
  - the Notes will rank ahead of shareholders in any winding up of The Star.

  These are tangible benefits for Bally's and Investment Holdings but only if they do not convert. They have not made any definitive statements about their plans for conversion. However, there are reasons to believe that Bally's and Investment Holdings are likely to convert the Notes at the earliest possible date (thus minimising the benefits listed above) because, until they are converted, they will not have any presence on the Board of The Star (other than as invitees) and so will not be able to participate in the necessary resetting of the group's business strategy or implementing any other initiatives; and
- completion of the DBC Transaction is of paramount importance to putting The Star on a more secure financial footing. It will reduce the immediate cash flow requirements of The Star and also free up its financial flexibility in the near term (including the release from any parent company guarantee on its share of the joint venture debt). Even if the Transactions are approved and implemented, failure to complete the DBC Transaction would still have significant adverse consequences for The Star's chances of survival in the absence of further capital injections.

  As at the date of this report, the DBC Transaction has not been completed and is subject to a number of conditions, including entry into long form documentation. Non associated shareholders should continue to monitor any future updates on the DBC Transaction up until the general meeting at which shareholders will vote on the Transactions.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual The Star shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by The Star in relation to the Transactions.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Transactions, the responsibility for which lies with the directors of The Star. In any event, the decisions whether to vote for or against the Bally's Transaction or the Investment Holdings Transaction are matters for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Transactions should consult their own professional adviser.

Grant Samuel has prepared a Financial Services Guide as required by the *Corporations Act, 2001* (Cth). The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE PROPOSALS BY
BALLY'S CORPORATION AND INVESTMENT HOLDINGS PTY LIMITED

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

23 MAY 2025

FINANCIAL SERVICES GUIDE

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The *Corporations Act, 2001* (Cth) ("Corporations Act") requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

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When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for The Star ("the Star Report") in relation to the proposal by Bally's Corporation and Investment Holdings Pty Limited (the "Transactions"), Grant Samuel will receive a fixed fee of $700,000 plus reimbursement of out-of-pocket expenses for the preparation of the Star Report (as stated in Section 8.3 of the Star Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Star Report.

Grant Samuel is required to be independent of the Entity to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Star Report:

> ***"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with The Star, Bally's or Investment Holdings or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Transactions.***
>
> ***Grant Samuel had no part in the negotiation or formulation of the Transactions. Its only role has been the preparation of this report.***
>
> ***Grant Samuel will receive a fixed fee of $700,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Transactions. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.***
>
> ***Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."***

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Star Report, please contact the Compliance Officer in writing at Level 20, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act.

Grant Samuel is only responsible for the Star Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL

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Appendices

1 Terms of the Transactions

1.1 Background

The Star Entertainment Group Limited ("The Star") is one of Australia's largest integrated casino resort companies. It currently owns and operates two integrated casino resorts, *The Star Sydney* and *The Star Gold Coast.* Until its closure in August 2024, it owned and operated *Treasury Brisbane* and it has a 50% share in the nearby and recently opened Queen's Wharf Integrated Resort in Brisbane (the "*Queen's Wharf Brisbane*", which is in the process of being sold to its joint venture partners).

Following a period of sharply deteriorating financial performance, increasing regulatory restrictions (and costs and penalties) and growing financial stress, The Star sought to find short term and longer term liquidity solutions with an increasing degree of urgency and has, for several months, operated under the relevant safe harbour provisions under the *Corporations Act 2001 (Cth)*. Over the next 12 months, The Star announced the sale of *The Star Sydney Event Centre* (for $60 million) as well as the exit from the Destination Brisbane Consortium (which owns the *Queen's Wharf Brisbane*). Other additional liquidity solutions included proposals from:

- Oaktree Capital Management L.P. ("Oaktree") (announced on 17 February 2025), which involved raising new debt facilities of up to $650 million (with the majority to be used to refinance existing facilities). The Star expected that, if the Oaktree proposal was implemented, additional funding would still be required for the period prior to completion;
- King Street Capital Management ("King Street") (announced on 7 March 2025), for a $250 million senior secured bridge facility to provide short term liquidity while The Star sought to secure a longer term refinancing solution for the existing syndicated debt facility;
- Salter Brothers Capital ("Salter Brothers") (announced on 7 March 2025, albeit on a no-names basis), which involved raising new debt facilities of up to $940 million to refinance all of the group's existing debt facilities; and
- Bally's Corporation ("Bally's) (announced on 10 March 2025), in relation to a capital raising of at least $250 million in the form of convertible notes that would be convertible to at least 50.1% of The Star's fully diluted shares.

In the midst of the announcements, The Star was suspended from trading on 3 March 2025 as the group was unable to finalise its 1HY25[1] accounts until the directors of The Star could determine whether the company had sufficient liquidity to continue as a going concern.

The Board of The Star considered each of the proposals but, after issues arose with Oaktree and, separately, with King Street (in relation to lender consent), elected to enter into an exclusivity and process deed with Salter Brothers. However, The Star ultimately did not receive a binding debt commitment letter. On 2 April 2025, The Star announced that the proposal from Salter Brothers was withdrawn.

1.2 The Proposed Transactions

On 7 April 2025, The Star announced that it had entered into a binding terms sheet with Bally's for a multi tranche convertible note and subordinated debt instrument with an aggregate principal value of $300 million. The tranches are structured as follows:

- the first tranche, which comprises a total principal amount of $100 million of which $33.4 million was in the form of convertible notes and the remainder in subordinated debt; and

[1] 1HYXX is the half year ended 31 December 20XX (i.e. 1HY25 is the half year ended 31 December 2024).

- the second tranche, which comprises a total principal amount of $200 million and will be paid in two stages:
  - $133.3 million to be paid immediately following shareholder approval of the Transactions; and
  - $66.7 million to be paid following receipt of regulatory approvals but, in any event, no later than 9 October 2025.

  Technically, the total principal amount under the second tranche is $266.6 million with $66.6 million applied to repay the principal amount of the subordinated debt outstanding (i.e. resulting in a net payment of $200 million under the second tranche).

The convertible notes (the "Notes") are unsecured and subject to a subordination deed between the noteholders and The Star's bank syndicate. The Notes are also transferrable subject to various restrictions and approvals.

The Notes carry a coupon rate of 9.0% per annum payable quarterly (in cash or payments in kind ("PIK") at the election of The Star). Payments in cash will be subject to the satisfaction of bank requirements. To the extent that interest obligations under the PIK are satisfied through the issue of shares, they will be issued at a price equal to the average daily volume weighted average price ("VWAP") for the 15 consecutive trading days immediately preceding the date that The Star provides notice to Bally's or Investment Holdings.

The Notes are convertible at the holders' election into shares in The Star at 8 cents per share (subject to customary adjustments) at any time and mature on 2 July 2029. In aggregate, the Notes are convertible into 56.7% of the diluted issued capital of The Star[2] (See Section 1.4 for more detail). If the Notes are not converted, they can be redeemed in certain circumstances for cash but any payment will be subject to the subordination deed and other constraints. At The Star's option, in certain circumstances, the Notes can be redeemed for shares in The Star with a value at that time equal to the face value of the Notes. Failure to redeem the Notes by maturity would incur a default interest.

As part of the announcement, The Star also announced that it was engaging with its largest shareholder, Investment Holdings Pty Ltd (controlled by the Mathieson family) ("Investment Holdings") in relation to a possible subscription of up to $100 million of the investment. The Star subsequently announced on 8 April 2025 that it had entered into a commitment letter with Investment Holdings under which Investment Holdings will subscribe for $100 million of the investment (the "Investment Holdings Transaction"), reducing the investment from Bally's to $200 million (the "Bally's Transaction") (i.e. Investment Holdings will subscribe for one-third of the investment and Bally's, the remaining two-thirds). The combined investments from Bally's and Investment Holdings are on substantially the same terms (together the "Transactions").

The Transactions are subject to a number of other conditions, including various regulatory approvals in connection to probity clearance under the *Casino Control Act 1992 (NSW)*, *Casino Control Act 1982 (Qld)* as well as, in the case of Bally's, clearance from the Foreign Investment Review Board. In the absence of these regulatory approvals, if the Transactions are approved and all other applicable conditions are satisfied, The Star may utilise a temporary fall-back option that would allow it to issue additional subordinated debt to Bally's and Investment Holdings in place of the Notes referred to above (until a later time that the regulatory approvals are secured).

The Star has also agreed to appoint Mr Bruce Mathieson Jr and Mr Soo Kim as invitees to The Star Board (subject to any appointment requirements). In addition:

- on approval of the Transactions by The Star shareholders, The Star will appoint Mr David Curry and Mr Con Nikitas to operational roles as agreed between The Star and Bally's; and

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2 Includes the impact of the Notes but excludes the impact of performance rights and out of the money options.

- on conversion of all of the Notes by both Bally's and Investment Holdings, the Board of The Star will comprise two directors nominated by Bally's, one director nominated by Investment Holdings, the Managing Director and an additional independent director so that the Board initially comprises five directors.

The effect of this arrangement is that Bally's and Investment Holdings will not have any nominees on the Board of The Star until such time as all the Notes are converted into shares and may have, collectively, a majority of directors on the Board when all of the Notes are converted.

The first tranche of the funding was received by The Star on 9 April 2025. However, the second tranche of funding requires the approval of The Star shareholders in a general meeting under Item 7 of Section 611 of the *Corporations Act 2001 (Cth)* (not for the issue of the Notes but for any subsequent conversion into shares that increases each investor's relevant interest above 20%). The Investment Holdings Transaction must be approved by a majority of The Star shareholders (other than Investment Holdings and its associates) who vote at the meeting while the Bally's Transaction must be approved by a majority of The Star shareholders (other than Bally's and its associates) who vote at the meeting. The two resolutions are not inter-conditional.

Following execution of the binding terms sheet, the 1HY25 accounts were signed by the directors of The Star and publicly released on 15 April 2025.

The Board of The Star unanimously recommends that shareholders of The Star other than Bally's and Investment Holdings (the "non associated shareholders") vote in favour of the Transactions, subject to an independent expert concluding (and continuing to conclude) that the Transactions are in the best interests of shareholders and in the absence of a superior proposal. Subject to the same qualifications, each director of The Star intends to vote, or procure the voting of, shares held or controlled by them in their personal capacity in favour of the Transactions.

1.3 The Investors

Bally's is a casino-entertainment company that owns and operates 19 casinos across the United States ("U.S.") as well as one casino in development in the United Kingdom. The company also has a growing online sports betting and iGaming business (*Bally Bet*) as well as an international interactive division that offers B2B and B2C services for the iGaming segment. Bally's is majority owned and controlled by Standard General (led by Mr Soo Kim). As at 4 April 2025 (the last trading day prior to announcement of the Transactions), Bally's had a market capitalisation of approximately US$550 million and, based on its latest accounts as at 31 December 2024, had over US$3 billion of net debt (excluding lease liabilities).

Investment Holdings (controlled by the Mathieson family) is the largest shareholder in The Star and, prior to announcement of the Transactions, held approximately 10.0% of its issued capital. The Mathieson family has been a substantial shareholder in The Star for over two years and, prior to the Transaction, is the only shareholder to have received regulatory approvals to acquire in excess of 10% of the total issued share capital in The Star. The Mathieson family has a long standing involvement in the Australian pubs industry and is also the largest shareholder (with an approximate 15% interest) in Endeavour Group Limited ("Endeavour Group"), an ASX listed entity that is one of Australia's largest operators of pubs and hotels and also owns a variety of liquor distribution and retailing businesses including *Dan Murphy's*.

1.4 Impact on Shareholdings

Implementation of the Transactions and conversion of the Notes will have a dilutive impact on the shareholders of The Star. The following table summarises the impact of each of the tranches assuming all Notes are converted into ordinary shares of The Star:

IMPACT OF THE TRANSACTIONS ON SHAREHOLDINGS IN THE STAR

	PRIOR TO THE TRANSACTIONS		CONVERSION OF TRANCHE 1			CONVERSION OF TRANCHE 2		
	NO. OF SHARES (000'S)	*% OF TOTAL*	ADDITIONAL SHARES (000'S)	TOTAL SHARES (000'S)	*% OF TOTAL*	ADDITIONAL SHARES (000'S)	TOTAL SHARES (000'S)	*% OF TOTAL*
Investment Holdings	287,155	*10.01%*	139,259	426,414	*12.97%*	1,110,741	1,537,155	*23.22%*
Bally's	--	*0*	278,518	278,518	*8.47%*	2,221,482	2,500,000	*37.77%*
Other shareholders	2,581,526	*89.99%*	--	2,581,526	*78.55%*	--	2,581,526	*39.00%*
Total (diluted)[2]	**2,868,681**	***100.00%***	**417,777**	**3,286,458**	***100.00%***	**3,332,223**	**6,618,681**	***100.00%***

Source: The Star

The first tranche of the Notes (which have been issued) are convertible into shares representing 14.6% of The Star's pre-issue capital. The second tranche of the Notes are convertible into shares representing approximately 116% of The Star's pre-issue capital, which, together with the first tranche, is equivalent to 56.7% of its diluted shares outstanding[2] upon conversion of the Notes. Including Investment Holdings' existing interest, it would hold 23% of The Star (including its existing holding) if the Notes are all converted while Bally's would hold 38% (a combined 61%).

The existing shareholders in The Star may face further dilution in their interests beyond the conversion of the Notes to the extent that The Star elects to utilise the PIK option (see Section 1.2 for details). The extent of this dilution cannot be determined at this point in time as it depends on factors such as the length of time the Notes are unconverted, the extent of usage of the PIK option and the VWAP of The Star shares at the time the obligation is satisfied.

2 Scope of the Report

2.1 Purpose of the Report

Section 606 of the Corporations Act, 2001 ("Corporations Act") effectively prohibits a person from acquiring a relevant interest in a public company where that person's voting power increases from 20% or below to in excess of 20% or, if that person already has voting power in excess of 20%, their voting power would increase further, except in certain limited circumstances. Item 7 of Section 611 allows non associated shareholders to waive the Section 606 prohibition by passing a resolution in a general meeting.

The Notes, if all converted into shares in The Star, could result in:

- Bally's acquiring a relevant interest of up to 38% in The Star; and
- Investment Holdings acquiring a relevant interest of up to 23% in The Star (including its existing holding).

Consequently, The Star is seeking shareholder approval for the future issue of shares if the second tranche of the Notes are converted. Separate shareholder approvals are required for each of the Transactions. Bally's and Investment Holdings have stated that they are not associates (but this is a decision that will be made by the Board of The Star in due course). Until that decision is made, they will each have their own relevant interest in The Star that exceeds 20% (if the Notes are converted). The two resolutions are not inter-conditional.

The approvals sought allow for the possibility of one or other resolution not being passed. In the circumstances where:

- the Investment Holdings Transaction is not approved, Bally's would be required to take up Investment Holdings' share of the issue of tranche two Notes which could increase its relevant interest to 53.7% (if the Notes are converted); and
- the Bally's Transaction is not approved, the issue of tranche two Notes to Investment Holdings would still proceed, which could result in Investment Holdings ultimately obtaining a 37.3% relevant interest of The Star (if the Notes are converted).

The approvals sought do not extend to any issue of shares in The Star under the PIK or the redemption of the Notes. To the extent any such issues could breach thresholds under Section 606, they would require approval of shareholders at that time.

Shareholders voting pursuant to Item 7 of Section 611 of the Corporations Act are to be provided with a comprehensive analysis of the proposed transaction. The directors of the company may satisfy their obligations to provide such an analysis by commissioning an independent expert's report.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the directors of The Star have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion:

- the Bally's Transaction is fair and reasonable having regard to the interests of non associated shareholders of The Star; and
- the Investment Holdings Transaction is fair and reasonable having regard to the interests of non associated shareholders of The Star.

The independent expert's report is to state reasons for those opinions. A copy of the report will accompany the Notice of Meeting and Explanatory Memorandum ("the Explanatory Memorandum") to be sent to shareholders by The Star.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual The Star shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by The Star in relation to the Transactions.

Voting for or against the Bally's Transaction or the Investment Holdings Transaction are matters for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Bally's Transaction or the Investment Holdings Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in The Star. This is an investment decision upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Bally's Transaction or the Investment Holdings Transaction. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

The Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders.

For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether shareholders are likely to be better off if the proposal is implemented than if it is not. If the advantages outweigh the disadvantages, the proposal would be in the best interests of shareholders.

RG111 provides that an Item 7 of Section 611 proposal involving the issue of securities should be analysed by an expert as if it were a takeover offer (any increase in a party's relevant interest above 20% is deemed to be a change of control). In this case, the Transactions involve the issue of the Notes (which can be converted into shares in The Star) to Bally's and Investment Holdings. The effect of the Transactions is to increase Bally's interest in The Star to up to 38% and Investment Holdings' interest in The Star to up to 23% (and potentially more if the PIK coupon payments are satisfied in the form of shares in The Star). Accordingly, Grant Samuel has evaluated the Transactions as control transactions and formed a judgement as to whether each of the proposals is "fair" and, separately, whether each is "reasonable" to non associated shareholders.

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length (see RG 111 paragraph 15). Importantly, this requirement means that the underlying value of the business is to be determined disregarding any financial distress that the entity is suffering.

In a control transaction, reasonableness involves an analysis of other factors not directly related to value that shareholders might consider prior to accepting an offer. An offer is "reasonable" if it is fair. RG 111 provides that an offer could also be "reasonable" if, despite being "not fair", there were sufficient reasons for shareholders to accept an offer in the absence of any higher bid before the close of the offer.

Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of a company's businesses and assets (ignoring financial distress). An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding. Similarly, an offer might be reasonable despite being not fair if financial distress affecting the entity was so acute that the only alternatives realistically available provided a worse outcome for shareholders.

Australian regulatory policy requires that the Transactions be evaluated as if they were each a takeover of The Star by Bally's and Investment Holdings, respectively (as each will own more than 20% of The Star if their Notes are converted). However, neither the Bally's Transaction nor the Investment Holdings Transaction involves the sale of shares or the direct provision of any consideration to non associated shareholders of The Star by Bally's or Investment Holdings. If the Transactions are implemented, The Star shareholders will continue to hold the same number of shares in The Star, although the value and likely trading price of those shares will be affected by the Transactions. As neither Bally's nor Investment Holdings will provide any consideration directly to The Star shareholders, application of takeover analysis to the Transactions is problematic. Accordingly, ASIC issued guidance[3] that, in these circumstances, fairness is to be judged by comparing the fair market value of the company's shares pre-transaction on a control basis with the fair market value of the company's shares post-transaction on a minority basis. This approach is based on the concept that non associated shareholders:

- will be surrendering the opportunity to realise full underlying value (i.e. a value including a control premium) for their existing investment (i.e. they will no longer have the opportunity to receive a control premium unless the controlling entities decide to pursue a transaction that will deliver one); and
- will be receiving a "minority" or "portfolio" interest in a controlled entity post implementation of the Transactions.

Accordingly, "fairness" from a non associated shareholder's perspective would require that they are compensated by a change to the trading price of the shares (e.g. through synergies) such that the trading price of the shares after completion of the Transactions equals or exceeds the full underlying value of the company immediately before the Transactions. This is a relatively high hurdle and, consequently, it is not uncommon for such transactions to be deemed "not fair".

In considering whether the Transactions are reasonable, the factors that have been considered include:

- The Star's current financial position and its urgent need for additional liquidity;
- The Star's recent financial performance and the certainty of expectations regarding trading performance and cash flow from operations;
- the ability of The Star to fund the cash requirements that may arise from its contingent liabilities (e.g. AUSTRAC proceedings, underpaid casino duty, class action lawsuits and other one-off costs following regulatory processes);
- the extent to which the Transactions are likely to enhance the prospects of a turnaround in The Star's business;

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[3] At ASIC's Corporate Finance Liaison meeting in May 2013.

- the potential dilution of the interests of existing shareholders caused by the Transactions;
- the impact of the Transactions on control of The Star;
- the potential consequences if the Transactions are not approved by shareholders;
- the availability of other sources of debt and equity funding; and
- any other benefits and disadvantages of the Transactions.

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Explanatory Memorandum (including earlier drafts);
- annual reports of The Star for FY21[4] to FY24;
- half year announcement of The Star for 1HY25;
- quarterly results announcement of The Star for the three months ended 31 March 2025;
- press releases, public announcements, media and analyst presentation material and other public filings by The Star and Bally's including information available on its website;
- brokers' reports and recent press articles on The Star and the Australian casino industry; and
- sharemarket data and related information on:
  - selected Australian and international listed companies engaged in the casino and gaming industry; and
  - selected acquisitions of companies and businesses in the casino and gaming industry; and
- information relating to the Australian casino and gaming industry including supply/demand forecasts and regulatory decisions and pronouncements (as appropriate).

Non Public Information provided by The Star

- budget for FY25 ("FY25 Budget") prepared by The Star management;
- the five year operating scenario for FY25 to FY30 for The Star's business operations ("Long Term Operating Scenario"). The Long Term Operating Scenario was prepared by The Star management and has been discussed with, but not formally approved by, the Board of The Star;
- detailed cash flows models including projections for The Star's business operations; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of The Star and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to

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4 FYXX is the financial year end 30 June 20XX (i.e. FY24 is the financial year end 30 June 2024).

undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by The Star and its advisers. Grant Samuel has considered and relied upon this information. The Star has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Transactions are fair and reasonable having regard to the interests of the non associated shareholders of The Star. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of The Star. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included the FY25 Budget and the Long Term Operating Scenario (the "forward looking information"). The Star is responsible for the forward looking information. None of the forward looking information is included in the Explanatory Memorandum and therefore neither the FY25 Budget nor the Long Term Operating Scenario have been disclosed in this report.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the forward looking information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account that:

- the Long Term Operating Scenario:

- is a work in progress and reflects the latest views of The Star's management teams on the operating conditions for The Star;
- adopts underlying operating assumptions that are consistent with the long term operating scenario discussed with directors of The Star in late January 2025;
- is managed centrally but based on inputs from management teams with responsibility for each business operation;
- is used by The Star for general business planning and management purposes (including strategic planning); and
- is reviewed and updated regularly; and

■ The Star has sophisticated management and financial reporting processes. The forward looking information has been prepared through a detailed process involving preparation of forecasts using key metrics by site and category of business and is subject to ongoing analysis and revision to reflect the impact of actual performance or assessments of likely future performance.

At the same time, it is important to recognise that:

■ The Star's business operations have been severely impacted by the increased regulatory restrictions imposed by the state regulators following the regulatory inquiries of its New South Wales and Queensland operations. In many respects, the "uneven playing field" between casinos (which are subject to a stricter regulatory regime) and pubs and clubs (which are not) has resulted in the loss of market share for casino operators such as The Star particularly in the slots market. Implementation of measures to restore competitive neutrality (whether by relaxing measures on casinos or imposing new measures for pubs and clubs or other means) would relieve some of these pressures on casino operators but would also require legislative changes. There is no certainty that any such changes will occur (and even if they did, their timing and effectiveness is unknown);

■ there are other significant unknowns and risks attaching to The Star's future financial performance including:

- the ability of The Star to regain market share from other operators such as Crown Resorts Limited ("Crown Resorts") (in the case of *The Star Sydney*) and, more broadly, other pubs and clubs;
- the recovery of its VIP business performance, particularly with the permanent ceasing of dealings with junket operators and suspension of all domestic and international VIP rebate programs;
- a number of regulatory changes have been introduced in the last 12 months (e.g. mandatory carded play and cash limits). Their effect on revenue and costs cannot be accurately identified at this point in time;
- various regulatory matters that are yet to be finalised which could incur one-off costs (including fines or penalties) as well as materially impact ongoing revenue generation, future operating costs and even the right to operate; and
- its ability to improve its customer experience given the enhanced customer vetting processes that have been rolled out to meet the tightened regulatory requirements.

Accordingly, any forecast for a business such as The Star needs to be treated with considerable caution. The range of potential outcomes that could be considered realistic is extremely wide.

Grant Samuel has not relied on the forward looking information for the purposes of its report but has considered it in the review of the future business strategy of The Star and its prospects and used this information in developing financial models for The Star's business operations as discussed in Section 6 of this report. As part of its analysis, Grant Samuel has considered a range of different forecast outcomes based on alternative sets of assumptions and has reviewed the impact on net present values ("NPVs") to changes in these assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the analysis does not, and does not purport to, show the impact of all possible variations. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the analysis;
- greater or lesser variations to the assumptions considered in the analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by The Star and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Transactions are accurate and complete;
- the information set out in the Explanatory Memorandum sent by The Star to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Transactions will be implemented in accordance with their terms; and
- the legal mechanisms to implement the Transactions are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Industry Overview

3.1 Introduction

The gambling industry encompasses a wide range of distinct activities including:

- lotteries (and other similar products such as keno, bingo and raffles);
- electronic gaming machines ("EGMs") (also called "poker machines", "pokies" or "slots") which, in Australia, are typically located in pubs and clubs;
- casinos (premises containing table games such as roulette, baccarat and poker as well as, in many cases, EGMs);
- games (such as poker); and
- various forms of wagering such as:
  - racing (thoroughbreds, harness racing and greyhounds) including:
    - on and off course totalisator (or "Tote" or "pari mutuel") betting through official organisations such as TABs[5] in Australia;
    - on course fixed odds betting with individual bookmakers or other licensed operators with booths or outlets at the track such as the State based TABs in Australia); and
    - off course fixed odds betting;
  - sports betting (other than racing); and
  - non sports or "novelty" betting (e.g. election outcomes or other measurable events).

Gambling varies from activities based solely on luck (such as lotteries, EGMs, some casino games) to those involving an element of skill and/or analysis (poker, most wagering) as well as luck.

Traditionally, most gambling took place in licensed venues (e.g. casinos, race tracks) or other officially sanctioned distribution channels such as retail betting shops or licensed premises (hotels and clubs). At the same time, there has always been a considerable level of illegal gambling (e.g. poker dens and "underground" casinos). Indeed, the evolution of TABs in Australia in the 1960s was a government response to high levels of illegal off course betting on horse races.

The advent of the internet[6] has wrought dramatic change across the industry over the past 20 years, which has accelerated over the past ten years with the development of sophisticated applications ("apps") that can be easily used on mobile devices. Internet based (or "online") gambling occurs across virtually all sectors of the industry (although some activities may be illegal in certain jurisdictions, including Australia). Today, there are:

- online lotteries (e.g. Lottoland although it is, strictly, a form of wagering) and online distribution of official lotteries;
- online casino games (such as roulette and blackjack) and online EGMs (pokies or slots) which are generally referred to as "iGaming";
- online poker; and
- online wagering across racing, sports and novelty betting.

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5 Totalisator Agency Board (in its original form). These organisations have now been corporatised and privatised (except Western Australia) but continue to use the TAB brand.

6 Prior to internet based betting there was "phone betting" but its impact was relatively minor.

The gambling industry is heavily regulated (including as to accessibility and distribution methods) and heavily taxed, although these elements vary substantially between countries and, in federated jurisdictions, there can also be marked differences between individual States. In this respect, there is no global gambling industry, only individual markets albeit that there is a significant level of unregulated (and often illegal), offshore based online gambling activity that transcends State and national boundaries.

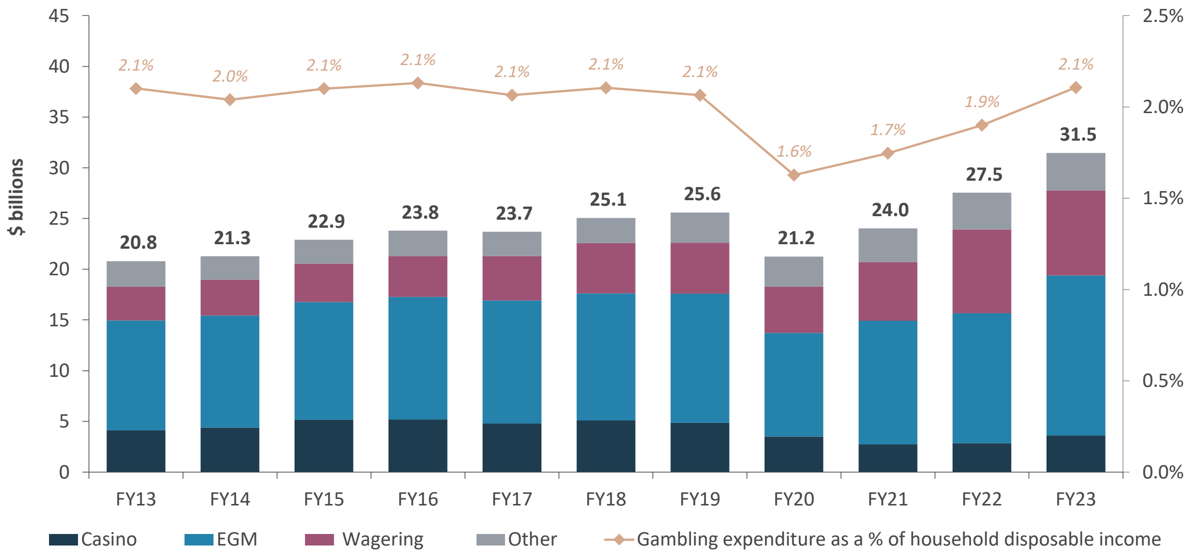
3.2 Gambling in Australia

Australia has some of the highest levels of gambling in the world. Gambling turnover in Australia FY23 was $244 billion and gambling expenditure was estimated to be $31 billion (or over $1,500 per capita)[7,8].

The Australian gambling industry is relatively mature. Over the past ten years, total gambling expenditure has grown by an average of around 4% per annum. Although gambling activity fell sharply in FY20 following the COVID-19 pandemic lockdowns (which resulted in the shutdown of physical casinos as well as retail shops selling lottery tickets, clubs, restaurants and gaming parlours home to slot machines), it has since recovered over the next two years and now exceeds pre-pandemic levels.

Gambling activities compete with other consumer products and services for consumers' discretionary expenditure and, in particular, with other forms of leisure and entertainment including cinema, restaurants, sporting events, the internet and pay television. Although gambling expenditure as a percentage of household disposable income has declined from its peak of circa 3% at the turn of the century, it appears to have stabilised at around 2% over the last decade:

HISTORICAL GAMBLING EXPENDITURE IN AUSTRALIA (FY13 TO FY23)



Source: Australian Gambling Statistics, 39th edition, Queensland Government Statistician's Office, Queensland Treasury
Note: Gambling expenditure by product excludes minor gambling (raffles, bingo, lucky envelopes etc.) which represents less than 1% of total gambling expenditure.

In FY23, expenditure on EGMs (in clubs and hotels) represented just over half of all gambling expenditure, with the largest proportion by far in New South Wales which has almost 50% of all machines (followed by Queensland, with over 20%). Nationally, EGM's share of total gambling expenditure has declined since

7 Gambling turnover is the total amount gambled. Gambling expenditure is gambling turnover less the total amount won by players (i.e. the net loss incurred by gamblers).

8 Source: Australian Gambling Statistics, 39th edition, Queensland Government Statistician's Office, Queensland Treasury. FY23 is the latest information available at the date of this report. All market size and share information in this section has been sourced from this publication unless stated otherwise.

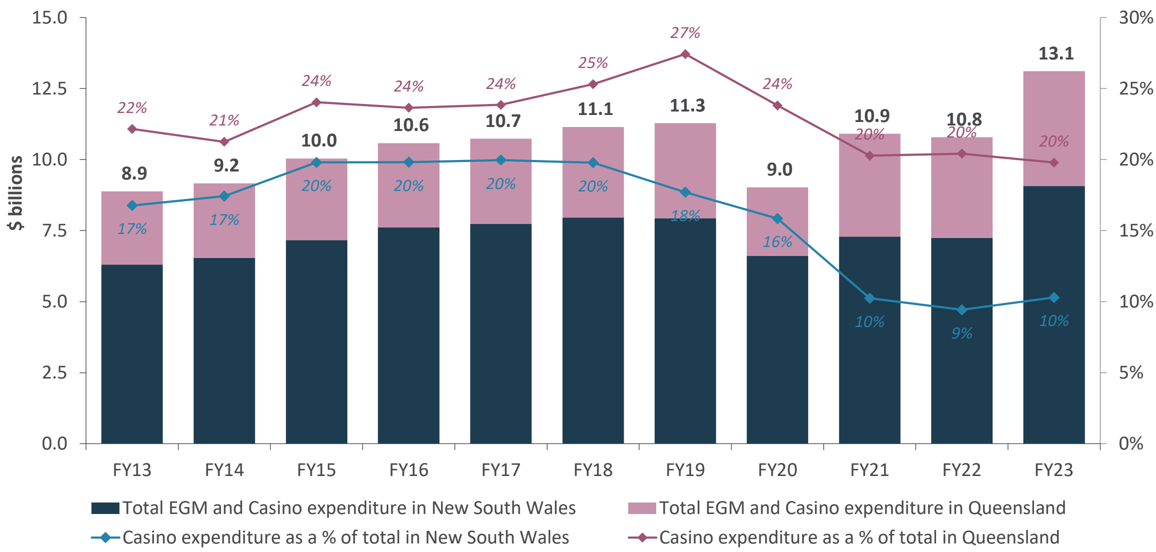
2001 due to social pressures, the growth of other forms of betting such as online sports betting and (at least between FY10 and FY16) the expansion of casinos.

By contrast, casinos (which include EGMs on premises) represent only approximately 12% of gambling expenditure. However, expenditure has declined from its peak in FY15 and FY16 (both in dollar terms and share) as the international VIP business was curtailed. Since peaking at over $5 billion in FY16, growth in gambling expenditure at casinos across Australia softened before declining over the following years, with the fall accelerating further since the COVID-19 pandemic lockdowns in FY20 as increased regulatory requirements for casinos and competition from pubs and clubs (see Section 3.3.2) drew gambling activity into other channels outside casinos. Over the last ten years, gambling expenditure at casinos has declined by 1.3% per annum.

New South Wales and Queensland together account for approximately 60% of gambling expenditure in Australia, broadly in line with the concentration of the population in these two eastern seaboard States. Excluding the Northern Territory (which has unusually high per capita gambling expenditure because it is the primary place of registration for online wagering businesses), New South Wales and Queensland also lead on a per capita basis, with gambling expenditure in the range $1,500-2,000 in FY23[9].

The chart below illustrates the shift in activity between EGMs (as a proxy for pubs and clubs) and casinos over the last five years in both states (albeit the analysis is complicated by the inclusion of table games for casino expenditure):

HISTORICAL EGM AND CASINO GAMBLING EXPENDITURE IN SELECT STATES (FY13 TO FY23)



Source: Australian Gambling Statistics, 39th edition, Queensland Government Statistician's Office, Queensland Treasury

As a whole, expenditure for EGMs and casinos in New South Wales and Queensland has continued to deliver modest growth. However, the relative performance between both verticals has been mixed. Although expenditure at casinos were broadly in line with EGMs for most of the years leading up to FY19, it has ceded a significant portion of its share of the market in the last three years as the share of casino expenditure fell to levels not seen in over two decades. The decline in its share reflects a combination of factors, including reduced international tourism and patronage as well as the broader regulatory climate that has had a disproportionate impact on casinos (see Section 4.3).

9 Understated due to inclusion of online activities under Northern Territory.

3.3 The Casino Industry in Australia

3.3.1 Operators and Facilities

There are currently 14 casinos in operation across Australia. A summary of the operators is set out below:

AUSTRALIAN CASINOS[10]

CASINO	LOCATION	OWNER	TABLES	EGMS	HOTELS	ROOMS
The Star Sydney	Sydney	The Star	231	1,500[11]	2	650
The Star Gold Coast	Gold Coast	The Star	105	1,651[11]	3	1,164
The Star Brisbane	Brisbane	Destination Brisbane Consortium	180	2,500[11]	1	340
Crown Melbourne	Melbourne	Crown Resorts	540	2,628	3	1,604
Crown Perth	Perth	Crown Resorts	350	2,500	3	1,188
Crown Sydney	Sydney	Crown Resorts	no limit[12]	--	1	349
SkyCity Adelaide	Adelaide	SkyCity Entertainment Group Limited ("SkyCity")	200	1,500	1	120
Mindil Beach Casino	Darwin	Delaware North	>30	>600	1	152
Casino Canberra	Canberra	Iris Capital	39	--	--	--
Lasseters	Alice Springs	Iris Capital	--	400	1	205
The Reef Hotel Casino	Cairns	Casinos Austria	38	439	1	128
The Ville Resort and Casino	Townsville	Colonial Leisure	24	370	1	194
Country Club Tasmania	Launceston	Federal Group	15	150	2	182
Wrest Point Hotel	Hobart	Federal Group	22	650	1	271

Source: Grant Samuel analysis; Office of Liquor and Gaming Regulation, Northern Territory Government. Company filings

3.3.2 Competitive Environment

The Star and Crown Resorts are by far the two largest casino resort operators in Australia with:

- The Star operating casinos in Sydney *(The Star Sydney)*, Gold Coast *(The Star Gold Coast)* and Brisbane *(The Star Brisbane)*; and
- Crown Resorts operating casinos in Melbourne, Perth and Sydney.

Both casino operators operate across all three segments of the industry:

- VIP Gaming – premium gaming to the highest value customers (albeit this customer segment has largely disappeared as two of the largest casino operators in Australia, Crown Resorts and The Star, have suspended all international rebate programs);
- Domestic Gaming – premium mass market and leisure (i.e. irregular or occasional) customers. This category includes both table games and EGMs; and
- Non-Gaming – food and beverage, accommodation, entertainment.

The "integrated" model operated by The Star and Crown is designed so that the different components of the business are mutually reinforcing. For example, foot traffic in the main gaming areas drives food and beverage consumption (particularly at bars) whereas the VIP business contributes to hotel occupancy and

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10 Fully automated tables are included under tables. However, based on statistics published by the Northern Territory Government. Fully automated tables are included in EGMs.

11 Represents the number of table games and EGMs the licence holder is allowed to operate.

12 Under the casino licence, there is no prescribed limit to the number of tables that the licenceholder is allowed to operate. However, this is subject to a gaming floor capacity restriction

high-end food and beverage and retail. Non-gaming facilities offer an alternative drawcard for other customer segments (e.g. restaurant customers, theatre patrons), which in turn can also lead to gaming activity. The other smaller casino operators tend to have less extensive non-gaming facilities and generally do not have the capacity to operate meaningful VIP programs.

Historically, junket operators (who receive rebates for attracting high spending gamblers) played an important role in attracting international VIP customers for both operators. However, the domestic and international VIP rebate programs have since been suspended by both The Star and Crown Resorts and both operators committed to not dealing with junket operators moving forward.

Nearly all of the casinos operate as a virtual monopoly within their respective catchment areas (i.e. city/region or, in certain instances, state) at least as far as domestic table game activities are concerned. Sydney is the only catchment where there are two casinos within the same area with *The Star Sydney* and *Crown Sydney.* However, the two casinos cater to different target markets with *The Star Sydney* positioned for a broader mass market base (e.g. EGMs) whereas *Crown Sydney* has only table games and targets a more "up market" clientele).

Notwithstanding this monopoly position, individual casino resorts do face competition from:

- pubs and clubs in relation to EGMs (except in Western Australia where *Crown Perth* is the only licenced operator of EGMs in the state); and
- the broader hospitality market in relation to food and beverage, hotel operations and conferences and events.

3.3.3 Performance Drivers

The financial performance of casinos is driven by a combination of nationwide factors and local market conditions.

The broad factors include:

- national economic performance including unemployment, wages growth, disposable income and taxes; and
- international inbound tourism levels and the relative attractiveness of Australia as a tourist destination.

However, individual casino resorts are mostly impacted by specific local dynamics including:

- population growth within the catchment area;
- the degree to which local economic conditions vary from national trends;
- the level of competition from pubs and clubs offering EGMs (and any differences in tax or regulatory treatment compared to casinos);
- the extent of competition from alternative forms of gambling (e.g. sports betting) or leisure activities (e.g. sports events, performing arts);
- the quality of food and beverage and hotel offerings compared to those available in the local market;
- the success of entertainment offerings and conventions in drawing visitors to the facility; and
- the ability to attract international high-end gamblers to visit the particular city or region.

Finally, performance is also affected by:

- regulatory constraints and operating rules; and
- social pressures (e.g. anti-gambling campaigns).

3.3.4 Regulation

The casino industry across Australia is tightly regulated under separate State-based regimes. All States and Territories:

- issue casino licences to an approved operator. Several (Victoria, South Australia, Western Australia and the Australian Capital Territory) currently have only one licensed operator;
- set caps on the number of games or machines (or the space available);
- have a regulatory authority responsible for setting requirements for the operation of games, equipment, rules and operating hours as well as monitoring compliance with the requirements and any other applicable laws (e.g. ownership probity tests); and
- set their own taxes through negotiation with the operator. Tax rates usually vary between EGMs, domestic table games and international VIP business, and across States and Territories.

See Section 4.3 for further detail on the relevant regulatory issues in relation to The Star.

4 Profile of The Star

4.1 Background

The Star was established through the demerger of Tabcorp Holdings Limited's ("Tabcorp") casino business (then known as Echo Entertainment Group Limited) in 2011 to create a dedicated ASX-listed operator of integrated resort and gaming assets. At the time of listing, The Star operated four casino resorts across Australia, including the *Star City Casino* in Sydney (now *The Star Sydney*), *Jupiters Hotel & Casino* on the Gold Coast (now *The Star Gold Coast*), *Treasury Casino & Hotel* (until recently, the *Treasury Brisbane*) in Brisbane and *Jupiters Townsville* as well as other event and entertainment venues.

Over the next decade, The Star repositioned its portfolio to focus on its premium integrated resorts. In 2014, it divested *Jupiters Townsville* (due to its lack of scale and smaller market catchment) to focus on its other resorts. The group dedicated significant investments to rolling out *The Star* branding across its portfolio in 2015 as well as major refurbishments and upgrades to the casino, hotel and food and beverage offerings across both *The Star Sydney* and *The Star Gold Coast*. During this time, The Star also embarked on longer term property development strategies to maximise the value potential of its integrated resorts. The Star, in partnership with Chow Tai Fook Enterprises Limited ("Chow Tai Fook") and Far East Consortium (Australia) Pty Limited ("Far East Consortium"), established the following joint ventures to deliver its property strategy including (but not limited to):

- the Destination Brisbane Consortium ("DBC") in 2015 (50% economic interest), which was selected by the Queensland Government to deliver the Queen's Wharf Brisbane project (which would house the new *The Star Brisbane* and offer a range of food and beverage and entertainment offerings);
- the Destination Gold Coast Investments Pty Ltd ("DGCI") in 2016 (50% economic interest), which acquired the *Sheraton Grand Mirage Resort* in Gold Coast; and
- the Destination Gold Coast Consortium ("DGCC") in 2018 (33% economic interest), which was established to develop a multi-tower expansion on Broadbeach Island, where *The Star Gold Coast* was located.

The emergence of The Star as a leading premium casino operator in Australia was further reinforced by the growth of its premium mass market and high wealth customers ("VIPs") business. Overseas based junket operators were used as marketing channels for casinos such as The Star given their access to VIPs and ability to provide credit underwriting for individual gamblers (in exchange for rebates from the casinos). The majority of The Star's international VIP gaming program visitors originated from a range of countries in North Asia and South Asia, but China accounted for a large proportion of the group's international VIP revenues.

However, the detention of Crown Resorts employees in China in October 2016 coupled with the broader decline of the global VIP market had a negative impact on The Star's financial performance. Although the VIP business recovered somewhat over the next two years, weaker market conditions resulted in lower gambling spend by this high value cohort of customers in FY19. These issues were further exacerbated with the onset of the COVID-19 pandemic, following which The Star's earnings were severely impacted by lockdowns and other restrictions imposed by State and Territory governments.

The pressures on The Star's financial position and earnings persisted over the following years. Between 2022 and 2024, it faced increased regulatory scrutiny and underwent a series of regulatory inquiries that resulted in the suspension of its casino licence in New South Wales, the deferred suspension of its licence in the Gold Coast as well as penalties in excess of $200 million. The group is incurring significant costs in implementing the remediation plan to reset its organisational structure and install fit-for-purpose risk and compliance (in relation to anti-money laundering and counter terrorisms financing ("AML/CTF") governance) to restore its suitability for the casino licences. These issues were further exacerbated by the higher than expected equity contributions into DBC (as a result of cost overruns for the construction of Queen's Wharf Brisbane) as well as a persistently weak trading environment (while operating expenses have increased).

In addition, the pending maturities of existing debt facilities in mid 2024 weighed heavily on the group's financial position. In response, The Star undertook a number of capital initiatives:

- in February 2023, it raised $800 million (at $1.20 per share) in new equity to reduce debt. At the same time, the Star also sought covenant relief from its lenders and noteholders;
- in September 2023, it raised $750 million (at $0.60 per share) in new equity and established $450 million of new debt facilities to refinance all existing debt and add further flexibility to its balance sheet; and
- in November 2024, it agreed to amend its syndicated facility agreement to put in place new debt facilities.

However, these measures were insufficient to fully restore its balance sheet. The Star also divested a number of assets (which collectively unwound the remaining key investments in its strategic partnerships with Chow Tai Fook and Far East Consortium) including:

- its 50% interest in the *Sheraton Grand Mirage Resort* for net proceeds of $56 million (completed in November 2023);
- its leasehold interest in the *Treasury Brisbane* casino building for net proceeds of $60.5 million (completed in September 2024, albeit the proceeds are held as restricted deposits). This was a surplus asset as the *Treasury Brisbane* was closed in August 2024 as part of the establishment of *The Star Brisbane* at Queen's Wharf;
- *The Star Sydney Event Centre* and other additional spaces within *The Star Sydney* complex for $60 million (completed in April 2025, albeit the proceeds are held in escrow until The Star can satisfy certain financial viability conditions imposed by the NICC[13]); and
- its 50% interest in DBC (which owns the recently opened *The Star Brisbane* integrated resort) and other non-core assets in exchange for upfront cash of $53 million, the remaining interest in DGCC it does not already own (thereby consolidating The Star's position in *The Star Gold Coast*) and other benefits. Both parties entered into a binding heads of agreement in March 2025 and the transaction is subject to a number of conditions, including entry into long form documentation (the "DBC Transaction"). See Section 5 for further detail on the DBC Transaction.

Despite these efforts, The Star's financial position remained in a precarious state as the ability to meet its significant near term liquidity needs was highly uncertain. On 3 March 2025, The Star shares were suspended from quotation as the group was unable to finalise its 1HY25 accounts until the directors of The Star could determine whether the company had sufficient liquidity to continue as a going concern.

4.2 Business Operations

4.2.1 Overview

Today, The Star remains one of the largest casino operators in Australia and is listed on the Australian Securities Exchange ("ASX") and, since resuming trading on 16 April 2025, now has a market capitalisation of approximately $300 million.

It owns and operates two integrated resorts and also operates other casino resort and entertainment venues across Australia:

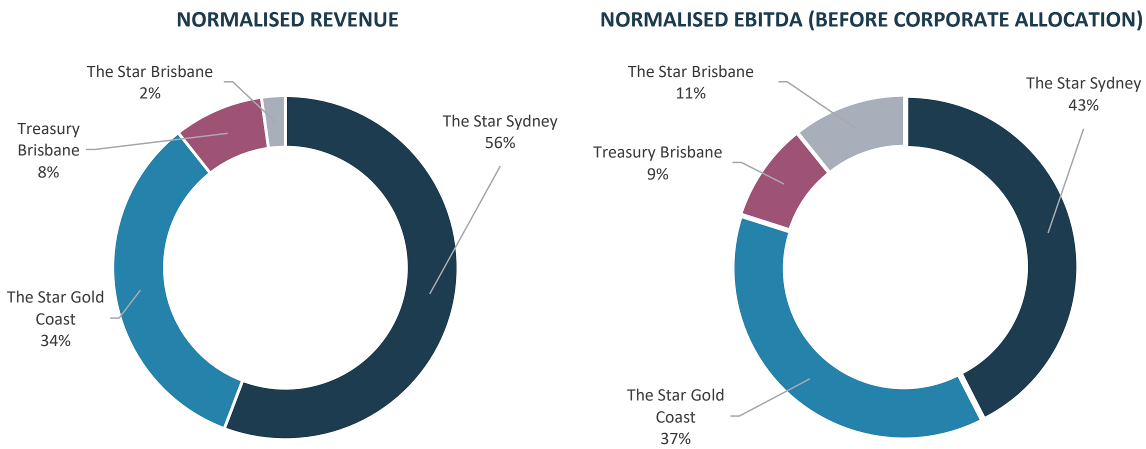
13 NICC is the New South Wales Independent Casino Commission, which is the regulatory agency that oversees *The Star Sydney*.

THE STAR – BUSINESS OPERATIONS

	INTEREST	DESCRIPTION
OWNED AND OPERATED CASINO RESORTS		
The Star Sydney	100.0%	• operational since November 1997 • owner and operator of *The Star Sydney* resort and gaming complex • See Section 4.2.2 for further information
The Star Gold Coast	100.0%	• operational since November 1985 • owner and operator of *The Star Gold Coast* resort and gaming complex • includes 100% of the Tower 1 and Tower 2 hotel/residential developments (remaining interest to be acquired as part of the DBC Ttransaction) • also includes development rights to remaining towers. Chow Tai Fook and Far East Consortium retain their 67% share of the development rights for Tower 3 (subject to the buy-out at the election of The Star) • see Section 4.2.3 for further information
OTHER ASSETS AND AGREEMENTS		
Queen's Wharf Brisbane	--	• operational since August 2024 • newly opened entertainment lifestyle precinct including *The Star Brisbane* and other entertainment and food & beverage offerings • to be sold as part of the DBC Transaction but The Star will continue as operator for *The Star Brisbane* through 31 March 2026 (extendable at Chow Tai Fook and Far East Consortium's option) • see Section 5 for further information
Treasury Brisbane	--	• ceased gaming operations in August 2024 • sale of the leasehold interest in the building (completed in September 2024) and car park and hotel as part of the DBC Transaction (pending completion)

The Star Sydney is the largest contributor to revenue and EBITDA for the group and accounted for over 55% of 1HY25 normalised revenue (or 60% excluding contributions from *Treasury Brisbane* which is no longer operational). Together with *The Star Gold Coast,* both casinos account for nearly all of The Star's normalised revenue and EBITDA[14] (excluding corporate allocations):

THE STAR – CONTRIBUTION BY PROPERTY[15] (1HY25)



Source: The Star

Gaming continues to account for the majority of its revenue (around 70%) although that share has declined in recent years due to weaker trading conditions (closer to 80% in FY23 and FY24). The contributions at the

[14] EBITDA is earnings before net interest, tax, depreciation and amortisation, share of profits of equity accounted associates.

[15] As reported. Excludes revenue and EBITDA contributions from joint ventures (including DGCC).

property level differ slightly as *The Star Sydney* is more heavily weighted towards gaming (over 80% of revenue) whereas *The Star Gold Coast* is more balanced (i.e. gaming accounts for only 60-65% of revenue).

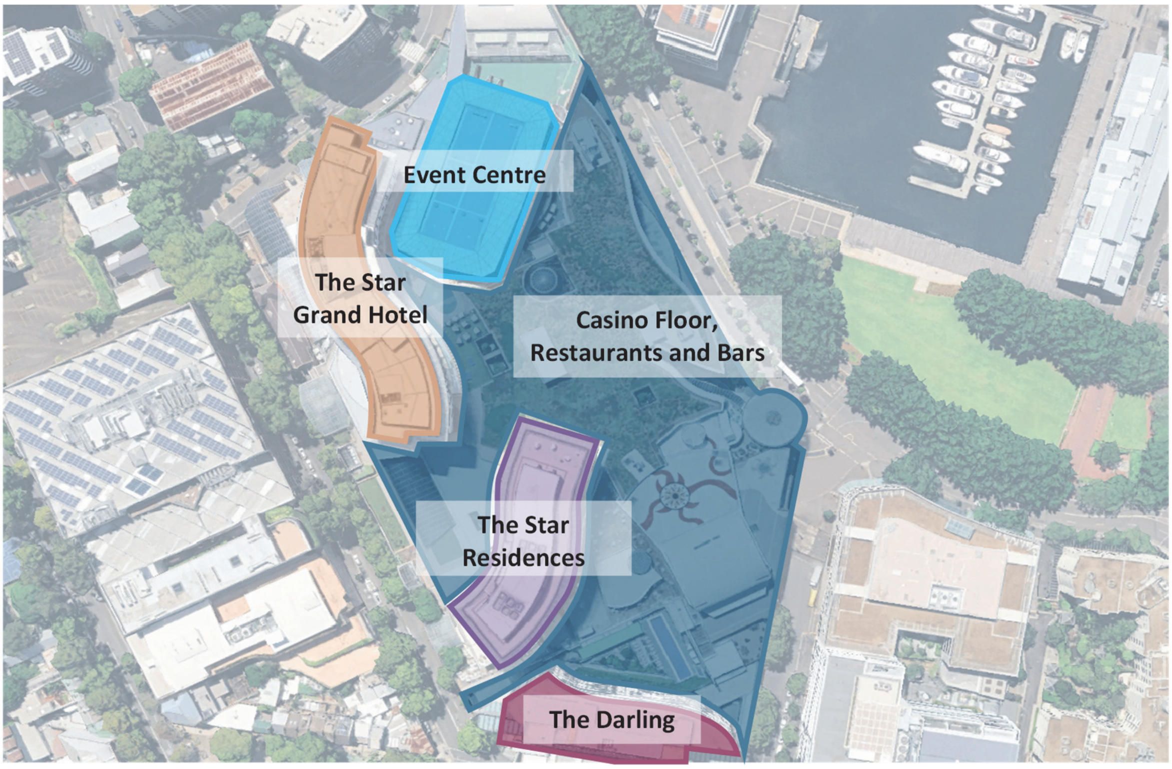
The Star also operates a centralised corporate function and allocates corporate overheads to each property. These functions includes shared functions such as risk and control, information technology, people and performance, transformation office, legal, assurance, marketing, financing and insurance. Upon closure of the *Treasury Brisbane Casino* and the opening of *The Star Brisbane,* the group corporate cost allocation has been revised to 45% to *The Star Sydney*, 20% to *The Star Gold Coast* and 35% to *The Star Brisbane*. These corporate allocations are significant and materially alter relative contributions to EBITDA. In 1HY25, only *The Star Gold Coast* contributed a positive EBITDA after the corporate allocations.

4.2.2 The Star Sydney

The Star Sydney is one of Australia's largest integrated resorts, offering a broad mix of gaming, dining, events, and luxury accommodation. *The Star Sydney* commenced operations in 1997 as the first casino in New South Wales, after being granted a 99-year non-exclusive casino licence in 1994.

Located in Pyrmont, adjacent to Sydney's central business district ("CBD") and Darling Harbour precinct, the resort is a prominent destination that has historically attracted both domestic and international visitors, particularly from Asia. The resort occupies over 3.8 hectares of leasehold land under a 99-year lease from the New South Wales Government (aligned with the term of its casino licence, which is currently suspended):

THE STAR SYDNEY – PROPERTY FOOTPRINT



Source: The Star

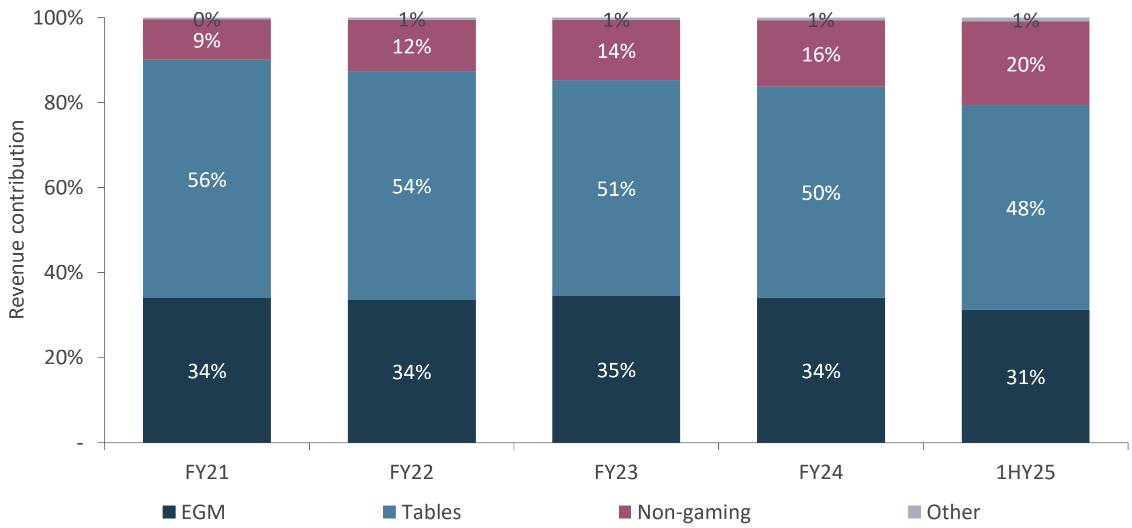
At the time of its development, *The Star Sydney* was one of Australia's largest construction projects and, once operational, was licenced to operate up to 1,500 gaming machines (per licence cap) and now also offers over 230 table games and 487 multi-terminal gaming machines ("MTGM"). The casino offers a main gaming floor complemented by exclusive premium gaming facilities, which feature private gaming rooms and salons tailored to high value patrons.

The Star Sydney also offers extensive non-gaming facilities, including:

- two luxury five star hotels (i.e. *The Star Grand Hotel* and *The Darling*) with over 650 rooms in total (including a collection of 139 luxury serviced apartments at the *The Star Grand Residences*);
- a diverse array of 36 restaurants and bars, as well as high-end retail offerings; and
- event and function facilities, including *The Star Event Centre* (albeit these have now been divested and will be operated by a third party[16]).

Around 80% of revenue has historically been attributable to gaming across both the main floor and private gaming rooms (albeit its contribution to revenue has trended downwards in recent years):

THE STAR SYDNEY – HISTORICAL NET REVENUE MIX



Source: The Star

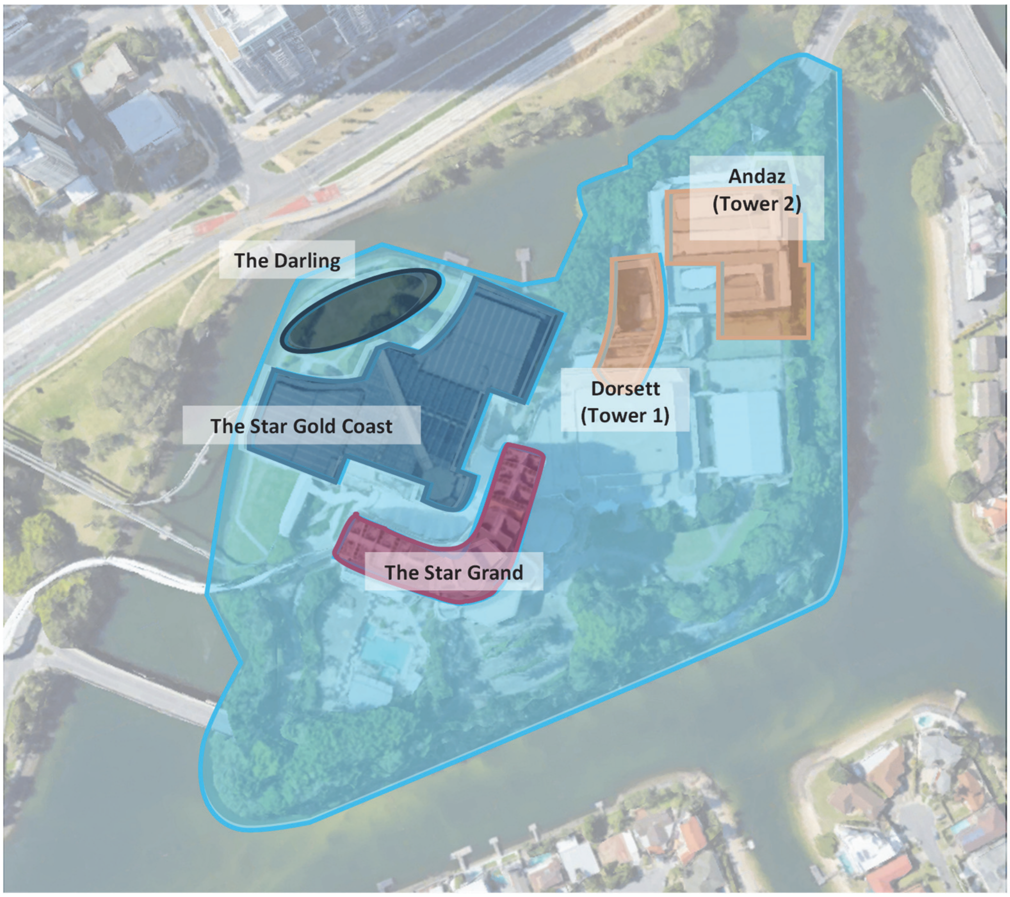
4.2.3 The Star Gold Coast

The Star Gold Coast has grown to become one of Queensland's premier integrated resorts, combining luxury accommodation, world-class dining, extensive conference and event facilities, with a casino. Originally known as *Jupiters Hotel & Casino*, the resort was established in 1985 and rebranded in 2017 when it underwent a major refurbishment (of around $850 million).

The Star Gold Coast is located on Broadbeach Island and encompasses around 6.8 hectares of freehold land:

16 On 29 January 2025, The Star announced the sale of *The Star Sydney Event Centre* and other additional spaces within *The Star Sydney* complex to Foundation Theatres Pty Limited for $60 million. The transaction was completed on 8 April 2025 and, in accordance with the conditions of NICC's approval, the proceeds are currently held in escrow until The Star can satisfy certain financial viability conditions or shareholder approval for the Transactions is granted.

THE STAR GOLD COAST – PROPERTY FOOTPRINT



Source: The Star

The Star Gold Coast operates under a perpetual casino licence originally granted in 1985. The licence permits it to operate a wide range of on-site gaming facilities, including EGMs (up to a cap of 1,651), table games (105 currently) and MTGM games (148 currently). Additionally, the complex provides exclusive gaming rooms catering to high end and premium customers, including VIP suites and private casino salons (e.g. the Oasis and Sovereign rooms). The diverse offering enables the casino to cater to a wide range of customer segments from casual (or mass market) players to the premium end (e.g. VIPs and high rollers).

The gaming facilities at *The Star Gold Coast* are complemented by an extensive array of non-gaming amenities on-site, including:

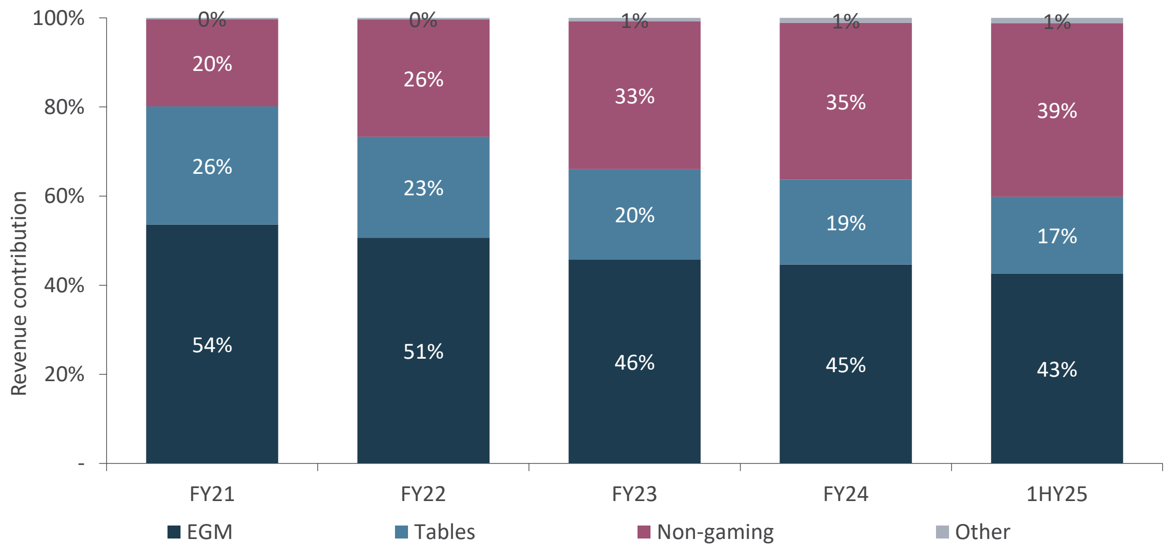
- two wholly owned luxury five-star hotels (i.e. *The Star Grand* and *The Darling*) with nearly 650 rooms;
- two mixed use tower developments, namely:
  - *Dorsett* (i.e. Tower 1), which opened in December 2021. The new tower houses a four-star hotel with 313 rooms as well as 422 one and two-bedroom apartments that have been sold; and
  - *Andaz* (i.e. Tower 2), which is still under construction but scheduled to be completed in late 2025 (but may be delayed due to damage from a water leak that occurred as a consequence of Tropical Cyclone Alfred in March 2025). Once completed, *The Andaz* is expected to provide an additional 202 hotel rooms and 437 residential apartments (that have been sold or to be sold).

  The Star has only a 33% interest in DGCC (with the balance of DGCC owned by Chow Tai Fook and Far East Consortium), which owns these towers but they will become wholly owned by The Star if the DBC Transaction is completed;

- state-of-the-art conference and event facilities including the Event Centre Ballroom (1,040 seated capacity), *The Star Theatre* (2,125 seated capacity) and a number of other private rooms;
- other entertainment venues such as the outdoor event space for live performances and a range of nightclubs; and
- a selection of over 20 food and beverage venues ranging from casual dining to fine dining experiences.

Similar to *The Star Sydney*¸ *The Star Gold Coast* has also historically relied on its gaming facilities to generate the majority of its revenue (albeit with a greater weighting towards EGMs). However, revenue contribution from gaming (as a whole) has fallen steadily in each of the last five years:

THE STAR GOLD COAST – HISTORICAL NET REVENUE MIX



Source: The Star

Between 2015 and 2018, *The Star Gold* Coast undertook a rebranding and major refurbishment and the strategy for the resort has since pivoted towards maximising the value potential of its freehold land through diversified property developments.

In November 2018, The Star announced that it has received development approval from the Queensland Government for the right to develop up to four additional mixed-use towers (in addition to Tower 1, for which development approval was granted in 2016 and construction works had already commenced) on the existing freehold title site. The masterplan contemplated:

- a mixture of hotel rooms and apartment accommodations;
- a maximum of up to 2,200 apartments and five hotel brands across the four towers; and
- retail, food and beverage, car parking and entertainment areas.

Tower 2 (containing *The Andaz* hotel) was the next of these new tower projects to developed and is due to be completed by the end of 2025. The final investment decisions for the remaining towers are subject to satisfactory risk-adjusted returns, prevailing market conditions at the time and regulatory conditions as well as Board and other approvals. At this stage, no decision has been made to progress the development of any additional towers.

Subject to the completion of the DBC Transaction, The Star is entitled to retain all development rights for Towers 3-5 and any other developments on the site (although it would, at its election, have to pay $17 million to buy out the development rights held by the Chow Tai Fook and Far East Consortium for Tower 3).

4.3 Regulatory Overview

Background

The Star's Australian casino operations are subject to regulations and regulatory oversight that vary across the different states. For instance:

- In New South Wales, *The Star Sydney* is subject to the Casino Control Act 1992 (NSW). Under the delegation of the NICC, Liquor and Gaming NSW ("L&GNSW") is tasked with maintaining and administering systems for the licensing, supervision and control of casinos. The NICC is tasked with a broader role for regulating comprehensive issues in relation to casinos such as gambling harm, money laundering and other criminal activity; and
- In Queensland, *The Star Gold Coast* and *The Star Brisbane* are subject to the Casino Control Act 1982 (QLD). The Office of Liquor and Gaming Regulation ("OLGR") is tasked with overseeing the regulation of gambling and liquor in the state and ensuring the objectives of the Casino Control Act 1982 (QLD) are fulfilled. OLGR's priorities include implementing agreed actions from recent regulatory reviews and working with the four Queensland casinos to ensure gambling harm minimisation programs encourage safer gambling.

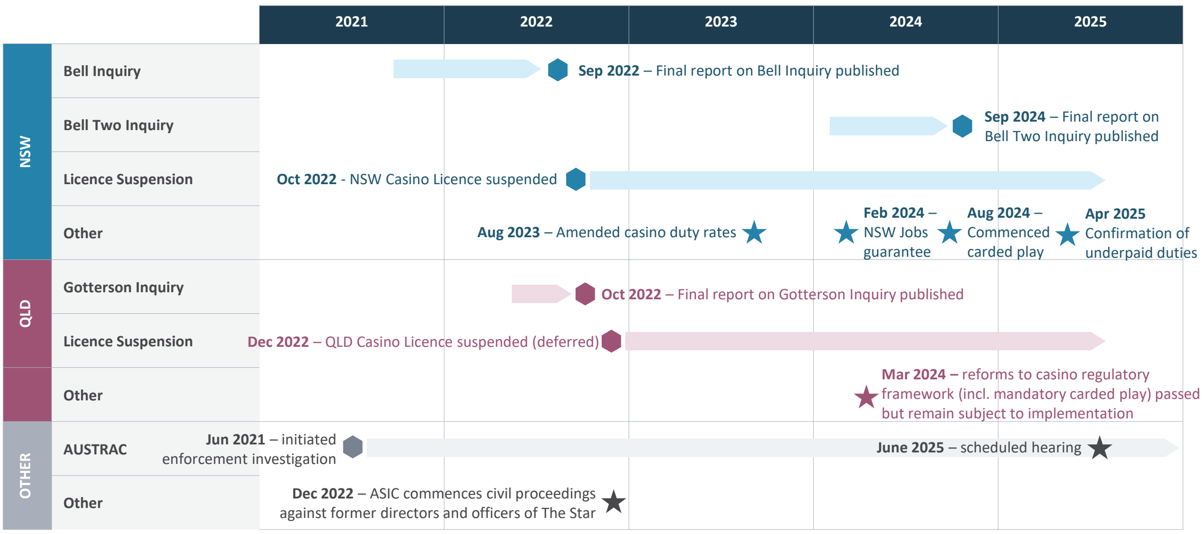
The Star is also subject to other broader obligations that are monitored and enforced by the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), a Commonwealth government entity that enforces the Anti-*Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and *Anti-Money Laundering and Counter-Terrorism Financing Rules 2007* (Cth).

Recent Regulatory Inquiries and Processes

OVERVIEW

Over the last four years, The Star emerged as the subject of a series of regulatory inquiries that have been highly disruptive to the business:

INDICATIVE TIMELINE OF KEY REGULATORY ISSUES AFFECTING THE STAR



The Star first became the subject of a number of allegations in relation to its AML/CTF governance in mid 2021. These compliance concerns arose as part of AUSTRAC's regular compliance assessment and related to ongoing customer due diligence and maintaining the AML/CTF program at *The Star Sydney*. On 4 June 2021, AUSTRAC initiated a formal investigation into the compliance of *The Star Sydney* and, subsequently on 12 January 2022, expanded the scope of the investigation.

Subsequent to the launch of the AUSTRAC investigation, a number of regulatory inquiries were commenced to look into the suitability of The Star to hold its casino licences in New South Wales and Queensland as well as the group's compliance with its broader legal obligations.

NEW SOUTH WALES

Regulatory scrutiny from The Star's gaming regulators (i.e. ILGA and NICC) into its Sydney operations involved two inquiries:

- the first inquiry (the "Bell Inquiry"), which was initiated in September 2021 and concluded with the publication of its final report in September 2022; and
- the second inquiry (the "Bell Two Inquiry"), which was initiated in February 2024 and concluded with the publication of its final report in September 2024.

The Bell Inquiry was initiated to investigate The Star's maintenance and administration of systems to counter money laundering and infiltration by organised crime and traversed a range of issues that examined its compliance with its obligations to the relevant casino regulations and laws as well as other matters. It was launched in light of the regulatory inquiry into Crown Resorts' Sydney operations (the "Bergin Inquiry"), which had concluded earlier that year. The public hearings commenced in March 2022 and highlighted issues around The Star's "extremely serious governance, risk management and cultural failures" across its board and senior leadership. These issues were primarily centred on its role in facilitating illegal transactions by junket operators at its venue. The final report for the Bell Inquiry included a total of 30 recommendations to the NICC. The inquiry concluded that, among other matters, The Star was no longer a suitable person to hold the casino licence that authorised it to operate *The Star Sydney* gaming facilities. The NICC subsequently served a "show cause" notice to The Star. In its response, The Star accepted the findings of the Bell Inquiry and outlined a number of urgent remedial steps to restore its suitability including:

- significant changes in board and leadership, including the appointments of three new non-executive directors, new group Chief Executive Officer ("CEO") and a new CEO to *The Star Sydney* (as well as supporting risk and control executives dedicated to its Sydney operations);
- development of a new remediation plan (the "Remediation Plan") that contained immediate actions (e.g. organisational changes, reporting-line changes, revisions to the whistleblower policy) and longer term initiatives (e.g. investments in financial crime, technology, risk and data);
- appointment of Allen & Overy as independent monitor to provide independent assurance and reporting to the Board and regulators on its progress to the Remediation Plan; and
- investments into headcount and resources for safer gambling, financial crime, risk and compliance.

These remedial measures were in addition to other actions that The Star had separately taken including the suspension of all domestic and international VIP rebate play programs.

On 17 October 2022, the NICC announced that it had issued The Star a financial penalty of $100 million and suspended The Star's casino licence indefinitely. An external manager (the "Manager") was appointed by the NICC for an initial period of 90 days to have full control and responsibility over *The Star Sydney* with a mandate to implement the measures needed to ensure compliance with applicable laws and regulatory requirements (including carrying out the Remediation Plan). However, progress on the Remediation Plan was lagging. The Manager's term was extended for an additional 12 months in December 2022 and, again by an additional six months in November 2023 (noting that this was intended to be the final extension). The NICC advised The Star that the extensions were to give the group additional time to demonstrate that it was capable of undertaking the remedial action required for it to restore its suitability for the casino licence.

At the same time, *The Star Sydney* faced additional obligations and costs as the New South Wales Government decided to:

- revise casino duty rates across rebate play, table games and poker machines as well as introduce additional levies on gaming revenues (announced in August 2023). The revised duty rates for the EGMs at The Star are scheduled to increase by 1 July 2027 and again from 1 July 2030 (albeit the latter increase is subject to a good faith review having regard to the trading conditions and EBIT for *The Star Sydney* for the period 1 July 2023 to 30 June 2030);
- require The Star to guarantee a minimum employment headcount and to maintain certain ratios of full-time, part-time and casual employees until 30 June 2030 or face stiff penalties for any breaches (announced in February 2024); and
- enforce carded play and cash limits in casinos, which came into full effect across the entire gaming floor in October 2024 (announced in February 2024) as well as the following future initiatives:
  - mandatory player pre-commitments by August 2025; and
  - a reduction in the cash limits from $5,000 to $1,000 by August 2025.

The lack of progress in addressing the issues raised in the Bell Inquiry to the satisfaction of the NICC prompted the commencement of the Bell Two Inquiry in February 2024. The second inquiry was initiated to investigate the progress that The Star had made to date as well as other matters including the group's culture and risk management, governance and reporting lines and the financial capacity of The Star to restore and operate *The Star Sydney*. The hearings commenced in April 2024 and highlighted four breaches of *The Star Sydney*'s internal control manuals in relation to the operation of the cage (i.e. holds cash at the casino), AML/CTF laws and responsible gambling obligations. The final report of the Bell Two Inquiry found that The Star remained unsuitable to operate the casino and that six of the 30 recommendations from the initial inquiry had yet to be implemented. The report also highlighted a number of governance issues, a dysfunctional leadership team and the deterioration of The Star's relationship with the NICC.

On 17 October 2024, the NICC announced that it had issued The Star a financial penalty of $15 million in relation to the four internal control breaches, made directions in respect of various governance and operational matters relating to *The Star Sydney* and proposed amendments to the casino licence conditions relating to key management personnel and composition of *The Star Sydney* Board. The casino licence remains suspended until 30 September 2025 and it is under the continued monitoring and guidance of the Manager (for which the term has been extended through the end of that period).

At this time, there is no certainty that The Star's suitability to hold a casino licence in New South Wales will be restored. However, on 28 March 2025, the NICC acknowledged the progress made to date, noting that "*we welcome progress in The Star's remediation efforts and are confident the company is moving in the right direction with its remediation plans.*"[17]

QUEENSLAND

The inquiry into the operation of The Star's casinos in Queensland (the "Gotterson Inquiry") was initiated by the Queensland Attorney General in June 2022 following the conclusion of the public hearings for the Bell Inquiry in New South Wales. Evidence presented during the public hearings for the Bell Inquiry raised concerns regarding the governance and operational arrangements across The Star's operations more broadly.

Similar to the Bell Inquiry in New South Wales, the Gotterson Inquiry also examined matters in relation to The Star's ongoing suitability to hold a casino licence including:

- the AML/CTF governance and other customer due diligence systems;

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[17] Source: NICC, Media release: *The Star licence suspension extended for six months*, 28 March 2025.

- management of VIP patrons, particularly the use of China UnionPay facilities or other arrangements to facilitate gambling by Chinese nationals despite Chinese currency movement restrictions as well as the inappropriate use of incentives (e.g. incentives for VIP patrons that were banned at *The Star Sydney* at the direction of the New South Wales Police Commissioner) to gamble at one of its casinos in Queensland; and
- approach to gambling harm minimisation.

The Gotterson Inquiry unveiled a number of recurring governance issues and systemic failings that were consistent across The Star's New South Wales and Queensland operations. The report was submitted to the Queensland Attorney General in late September 2022 and subsequently published the following the month. In the report, Gotterson noted that "*it appears to leave open a finding of unsuitability of the licensees of The Star's Queensland casinos*." In response, the Queensland Attorney General formed the view that The Star was unsuitable to hold a casino licence in Queensland and asked the OLGR to begin preparing materials to issue The Star with a show cause notice.

In December 2022, the OLGR announced disciplinary actions against The Star including a financial penalty of $100 million and the suspension of the *Treasury Brisbane* and *The Star Gold Coast* casino licences for 90 days on a deferred basis with effect from 1 December 2023 (one year later) as well as the appointment of a special manager (the "Special Manager") for both casinos (same appointee as the Manager as for *The Star Sydney*). The deferred commencement date of the licence suspension was designed to allow The Star with the opportunity to remediate its management and operations to restore its suitability before any suspension takes effect (if at all).

The final report of the Gotterson Inquiry also made 12 recommendations to reform Queensland's casino regulatory framework, including (but not limited to) the introduction of:

- mandatory carded play and cashless gambling (in excess of $1,000);
- mandatory player pre-commitments (e.g. play and break limits, pre-set time limits or loss limits);
- collection of carded play data (e.g. buy-in, buy-out, turnover, losses and wins, etc.); and
- a supervision levy payable by casino licence holders.

These recommendations to reform the Queensland casino regulatory framework were passed by the Queensland Parliament and received royal asset in March 2024. The government discussion paper proposed that these reforms would apply to The Star casinos from 1 October 2024. At this time, the timing of implementation of these measures has yet to be confirmed.

Due to the significant outstanding remediation matters, the suspension of the casino licence has been deferred multiple times (and the term of the Special Manager's appointment extended). On 27 March 2025, the Quensland Attorney General advised that The Star's casino licence for *The Star Gold Coast* would remain suspended (deferred) until 30 September 2025 under the continued monitoring and guidance of the Special Manager (thus aligning the dates with *The Star Sydney*'s manager regime).

OTHER REGULATORY AND COURT PROCESSES

The Star is also subject to numerous other regulatory and court processes.

The AUSTRAC civil proceeding remains ongoing. On 30 November 2022, The Star announced that two of its subsidiaries, The Star Pty Limited and The Star Entertainment Qld Limited, had been served with a statement of claim from AUSTRAC, commencing civil penalty proceedings alleging contraventions of obligations under the AML/CTF Act. All factual issues in dispute between the parties have now been resolved. The proceeding is currently listed for a six day hearing on liability and penalty commencing on 4 June 2025.

The Star has also been involved in other regulatory proceedings:

- underpayment of casino duties in New South Wales. The first Bell review raised concerns on the way the group calculated rebate duty payable (i.e. in relation to residency status of VIP patrons). Following an independent review of all rebate play at *The Star Sydney* between 28 November 2016 and 9 May 2022 (and a subsequent assurance review by L&GNSW), the amount of underpaid casino duty payable has now been agreed and, in April 2025, was confirmed by the NSW Treasury;
- civil penalty proceedings commenced by ASIC in December 2022 against former directors and officers of The Star, alleging contraventions of the *Corporations Act 2001 (Cth)*. Although The Star is not directly a party to these proceedings, it is not clear the extent to which The Star will have exposure to additional legal costs; and
- other ongoing disputes with the Australian Tax Office ("ATO") that are now with the Federal Court in relation to the goods services tax ("GST") treatment of rebates paid to junket operators as well as any associated withholding taxes.

The Remediation Plan

The Star has a comprehensive Remediation Plan to address findings and recommendations from various public inquiries and external reviews, including the Bell 1, 2 and Gotterson reviews. These inquiries revealed historic failures in leadership, culture and compliance which allowed unethical conduct and criminal activities to occur.

The Remediation Plan was established to rebuild trust with stakeholders, regulators and the community, ensuring the long-term sustainability of The Star's operations and restoring The Star's casino licences. An updated Remediation Plan was approved by the Attorney General of Queensland in October 2024. The plan has been provided to the NICC but has not been formally approved (as there is not a legislative requirement for approval in New South Wales).

The updated Remediation Plan comprises 14 workstreams to be implemented over a multi-year period, with a total of 586 milestones across the following areas: risk management, compliance, regulatory engagement and investigations, exclusions management, financial crime, safer gambling, internal audit and assurance, technology and data, premium players, strategy and legacy, values and ethics, leadership, capability, controls and governance.

On 27 March 2025, the Queensland Government announced an extension of the deferred suspension of The Star's casino licence for *The Star Gold Coast*, in parallel with the extension of the Special Manager Nick Weeks' appointment until 30 September 2025. Mr Weeks' role as external advisor for *The Star Brisbane* has also been extended to 30 September 2025, with DBC continuing to hold the Brisbane casino licence.

On 28 March 2025, the NICC notified The Star of an extension to the current suspension of the Sydney casino licence until 30 September 2025, under the continued guidance of the Manager, Nick Weeks. A letter was sent on 22 April 2025 from the NICC on activities the NICC considers relevant to its consideration of the suitability of The Star entities in September 2025.

As at 30 April 2025, The Star had advised that it is tracking to plan, with no significant risks or issues currently. Out of its 586 total remediation milestones, 354 have been submitted for external assurance. 326 actions have been submitted for validation, with 238 out of 253 milestones (94%) rated as accepted.

The spend across all remediation workstreams in the plan from FY23 to 31 March 2025 was approximately $230 million against a total estimate of around $370 million. At the request of the OLGR and NICC, some amendments are being made to the plan to provide more detail and visibility to regulators around inflight programs of work including in the areas of governance remediation, operating model, customer due diligence and technology and data. Some updates to the remediation plan budget will be made to align the scope of work to the amended plan. However, it is anticipated these specific proposed amendments to the remediation plan will not impact the budget materially.

4.4 Strategy

The combination of numerous regulatory issues, larger than anticipated joint venture equity contributions (particularly for DBC) and a weak trading environment (while managing a higher operating cost profile) have placed unprecedented pressure on The Star's financial and operating performance.

To navigate through these challenges, The Star's strategic priorities fall under three categories:

- **remediation and returning to suitability,** with the aim of restoring regulator, government and public trust in The Star by:
  - cooperating with ongoing regulatory inquiries and ensuring that The Star delivers thorough and timely responses to all matters raised; and
  - continuing to successfully implement the amended Remediation Plan and embed leading standards for governance, compliance, responsible gaming and risk management;
- **improving operating performance,** particularly through:
  - improving market share and driving revenue growth to offset any further impact of cash limits and carded play. Revenue initiatives include revitalising underutilised spaces, improving hosted services and launching loyalty programs and promotions;
  - maintaining cost discipline and identifying further opportunities for cost-outs; and
  - reducing maintenance capital expenditure to no more than $80 million (at least in FY25); and
- **enhancing its liquidity position,** particularly through improved operating performance (as set out above) as well as identifying:
  - alternative short term and long term funding solutions (e.g. debt refinancing and other proposals); and
  - opportunities to divest non-core assets.

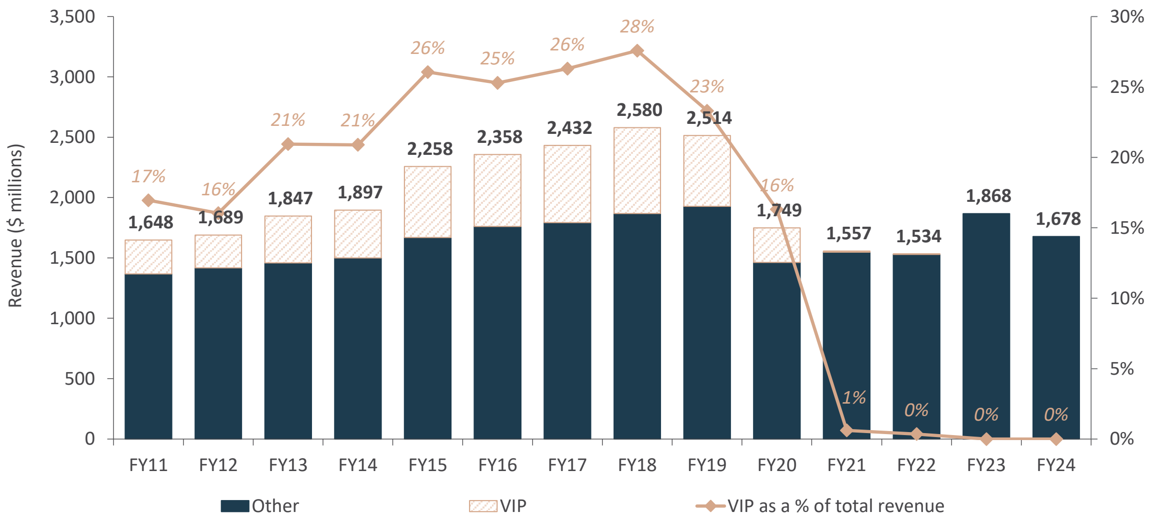
The success of these objectives is built on transforming the organisational culture to restore its regulatory and social licence to operate.

4.5 Financial Performance

Historical Financial Performance

For most of its history as a standalone listed company, The Star had delivered solid revenue growth of around 5% per annum. Most of the growth during this period was attributable to its VIP business (which grew at 10% per annum). At its peak in FY18, the VIP business accounted for over $700 million in revenue and represented nearly 30% of the group's revenue (from just the mid-teens earlier in the decade):

THE STAR – HISTORICAL GROSS REVENUE BY TYPE ($ MILLIONS)



Source: The Star

The chart above also demonstrates the relatively stable and modest growth rates delivered by the remainder of its business for most of the period, albeit with a downwards step change in FY20 (largely due to COVID-19) from which it has yet to recover. Prior to FY20, The Star's domestic EGMs and table games business as well as its non-gaming businesses (which collectively comprise the bulk of the group's revenue) grew at modest rates of around 4% per annum.

The historical financial performance of The Star for FY21 to FY24 and 1HY25 is summarised below:

THE STAR – HISTORICAL FINANCIAL PERFORMANCE ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	FY24 ACTUAL	1HY25 ACTUAL
Net revenue	**1,545.4**	**1,527.1**	**1,867.5**	**1,677.8**	**649.6**
Operating costs (including gaming taxes)	(1,118.7)	(1,074.6)	(1,294.8)	(1,201.8)	(515.5)
Adjusted Property EBITDA[18]	**426.7**	**452.5**	**572.7**	**476.0**	**134.1**
Corporate costs[19]		(215.0)	(207.8)	(243.4)	(128.0)
Remediation costs	--	--	(47.5)	(57.9)	(32.5)
Adjusted EBITDA	**426.7**	**237.5**	**317.4**	**174.7**	**(26.4)**
Depreciation and amortisation	(210.5)	(208.3)	(195.3)	(120.6)	(30.9)
Adjusted EBIT[20]	**216.2**	**29.2**	**122.1**	**54.1**	**(57.3)**
Share of profit/(loss) of associates	(4.4)	(8.6)	(3.8)	(3.2)	(21.0)
Net interest expense	(54.3)	(50.2)	(56.5)	(35.3)	(19.7)
Income tax benefit/(expense)	(48.1)	(2.1)	(20.5)	(3.7)	(37.7)
NPAT[21] (before significant items)	**109.4**	**(31.7)**	**41.3**	**11.9**	**(135.7)**
Significant items (after tax)	(51.5)	(170.8)	(2,476.5)	(1,696.5)	(166.2)
NPAT attributable to The Star shareholders	**57.9**	**(202.5)**	**(2,435.2)**	**(1,684.6)**	**(301.9)**

Source: The Star and Grant Samuel analysis

18 Excludes significant items.

19 No corporate allocation breakdown has been disclosed for FY21.

20 Adjusted EBIT is earnings before net interest, tax, amortisation of acquired intangibles, share of profits of equity accounted associates and significant items.

21 NPAT is net profit after tax.

THE STAR – HISTORICAL FINANCIAL PERFORMANCE ($ MILLIONS) (CONTINUED)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	FY24 ACTUAL	1HY25 ACTUAL
STATISTICS					
Basic earnings per share	*6.1c*	*-21.3c*	*-211.7c*	*-66.8c*	*-10.5c*
Dividends per share	-	-	-	-	-
Total revenue growth	*+4%*	*-1%*	*+22%*	*-10%*	*-25%*
EBITDA growth	*+51%*	*-44%*	*+34%*	*-45%*	*-123%*
EBIT growth	*+171%*	*-86%*	*+318%*	*-56%*	*-211%*
Property EBITDA margin	*28%*	*30%*	*31%*	*28%*	*21%*
EBITDA margin	*28%*	*16%*	*17%*	*10%*	*nmf*
EBIT margin	*14%*	*2%*	*7%*	*3%*	*nmf*
Interest cover[22]	*4.0x*	*0.6x*	*2.2x*	*1.5x*	*nmf*

Source: The Star and Grant Samuel analysis

The Star's revenues are primarily derived from its gaming and non-gaming operations at its integrated resorts. These primarily comprise:

- gross gaming revenues[23], which represents gaming wins; and
- non-gaming revenues, which are derived from The Star's hotel, event facilities and food & beverage operations. Revenues from hotel and event facilities are primarily driven by the occupancy rates or temporary rentals of these facilities.

The Star's financial performance over the past four and a half years highlights the recent challenges faced by the business. The onset of the COVID-19 pandemic caused immense disruption (i.e. mandated closures and operating constraints) throughout FY21 and FY22. This resulted in a structural reset of The Star's revenues, which fell from prior levels of $2.5 billion (in FY19) to around $1.5 billion. The step change was exacerbated with the cessation of VIP play revenue in the same period (previously representing around 25% of total revenue).

The easing of COVID-19 related restrictions triggered a surge in domestic tourism throughout FY23 (particularly at the Gold Coast), partially offset by regulatory and operational change driven by the findings of the Bell Inquiry. The resurgence supported a meaningful uplift in revenue to approximately $1.9 billion (broadly in line with FY19 levels excluding VIP play).

However, heightened regulatory reform (i.e. increased level of exclusions, reduced level of complimentary services), loss of market share (i.e. due to the opening of Crown Sydney) and weaker consumer discretionary spending (i.e. driven by rising cost of living pressures) constrained revenues to below $1.7 billion in FY24. One of the most consequential changes arising from the regulatory reforms was the rollout of an enhanced customer due diligence processes to better meet the financial crime and customer classification requirements to comply with The Star's AML/CTF obligations. The new due diligence process involves a robust suite of procedures for some of The Star's larger clients, including gathering data and information to demonstrate proof of wealth as well as proof of legitimacy of that wealth. However, these measures were also met with some resistance as some customers viewed them as cumbersome (thereby contributing to some of its revenue losses in the recent period). Further restrictions, such as the introduction of fully carded play (and $5,000 cash limits) at *The Star Sydney* in August 2024 and exclusions have compounded the impact on revenue in 1HY25 (25% reduction compared with prior comparable

22 Interest cover is EBIT divided by net interest.

23 "Theoretical" or "normalised" revenue is often regarded as a better measure of underlying performance as it assumes a "theoretical" or "normalised" win rate that casinos can expect to win from VIPs over the long term. In the case of The Star, the difference between statutory and "normalised" revenue is negligible in the period presented above as The Star has effectively ceased all VIP program play.

period) which resulted in a sharp deterioration in EBITDA (a loss for *The Star Sydney* after corporate allocations) reflecting the inherent operating leverage of the business.

At the same time, the closure of *Treasury Brisbane* (previously consolidated by the group) in August 2024 and subsequent opening of *The Star Brisbane* (equity accounted through the DBC) has meant a reduction in recorded revenue (for accounting purposes) of around $350 million.

Operating expenditure, at a property level, has increased only marginally over the period. Although labour costs fell as a result of falling revenue and activity levels, these were offset by higher costs from a tighter labour market and other inflationary pressures. At the same time, the introduction of remediation costs and rising corporate costs have dramatically increased the aggregate cost base. Remediation costs, associated with The Star's improved regulatory practices, added approximately $50-60 million in FY23 and FY24 (and over $30 million in 1HY25). These costs reflect The Star's investment in risk, control and compliance resources and demonstrate their commitment to safer gambling and financial crime. These costs are considered temporary in nature and expected to continue until 2027, gradually declining over the period. The escalation in corporate costs (which include the ongoing impact of the remediation plan) has been partly offset by The Star's $100 million cost out program (which commenced in 1HY24 and was completed in FY25), resulting in a more subdued 13% increase between FY22 and FY24.

The combination of the above factors has resulted in a consistent deterioration in EBITDA and EBITDA margin (from 28% in FY21 to 10% in FY24, and negative in 1HY25). The Star has gone from over $500 million in EBITDA in FY23 to negative EBITDA in FY25. As a result, The Star is focussed on rebuilding revenues and streamlining costs, while still maintaining an effective and efficient operational compliance regime.

The Star's associates have collectively been consistently loss making since FY21. Most of the losses are attributable to DBC and DGCC (and, to a smaller extent, DGCI and other joint ventures). The step-up in losses in 1HY25 was caused by the recognition of a $20 million loss on The Star's interest in *The Star Brisbane*.

The challenges weighing on the business are clearly demonstrated by the significant losses (approximately $4.8 billion, pre tax) incurred since FY21:

THE STAR – SIGNIFICANT ITEMS ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	FY24 ACTUAL	1HY25 ACTUAL
Impairment of assets and investments	(36.5)	(162.5)	(2,167.8)	(1,438.6)	(107.6)
Regulatory related costs	-	(30.1)	(594.8)	(100.0)	(4.2)
Debt refinancing costs	-	(2.1)	(53.5)	(23.7)	(47.4)
Redudancy and employment costs	-	-	(16.1)	(7.9)	(7.0)
One off COVID-19 related expenditure	(21.1)	(9.8)	-	-	-
Profit on sale of assets	-	34.2	9.2	22.9	-
Other (net)	(20.1)	(5.7)	(1.8)	-	-
Significant items (pre-tax)	**(77.7)**	**(176.0)**	**(2,824.8)**	**(1,547.3)**	**(166.2)**
Tax effect on significant items	26.2	5.2	348.3	(149.2)	-
Significant items (post-tax)	**(51.5)**	**(170.8)**	**(2,476.5)**	**(1,696.5)**	**(166.2)**

Source: The Star and Grant Samuel analysis

Over 70% of the significant items incurred relate to one-off asset impairments to *The Star Sydney* (over $2 billion), *The Star Brisbane* (nearly $1 billion) and *The Star Gold Coast* (over $700 million) that were triggered by the deterioration in operating conditions. The write-off for *The Star Brisbane* was also triggered by the unexpected increase in construction costs and project delays. The vast majority of the remaining significant items is attributable to regulatory related measures such as one-off penalties and fines, underpaid casino duties payable, legal, Manager and Special Manager costs.

Net interest expense broadly tracked movements in net borrowings (but with increasing interest rates), remaining stable across FY21 to FY23, before declining in FY24 following the repayment of debt.

The Star has not declared a dividend since the interim dividend for FY20. It does not currently have an active dividend policy as the group is focused on improving its capital position and maintaining available liquidity to support its business operations (and, until recently, equity contributions needed to fund its joint venture).

The operating performance of each of The Star's business operations is discussed further below.

Divisional Financial Performance

THE STAR SYDNEY

The historical operating financial performance of *The Star Sydney* for FY21 to FY24 and 1HY25 is summarised below:

THE STAR SYDNEY - OPERATING PERFORMANCE ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	FY24 ACTUAL	1HY25 ACTUAL
EGMs	277.7	261.4	340.9	299.7	113.3
Tables	458.1	418.2	497.8	435.3	174.3
Non-gaming	77.1	93.9	139.5	136.8	71.3
Other	3.8	4.4	5.8	5.7	3.3
Net Revenue	**816.7**	**777.9**	**984.0**	**877.5**	**362.2**
Gaming taxes and levies	(208.1)	(211.2)	(271.3)	(247.2)	(99.1)
Operating expense (incl. corporate allocaiton)	(408.8)	(483.3)	(585.5)	(578.5)	(287.7)
Adjusted EBITDA	**199.8**	**83.4**	**127.2**	**51.8**	**(24.6)**
Depreciation and amortisation	(119.9)	(118.3)	(109.0)	(64.2)	(18.1)
Adjusted EBIT	**79.9**	**(34.9)**	**18.2**	**(12.4)**	**(42.7)**
Capital expenditure	*58.5*	*60.8*	*85.4*	*41.6*	*19.3*
STATISTICS					
Revenue growth	*-20%*	*-5%*	*+26%*	*-11%*	*-20%*
Adjusted EBITDA growth	*-30%*	*-58%*	*+53%*	*-59%*	*-166%*
Adjusted EBIT growth	*-53%*	*-144%*	*--*	*-168%*	*--*
Adjusted EBITDA margin	*24%*	*11%*	*13%*	*6%*	*--.*
Adjusted EBIT margin	*10%*	*--*	*2%*	*--*	*--*
Capital expenditure as a % of revenue	*7%*	*8%*	*9%*	*5%*	*5%*
Hotel occupancy rates	*67%*	*65%*	*91%*	*85%*	*81%*

Source: The Star and Grant Samuel analysis

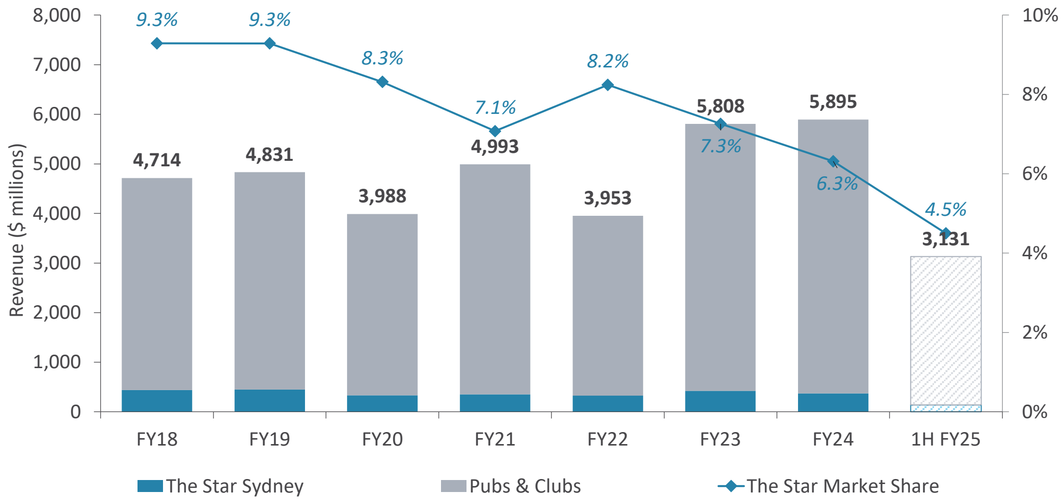
Prior to FY21, *The Star Sydney* has consistently generated annual revenue of more than $1 billion over a number of years. However, the combination of pandemic related disruptions, structural pressures in the domestic gaming market, and an increasingly complex regulatory environment in New South Wales has resulted in a sharp deterioration inf its financial performance from FY21 onwards.

The onset of the COVID-19 pandemic and the resulting government mandated operating restrictions meant that it was unable to operate to its full capacity (at least for several years). In FY21 and FY22, customer visitations were disrupted by forced closures of the resort (i.e. for over 100 days across both years) as well as capacity and movement restrictions (e.g. no standing, no co-mingling). As a result, revenue fell in each of the two years to just $778 million in FY22 (the lowest in over a decade). The easing of restrictions and resurgence in visitor numbers in the following year supported a meaningful rebound in revenue, which saw gaming revenue increase by 23% and an even larger step-up in non-gaming revenue of nearly 50% (in large part due to the recovery in hotel occupancy rates).

However, the recovery was short lived as *The Star Sydney* came under renewed pressure over the last eighteen months as a result of:

- the loss of share (of higher value patrons) to *Crown Sydney*, which commenced its gaming operations in August 2022 (after a two month trial period) and was later granted an unrestricted licence in April 2024;
- the introduction of mandated carded play and cash limits (in August 2024). In the first month post implementation of these new requirements, revenue declined approximately 10% compared to the prior four week average;
- the collective impact of other regulatory reforms that resulted in tighter operating restrictions and more cumbersome customer due diligence processes (all of which detracted from visitations);
- increased competition from pubs and clubs, which are not subject to same level of regulatory restrictions or requirements. Since FY19, *The Star Sydney* has steadily ceded share in the EGM market in the Sydney catchment to pubs and clubs (albeit with a temporary jump in FY22 due to uneven lockdown restrictions):

HISTORICAL EGM MARKET SHARE — SYDNEY CATCHMENT[24]



Source: The Star; NSW Government Liquor & Gaming

Based on the latest available data, its market share has fallen from over 9% in FY19 to just 4.5% by 1HY25 (despite the overall market growing by around 4% per annum over the period). The sharp reduction in 1HY25 illustrates the contrasting performance between the rest of the market, which as a whole grew by 7% over the prior comparable period, and *The Star Sydney,* for which revenue from EGMs collapsed by 26%; and

- a broadly weaker trading environment, particularly as an inflationary pressures and rising interest rates constrained discretionary spending for domestic customers.

As a result, revenue fell by 11% in FY24, with the declines accelerating further in 1HY25 as revenue fell by 20% against the prior comparable period largely as a result of the carded play and cash limits (with the declines accelerating further into the quarter ended 31 March 2025, as revenue fell by 26% over the prior comparable period).

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[24] Data for pubs and hotels are separately reported by NSW Government Liquor & Gaming. Data for clubs is reported on the financial year ending 30 November. Accordingly, the data does not completely align with the reporting periods for The Star or for hotels.

Compounding the revenue declines, operating expenditure (other than gaming taxes and levies) rose significantly due to higher levels of risk and compliance resourcing and remediation costs over the period. Accordingly, EBITDA margin has been on a sharp downwards trend from 24% in FY21 to negative 7% by 1HY25. The change in EBIT and EBIT margin is less meaningful because the depreciation charge reduced substantially in FY24 and further in 1HY25 because of the asset write downs in previous years. To mitigate some of the impact of the lost earnings, *The Star Sydney* has also sharply reduced its capital expenditure to around $40 million per annum (5% of revenue).

THE STAR GOLD COAST

The historical operating financial performance of *The Star Gold Coast* for FY21 to FY24 and 1HY25 is summarised below:

THE STAR GOLD COAST BUSINESS - OPERATING PERFORMANCE ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	FY24 ACTUAL	1HY25 ACTUAL
EGMs	203.9	214.3	233.0	203.7	92.9
Tables	100.8	96.0	102.5	86.8	37.7
Non-gaming	74.5	111.5	169.1	160.5	85.0
Other	1.2	1.5	4.3	5.1	2.6
Net Revenue	**380.4**	**423.3**	**508.9**	**456.1**	**218.2**
Gaming taxes and levies	(80.7)	(83.1)	(89.7)	(77.5)	(39.9)
Operating expense (incl. corporate allocaiton)	(187.2)	(250.9)	(312.2)	(307.3)	(160.2)
Adjusted EBITDA	**112.5**	**89.3**	**107.0**	**71.3**	**18.1**
Depreciation and amortisation	(61.9)	(63.1)	(60.6)	(36.2)	(9.3)
Adjusted EBIT	**50.6**	**26.2**	**46.4**	**35.1**	**8.8**
Capital expenditure	59.3	65.2	37.6	24.6	9.0
STATISTICS					
Revenue growth	*+75%*	*+11%*	*+20%*	*-10%*	*-8%*
Adjusted EBITDA growth	--	*-21%*	*+20%*	*-33%*	*-59%*
Adjusted EBIT growth	--	*-48%*	*+77%*	*-24%*	*-67%*
Adjusted EBITDA margin	*30%*	*21%*	*21%*	*16%*	*8%*
Adjusted EBIT margin	*13%*	*6%*	*9%*	*8%*	*4%*
Capital expenditure as a % of revenue	*16%*	*15%*	*7%*	*5%*	*4%*
Occupancy rates	*77%*	*76%*	*83%*	*80%*	*83%*

Source: The Star and Grant Samuel analysis

Although *The Star Gold Coast* has faced the same industry headwinds as *The Star Sydney* in recent years, the business has demonstrated a higher level of resilience (at least in FY21 and FY22) due to:

- softer operating restrictions during the COVID-19 pandemic. Although *The Star Sydney* was closed for over 100 days between FY21 and FY22, *The Star Gold Coast* was closed for less than 20 days during that period. Patronage and other performance measures (e.g. hotel occupancy rates) were inevitably also affected by capacity limitations and other restrictions, but *The Star Gold Coast* was still able to remain open to customers; and
- different revenue mix, particularly with the higher exposure to non-gaming revenue as well as its higher weighting of gaming revenue towards EGMs (than table gaming).

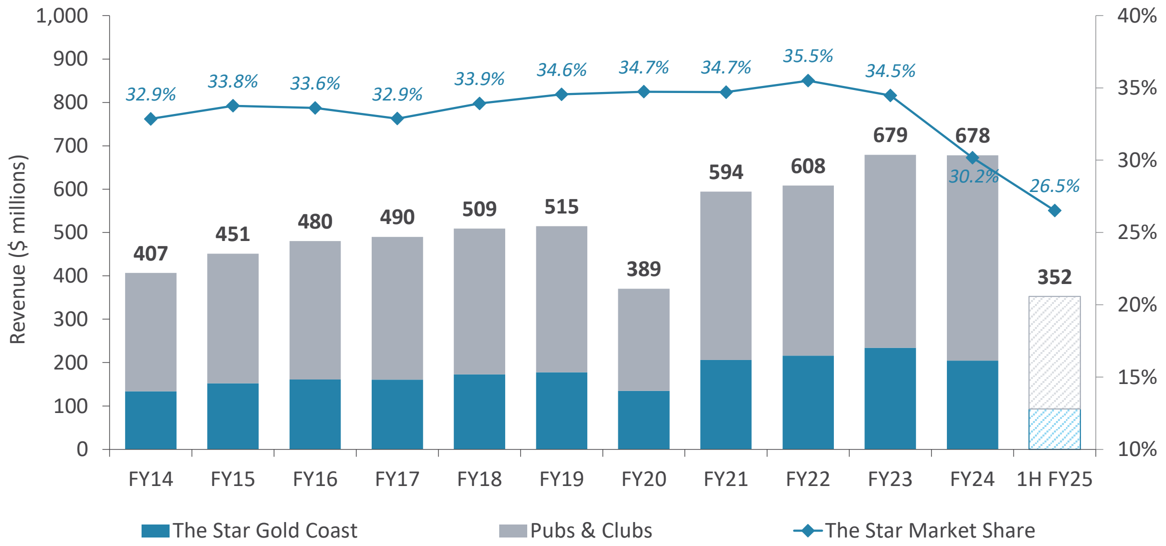
As a result, *The Star Gold Coast* generated revenue growth each year between FY21 and FY23 before broader industry pressures began to take their toll. Again, the decline in revenue (i.e. 10% in FY24 and 8% in 1HY25) was less pronounced for *The Star Gold Coast* than for *The Star Sydney*.

The relatively stronger performance likely reflected some of the elements noted above (e.g. revenue mix) but also reflect the following factors:

- casino regulatory reforms have yet to be fully implemented in Queensland. Although mandatory carded play, cash limits and mandatory pre-commitments have all been legislated, timing of implementation has yet to be determined;
- it has an effective monopoly market position. Unlike *The Star Sydney* (which competes directly against *The Crown Sydney*), *The Star Gold Coast* does not have any direct casino operators within the Gold Coast catchment (albeit that Brisbane is within a 1.5 hour drive); and
- the opening of *Dorsett* in FY22 bolstered non-gaming revenue growth over the period. *The Star Sydney* has not had any major projects completed during the last four years.

In any event, *The Star Gold Coast* has not been immune to the challenges facing *The Star Sydney* in the EGM market (although mandated card play and cash limits have yet to be implemented in Queensland). Over the last ten years, *The Star Gold Coast* consistently maintained around a 33-35% market share in the local EGM market but that share fell sharply in FY24 to just 30% and declined even further to around 26% by 1HY25:

HISTORICAL EGM MARKET SHARE — GOLD COAST CATCHMENT



Source: The Star

Similar to *The Star Sydney,* revenue declines persisted into the quarter ending 31 March 2025, as revenue declines accelerated to 17% from the prior comparable period (from around 8% in 1HY25).

Operating expenditure (other than gaming taxes and levies) also rose significantly due to higher levels of risk and compliance resourcing and remediation costs. The step up in costs more than offset the gains in revenue (even between FY21 to FY23). As a result, EBITDA margin has trended downwards and fell from 30% in FY21 to just 8% by 1HY25. Similar to *The Star Sydney*, capital expenditure has also been sharply reduced to around $20-30 million per annum (or 4% of revenue).

Outlook

The Star has not provided specific guidance on revenue or EBITDA.

To provide an indication of the expected future financial performance of The Star, Grant Samuel has considered the brokers' forecast for The Star (see Appendix 1) as follows:

THE STAR – FORECAST FINANCIAL PERFORMANCE ($ MILLIONS)

	FY24 ACTUAL	FY25 MEDIAN BROKERS' FORECAST	FY26 MEDIAN BROKERS' FORECAST
Net revenue	1,677.8	1,214.0	1,207.0
Normalised EBITDA	174.7	(48.0)	54.0

Source: Grant Samuel analysis (see Appendix 1)

However, due to the uncertainty over the future of the group's operating performance and, more broadly, the casino industry in Australia as a whole, there is a very wide spread of estimates of The Star's future EBITDA. Analysis of individual forecasts for each property is fraught with even more challenges. There has been limited broker coverage following announcement of the 1HY25 results and even fewer brokers that separately disclose revenue or EBITDA forecasts for each of the properties. Accordingly, median brokers' forecasts for *The Star Sydney* and *The Star Gold Coast* have not been relied on for the analysis.

As part of the announcement of its 1HY25 results on 15 April 2025, the group acknowledged that revenue pressures have continued largely unabated in the three months ending 31 March 2025. Although some of the decline was in part explained by seasonality, a large part was due to ongoing impact of mandatory carded play and cash limits (as average daily gaming revenue declined by 17% compared to the daily average in the four weeks leading up to implementation of these measures) as well as the poor customer experience associated with the more rigorous (and, at least from the customer's perspective, cumbersome) customer due diligence processes and poor communication of these measures.

The Star is investigating initiatives to re-establish those customer relationships and reactivating some customers who are not coming to *The Star Sydney* anymore due to the impacts (which are not experienced at pubs and clubs). However, there is no certainty as to the level of success it would see from these efforts to restore its customer base.

In any event, a number of other issues are expected to continue weighing on the near-to-medium term outlook for *The Star Sydney*, including:

- the tightening of cash limits, which is expected to be reduced from $5,000 per person per day to $1,000 per person per day by 19 August 2025;
- uncertainty of any regulatory reform to "level the playing field" particularly with respect to pubs and clubs which are not currently subject to a number of regulatory restrictions imposed on casinos (e.g. mandatory carded play and cash limits); and
- elevated operating costs and capital expenditure, especially due to remediation activities (at least another $230 million to be incurred between FY25 and FY27 across the group).

The issues weighing on the recent financial performance and outlook for *The Star Gold Coast* were further complicated by:

- lower customer visitations amidst a weaker trading environment; and
- business interruption due to Tropical Cyclone Alfred (which caused a temporary five day property closure in March 2025) and the gradual return to pre-closure run rate following re-opening.

The near-to-medium term outlook is uncertain but, on balance, skewed to the downside as operating conditions are expected to become more challenging for *The Star Gold Coast*. At this stage, a number of casino regulatory reforms (e.g. mandatory carded play, cash limits and mandatory pre-commitments) have been passed by the Queensland Government. However, the timing of implementation has yet to be determined. The roll-out of these measures in *The Star Sydney* has demonstrated the negative impact they could have on customer visitations and revenue. While lessons could be drawn from that experience, the reforms are, on balance, likely to have a negative impact on *The Star Gold Coast*'s financial performance.

It is uncertain whether any reforms to "level the playing field" with pubs and clubs would be implemented (especially as the tightened requirements on casinos have yet to be implemented and if so, the likely timing). Although earnings should be bolstered by the opening of *The Andaz* in late 2025, earnings are also likely to be compressed by elevated operating costs, especially as The Star implements the amended Remediation Plan.

4.6 Financial Position

The financial position of The Star as at 30 June 2024 (audited) and 31 December 2024 (reviewed by The Star's external auditor) is summarised below:

THE STAR - FINANCIAL POSITION ($ MILLIONS)

	AS AT 30 JUNE 2024 AUDITED	AS AT 31 DECEMBER 2024 REVIEWED
Trade and other receivables	31.5	29.2
Inventories	13.6	12.3
Cage cash	70.5	57.7
Trade and other payables	(180.4)	(195.5)
Net working capital	**(64.8)**	**(96.3)**
Property, plant and equipment (net)	1,157.4	1,007.9
Intangible assets	72.6	83.8
Investments in associates and joint ventures	161.7	160.4
Assets held for sale	-	66.1
Restricted deposits	30.1	92.7
Tax assets (net)	56.0	18.3
Provisions – regulatory and legal provisions	(399.5)	(375.1)
Provisions – other	(98.8)	(100.1)
Sale proceeds loaned from DGCI	(55.9)	(65.3)
Deposit to the ATO	44.1	44.1
Other assets (net)	33.2	43.7
Total funds employed	**936.1**	**880.2**
Cash and cash equivalents[25]	199.0	78.5
Borrowings	(269.6)	(405.4)
Net borrowings (excluding lease liabilities)	**(70.6)**	**(326.9)**
Lease liabilities	(32.2)	(21.8)
Net borrowings (including lease liabilities)	**(102.8)**	**(348.7)**
Equity attributable to The Star shareholders	**833.3**	**531.5**
STATISTICS		
Shares on issue at period end (million)[26]	*2,866.5*	*2,867.0*
Net assets per share	*$0.29*	*$0.19*
NTA[27] per share	*$0.27*	*$0.16*
Gearing[28]	*11.0%*	*39.6%*

Source: The Star and Grant Samuel analysis

25 Excludes cage cash and restricted deposits.

26 Net of treasury shares.

27 NTA is net tangible assets, which is calculated as net assets less intangible assets.

28 Gearing is net borrowings divided by net assets plus net borrowings (including lease liabilities).

Analysis of The Star's financial position is complicated by the nature of its strategy (particularly the contrast between the wholly owned integrated resorts strategy and the joint venture approach) as well as the number of provisions (and off-balance sheet items), recent disposals of non-core assets and other assets and liabilities that are surplus to its business operations.

Funds Employed in Operations

The majority of The Star's capital employed is represented by its investment in its casino and entertainment complexes (as well as associated capitalised on-site refurbishments) in Sydney and the Gold Coast. The Star holds a large portfolio of freehold and leasehold land, including:

- approximately 6.8 hectares of freehold land holdings and buildings on Broadbeach Island where *The Star Gold Coast* and associated property developments are located; and
- approximately 3.8 hectares of leasehold land in the Pyrmont Peninsula, at *The Star Sydney*, which has a 99-year lease agreement with the State of New South Wales (expiring 2093).

Investments in associates and joint ventures are the next largest individual item on The Star's balance sheet and represent the carrying value of its various partnerships with Chow Tai Fook and Far East Consortium. As at 31 December 2024, these investments included its 50% interest in DBC (written down to zero), 33% interest in DGCC ($74.7 million) and 50% interest in DGCI ($65.6 million, which primarily represents the balance loaned to its unitholders until the final distributions are completed). The balance also included its 50% interest in:

- Festival Car Park Pty Limited, which owns the Charlotte Street Car Park and is expected to be sold as part of the DBC Transaction; and
- Destination Sydney Consortium Investments Pty Ltd ("Destination Sydney"), which owned the Pyrmont Tower. In September 2022, the New South Wales Government compulsorily acquired the Pyrmont Tower for $100 million, of which 90% was paid in March 2023 (with the balance received in May 2025).

The negative net working capital position is primarily in relation to the unredeemed casino chips, loyalty program liabilities and advance customer deposits. By virtue of this working capital position, The Star can expect to generate cash as the business grows (or on the contrary, utilise cash if revenues decline).

Provisions and Other Contingent Liabilities

Regulatory and legal provisions of $375 million have been recognised by The Star as at 31 December 2024. These provisions relate to:

- the potential penalties that may arise on conclusion of the AUSTRAC's civil penalty proceedings against The Star. The proceeding is currently listed for a six day hearing on liability and penalty commencing on 4 June 2025. While it currently remains unclear as to the quantum of penalty that may be levied against The Star, the company expects that the group will be required to pay significant civil penalties. By way of reference, Crown Resorts was ordered to pay a total of $450 million following a similar proceeding launched by AUSTRAC. More recently, SkyCity was ordered to pay a penalty of $67 million (albeit it only has one operating casino in Australia);
- underpaid casino duty to the New South Wales Government, which is payable by 30 June 2026. The total amount of the provision is equal to the amount of underpaid casino duty confirmed as payable by NSW Treasury;
- ASIC's civil penalty proceedings against 11 former directors and officers of The Star alleging contraventions of the *Corporations Act 2001 (Cth)*. A provision for estimated legal costs was recognised at 31 December 2024; and

- future costs associated with other regulatory and legal matters including fines issued by the NICC, consultants, Manager and Special Manager, external advisers and other costs.

With the exception of the underpaid casino duty payable, the provisions listed above are subject to uncertainty as to the quantum and timing of costs (if any).

The Star also has contingent liabilities that have not been recognised on the balance sheet. These relate to:

- a shareholder class action lawsuit filed in relation to the alleged breach of continuous disclosure obligations and engaged in misleading or deceptive conduct in relation to the company systems, controls, operations and regulatory risks. The Star continues to defend the proceedings. The potential outcome and costs to the group remain uncertain;
- a parent company guarantee in relation to its 50% share of the DBC project debt funding facility (for which the current drawn balance is approximately $1.4 billion). As part of the DBC Transaction, The Star is released from these guarantees (see Section 5.2). However, until the transaction is completed, the group remains exposed to the contingent liability;
- tax related disputes with the ATO regarding the historical GST and withholding tax treatment of rebates paid to junket operators. The amount in dispute is approximately $160 million including interest (against which The Star has made a deposit to the ATO on a no-admissions basis). Both matters are pending in Federal Court; and
- other legal proceedings (which may be covered by The Star's insurance policies).

Net Borrowings

Net borrowings consist principally of Australian dollar denominated bank debt facilities as follows:

THE STAR – NET BORROWINGS AS AT 31 DECEMBER 2024 ($ MILLIONS)[29]

FACILITY	FACILITY SIZE	AMOUNT UTILISED	TERM/MATURITY
Syndicated debt facility	400.0	400.0	December 2027
Other loans	--	5.4	--
Total interest bearing liabilities	**400.0**	**405.4**	**--**
Cash and short term deposits[25]		(78.5)	--
Net borrowings (excluding lease liabilities)		**326.9**	**--**
Lease liabilities	-	21.8	n/a
Net borrowings (including lease liabilities)		**348.7**	

Source: The Star

Between FY21 and FY23, The Star maintained a gearing ratio of around 25-30% as it navigated a difficult trading environment (particularly with the uneven recovery from the impacts of the COVID-19 pandemic) as well as the combination of higher than expected equity contributions into DBC and elevated operating costs. Although capital management initiatives and consecutive rounds of equity raisings in 2023 allowed it to sharply reduce debt and gearing levels by the end of FY24 (to around 11%), its fortunes reversed again in 1HY25 as gearing jumped to around 40%.

The sharp rise in the group's gearing ratio in 1HY25 reflected the rapid deterioration in its trading performance (particularly with increased operating restrictions and exclusions) and drawdown in cash to fund ongoing remediation and operating costs. These issues collectively fed concerns over its financial position (unless additional funding became available) and ability to comply with its debt covenants .

29 Excludes $34.5 million of available working capital facilities of which, as at 31 December 2024, $31.1 million was utilised to issue bank guarantees and therefore off balance sheet.

On 21 November 2024, The Star executed a deed of amendment to its syndicated facility agreement. Under the amended agreement, the senior lenders agreed to provide The Star with waivers for its next quarterly covenant testing periods through to 31 December 2024 (later extending the covenant waiver period to 30 June 2025) as well as:

- fixing the interest rate on the existing debt facility at 13.5%;
- reducing and amending the revolving capital facility to be up to $34.5 million of existing bank guarantees (from $150 million of drawable funds previously) at a fixed rate of 9.15%; and
- introducing two new tranches, with each comprising a $100 million term facility:
  - the first trance was fully drawn on 9 December 2024; and
  - the second tranche was subject to further conditions precedent that have not been met (and, as a consequence, is no longer available).

As at 31 December 2024, The Star had no further drawable debt capacity (albeit around $3.4 million in unutilised revolving working capital facilities for bank guarantees). No borrowing costs were capitalised as at 31 December 2024.

Other Assets and Liabilities

Other assets include:

- restricted deposits ($92.7 million), of which $59.6 million relates to the sale proceeds from the divestment of the *Treasury Brisbane* leasehold interest. The net proceeds are secured against the syndicated debt facility and can only be released at the lenders' discretion.

  The remaining $33.1 million relates to cash backed guarantees for workers' compensation cover, property leases and transaction banking facilities;
- assets held for sale ($66.1 million), which comprises the *Treasury Brisbane* hotel and carpark and is expected to be sold as part of the DBC Transaction;
- deposit to the ATO ($44.1 million), which was paid by The Star to the ATO on a no-admissions basis in relation to an ongoing dispute regarding GST and withholding taxes; and
- loans to other related parties and joint ventures ($4.4 million).

The Star also has other liabilities in relation to a loan payable to DGCI ($65.3 million), which comprises the sale proceeds (from the sale of *Sheraton Grand Mirage Resort*) that have been distributed to the joint venture partners by way of a loan. The liability is offset by the carrying value of The Star's investment in DGCI (which, at $65.6 million, includes the loan receivable).

The Star's financial position at 31 December 2024 does not include the expected net proceeds from the sale of *The Star Sydney Event Centre* ($58.1 million). The Star only entered into binding term sheets after the half year period reporting date (i.e. on 29 January 2025). The proceeds are held in escrow (as part of the NICC's conditions to consenting to the sale) and have not been released to the group. The full amount is expected to be released after shareholder approval is obtained for the Transactions or, if approval is not obtained, can be released if The Star can satisfy certain financial viability conditions imposed by the NICC.

4.7 Cash Flow

The Star's cash flow (excluding debt drawdowns and repayments) for FY21 to FY24 and 1HY25 is summarised below:

THE STAR - CASH FLOW ($ MILLIONS)

	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL	FY24 ACTUAL	1HY25 ACTUAL
Adjusted EBITDA	426.7	237.5	317.4	174.7	(26.4)
Changes in working capital and other adjustments	(68.1)	(38.8)	(70.0)	(28.7)	9.0
Capital expenditure	(102.1)	(142.8)	(135.3)	(76.3)	(43.7)
Net finance costs paid	(61.3)	(48.9)	(81.0)	(73.4)	(32.4)
Receipt of government grants	112.7	-	-	-	-
Tax paid	(6.8)	(5.1)	(20.0)	14.6	-
Operating and investing cash flow (before fines and penalties)	**301.1**	**1.9**	**11.1**	**10.9**	**(93.5)**
Regulatory, fines, penalties, duty, legal and other costs	-	(17.4)	(184.4)	(123.6)	(28.6)
Operating and investing cash flow	**301.1**	**(15.5)**	**(173.3)**	**(112.7)**	**(122.1)**
Equity contributions to joint ventures and associates	(118.3)	(21.7)	(19.5)	(75.2)	(127.8)
Loans from joint ventures and associates (net)	-	-	(6.3)	47.5	6.7
Proceeds from sale of property, plant and equipment (net)	33.1	40.8	0.5	0.3	78.3
Distributions received from joint venture entities	-	-	25.4	8.9	0.5
Dividends paid	(75.1)	-	-	-	-
Payment of restricted deposits	-	-	-	-	(90.7)
Other	1.0	(11.4)	4.5	41.8	(6.3)
Net cash generated / (required)	**141.8**	**(7.8)**	**(168.7)**	**(89.4)**	**(261.4)**
Proceeds from share issues	75.0	-	778.5	734.5	-
Net cash generated / (required) (after proceeds from share issues)	**216.8**	**(7.8)**	**609.8**	**645.1**	**(261.4)**
STATISTICS					
Operating and investing cash flow as a % of Adjusted EBITDA	*71%*	*1%*	*3%*	*6%*	*Nmf*

Source: The Star and Grant Samuel analysis

The Star's business operations have historically been cash generative. However, its financial performance over the last four years demonstrates its increasingly precarious position as operating and investing cash flows have deteriorated just as an increased demand for cash to fund elevated remediation and regulatory costs as well as higher than expected equity contributions to joint ventures has amplified the strain on its cash position.

Although FY21 was a relatively strong year (with over $300 million in operating and investing cash, albeit this amount includes $113 million in government grants relating to the JobKeeper scheme), The Star's cash flow profile deteriorated markedly over the following years with operating cash flows before fines and penalties turning negative in 1HY25. The decline in Adjusted EBITDA has been a large contributor to its pressing cash flow position, but it has also been exacerbated by:

- capital expenditure requirements (over $500 million), which represents nearly half of Adjusted EBITDA generated over the period. The Star has eliminated all material projects and principally focused investments in recurring maintenance programs and remediation only. As a result, the run-rate capital expenditure requirement has been sharply reduced to around $80 million per annum;
- higher than expected equity contributions (over $360 million). Around 80% of its equity contributions were for DBC to fund the development of *Queen's Wharf Brisbane* which was mired in project cost over-runs and delays. The remainder has mainly been invested in DGCC to fund the construction of the two new towers at *The Star Gold Coast*; and
- remediation, regulatory fines and penalties and related costs (approximately $350 million) and net finance costs on its debt facilities (around $300 million).

These outflows were partly offset by proceeds from the sale of non-core assets, distributions from DGCC following the sale of apartments at Tower 1 at *The Star Gold Coast* as well as loans from joint ventures (e.g. the loan from DGCI). However, these measures (collectively generating around $230 million in cash) were insufficient in the context of the significant outflows suffered by The Star.

4.8 Liquidity

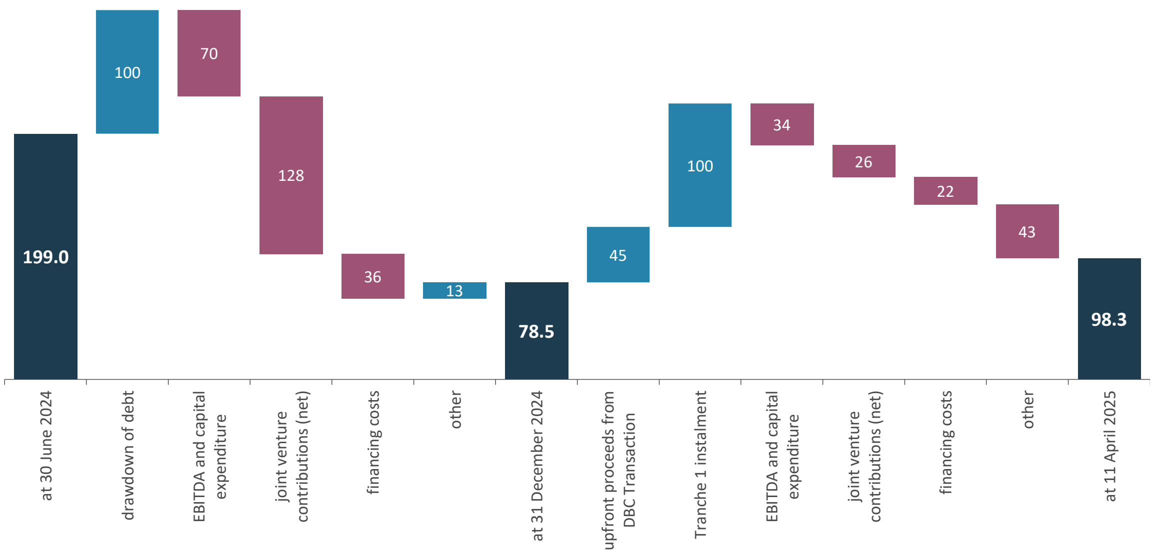
As at 31 December 2024, The Star reported total cash and deposits of $228.9 million. However, the majority of the balance is restricted and unavailable for use across the group as they include:

- cage cash ($57.7 million), in relation to cash held physically on the gaming floor to facilitate day to day operations of the casino gaming floor activities;
- restricted term deposits, in relation to amounts secured against the syndicated debt facility; and
- other restricted term deposits, in relation to cash backed bank guarantees for other uses such as workers' compensation cover, property leases and transaction banking facilities

As a result, the unrestricted available cash balance as at 31 December 2024 was only $78.5 million (down from nearly $200 million just six months earlier). However, the deterioration in its cash balance continued over the following months as difficult trading conditions and required equity contributions (particularly to DBC) placed the group's liquidity under further strain (at least until the upfront cash from the DBC Transaction and the cash proceeds from the first tranche of the Transactions were received).

The following chart illustrates the key movements in the group's available cash balance since 30 June 2024:

THE STAR – ILLUSTRATIVE CASH WATERFALL ($ MILLIONS)
30 JUNE 2024 TO 11 APRIL 2025



Source: The Star and Grant Samuel analysis

As demonstrated above, the completion of the first tranche of the Transaction ($100 million new capital in aggregate) was a crucial step in allowing the group to at least maintain a positive cash balance and continue as a going concern.

4.9 Taxation

The Star has a consolidated tax group for income tax purposes which includes each of its wholly owned Australian resident entities. Members of the group have entered into tax sharing and tax funding agreements with The Star (as the head entity of the consolidated tax group), which govern certain aspects of the operation of the group.

As at 30 June 2024, The Star had carried forward income tax losses of approximately $31.3 million, of which none were recognised in the balance sheet due to the uncertainties relating to their future utilisation.

As at 30 June 2024, The Star had $97.6 million in accumulated franking credits.

4.10 Capital Structure and Ownership

Capital Structure

The Star has the following securities on issue:

- 2,868,680,877 ordinary shares;
- 23,664,878 performance rights and 2,364,444 service rights over unissued ordinary shares; and
- 6,015,496 options over unissued ordinary shares.

In addition, The Star now has 417,776,790 Notes on issue (being the first tranche of the Transactions).

The Star also operates:

- a short term incentive ("STI") plan under which senior executives may be entitled to receive up to two-thirds of their STI entitlement in cash and one-third in the form of restricted shares (that are subject to a holding lock for a period of 12 months) for achievement of established annual performance objectives. The Star implemented certain design changes to the FY24 STI plan to introduce financial (i.e. group EBITDA targets) and non-financial metrics around guest satisfaction, regulatory compliance and risk management; and
- a long term incentive ("LTI") plan under which senior executives may receive equity awards upon the satisfaction of long-term performance conditions over a four-year performance period. Approximately 30% of the award is delivered as premium exercised options, subject to a return to suitability performance hurdle. The remainder is delivered as performance rights, subject to a total shareholder return hurdle.

Performance rights have no dividend entitlements or voting rights. However, each performance right entitles the participant to receive one ordinary share in The Star at a future time for nil consideration subject to achievement of performance hurdles, service conditions and vesting periods. On the other hand, service rights were issued as part of a one-off grant to each member of the senior executive team in July 2023. Similar to performance rights, service rights also do not have any voting rights and entitles the participant to receive one ordinary share in The Star at a future time for nil consideration subject to service conditions and vesting periods. Once vested, they will be held as restricted shares for a further 12 months. Certain performance rights have anti-dilution protections and, as a result, the potential number of performance rights on issue may be subject to increase.

Each option on issue is exercisable into one ordinary share on vesting (expiry on 24 November 2027) and payment of the exercise right (at an exercise price of $0.8159). Options have no dividend entitlement or voting right and will lapse on termination of employment or on the expiry date.

Ownership

The Star has received notices from the following substantial shareholders:

THE STAR – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[30]
Investment Holdings	--	287,154,955	10.01%
JPMorgan Chase & Co. and its affiliates	22 April 2025	167,486,459	5.84%
Mr Xingchun Wang	13 January 2025	186,986,332	6.52%
Firmament Investment Pte Limited and associated entities (nominee company for Chow Tai Fook)	6 October 2023	161,107,816[31]	6.33%
Far East Consortium	6 October 2023	161,107,816[31]	6.33%

Source: The Star

The ownership of casino owners and operators is regulated by individual state governments. These regulations include ownership caps to protect the independence of the Board and senior management and to limit the outside influence or control exerted by any individual person or company over the casino operations. In the case of The Star, there are prohibitions in place (in the company's constitution as well as certain agreements with the NICC and State of Queensland) to prevent an individual from having voting power of more than 10% in the company.

Investment Holdings is controlled by the Mathieson family. On 1 July 2024, The Star announced that approvals have been granted by the NICC and the Queensland Attorney General and Minister for Justice to allow Investment Holdings to acquire more than 10% of the total issued capital in The Star.

Chow Tai Fook and Far East Consortium have been longstanding shareholders in The Star. In March 2018, the Star entered into a strategic partnership with both parties to accelerate the development of its integrated resort properties (including over $3 billion in planned capital investments). The new partnership involved a joint equity placement of $490 million to align the interests of Chow Tai Fook and Far East Consortium with the long term growth and financial performance of The Star. Although both parties initially jointly held a relevant interest of 9.99% in The Star, their percentage holding in the group has declined over the years due to dilutive impact of subsequent capital raisings.

4.11 Share Price Performance

Share Price History

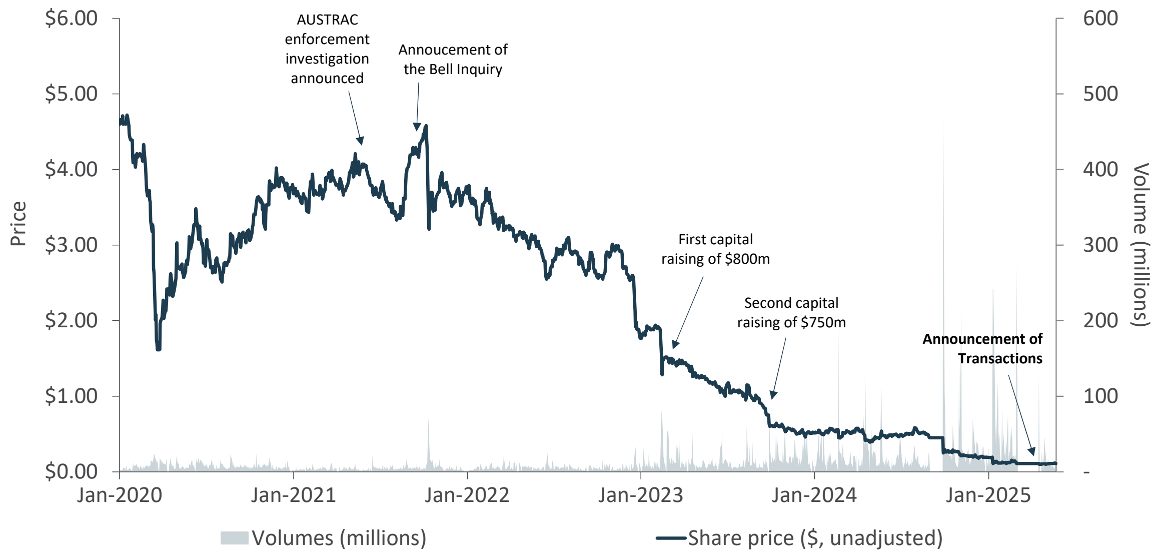
Analysis of the historical share price performance of The Star shares is impacted by the significant amount of dilutive capital raisings completed since 2023 (almost $1.6 billion in equity raised over two issues in February 2023 and September 2023). The following graph illustrates the movement in The Star unadjusted share price and trading volumes since 1 January 2020:

30 Based on The Star shares on issue as at the date of notice.

31 Represents the sum of the shareholdings of both parties. Both Chow Tai Fook and Far East Consortium have a relevant interest in each other's shares in The Star.

THE STAR – UNADJUSTED SHARE PRICE AND TRADING VOLUME

1 JANUARY 2020 TO 22 MAY 2025



Source: IRESS

The spread of the COVID-19 pandemic in March 2020 (which had devasting effects for the global economy and resulted in mandated closures of non-essential businesses) saw a sharp collapse in The Star share price. Its shares fell from around $4.60 at the beginning of the year to around $1.60 by the end of March 2020. However, gradual easing of government mandated restrictions over the next 12 months helped the share price recover to around $3.80-4.00 by April 2021 (and as high as around $4.20 in May 2021).

However, the wave of positive momentum was cut short in the following month as The Star announced that AUSTRAC had initiated an enforcement investigation against the company. Later that month, the share price was further weighed down by mandated venue closures across the New South Wales and Queensland operations (with *The Star Sydney* remaining closed for more than three months). By 18 August 2021 (the day before announcement of FY21 results), The Star share price had fallen to around $3.40. Although the promising FY21 results sent the share price up as high as around $4.60 in early October, the share price collapsed once again in subsequent months as a wave of media allegations raised issues around suspected money laundering, organised crime, large-scale fraud and foreign interference at The Star. The share price fell over 20% to $3.30 in a single session and, for the next eighteen months, trended downwards even further. At the end of 2022, the share price closed at $1.77.

Over the next two years, the share price continued to trend downwards as The Star faced heavy media and regulatory scrutiny through the Bell and Gotterson inquiries and undertook a complete refresh of its board and senior leadership team. The suspension of its casino licences (and penalties) in both New South Wales and Queensland also put a significant amount of pressure and additional costs on the business. These issues, combined with the higher than expected equity contributions required by DBC, took a toll on its financial position and share price. To restore its balance sheet, The Star undertook two major capital raisings in:

- February 2023, for a total of $800 million at a price of $1.20 per share (21% discount to last closing price); and
- September 2023, for a total of $750 million at a price of $0.60 per share (20% discount to last closing price).

The completion of these two equity raisings placed downwards pressure on The Star's share price (due to the dilutive impact of the discounts inherent in the pricing as well as the shortfall in the bookbuild for the second capital raising). In any event, additional liquidity provided through these issuances was quickly absorbed by outflows across the group and, as a result, by the end of 2023, share price had traded down to around $0.50.

For the next eight months, the share price broadly traded between $0.40 and $0.60 (albeit with some volatility as a result of the Bell Two Inquiry, senior leadership changes and media speculation of a takeover offer). However, the liquidity challenges on the business remained unabated. On 30 August 2024, The Star's shares went into a trading halt (and were later suspended from quotation) due to a failure to lodge its FY24 financial results. Following the announcement of a new debt facility agreement, the shares were reinstated for trading on 27 September 2024 and fell almost 45% on open (to just $0.25). The share price continued its decline over the remainder of the year, closing below $0.20 by the end of 2024 and falling sharply again in the first week of January to just $0.13 as The Star provided an update in relation to challenges around its cash and liquidity position. On 28 February 2025, The Star's shares were again placed on trading halt (and later suspended from quotation on 3 March 2025 for failing to submit its 1HFY25 results on time). Prior to announcement of the Transactions, The Star shares last traded at $0.11.

The Star's shares recommenced trading on 16 April 2025 and, since the resumption of trading, have traded in the range $0.10-0.13 (albeit in a narrower range of around $0.10-0.11 since release of its third quarterly results) and at a VWAP of 10.8 cents .

Liquidity

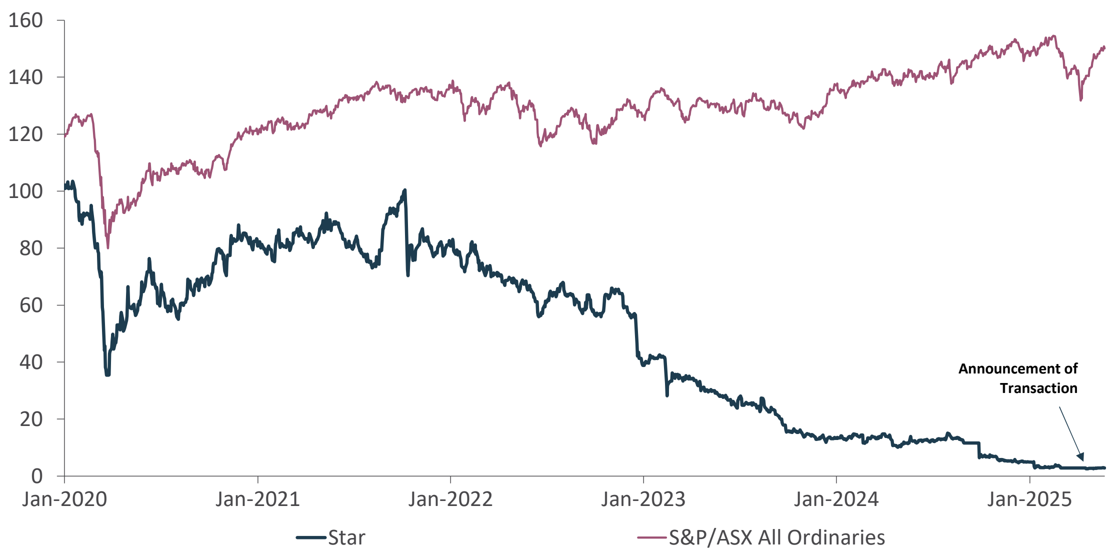
The Star shares are highly liquid. Average weekly volume over the 12 months prior to announcement of the Transactions represented 4.6% of the average shares on issue or annual turnover of around 240% of total average issued capital.

Relative Performance

Although The Star was a longstanding member of the S&P/ASX200 Index, it was removed as part of the most recent quarterly rebalancing (effective 24 March 2025) and is now solely a constituent of the S&P/ASX All Ordinaries Index. The following graph illustrates the performance of The Star shares since 1 January 2020 relative to the S&P/ASX All Ordinaries Index:

THE STAR VS S&P/ASX ALL ORDINARIES INDEX

1 JANUARY 2020 TO 22 MAY 2025



Source: IRESS

It is difficult to extract any meaningful insight from the chart above, apart from the fact that The Star's share price has severely underperformed the S&P/ASX All Ordinaries Index. The Star is now one of the smaller members of the S&P/ASX All Ordinaries Index with a ranking outside of the top 350 by market capitalisation and a weighting of less than 0.1%.

5 Queen's Wharf Brisbane and the DBC Transaction

5.1 Overview

Background to the Precinct

Queen's Wharf Brisbane is a multi-billion-dollar integrated resort situated along the Brisbane River in the Brisbane CBD. The entire precinct is wholly owned by DBC, a joint venture between The Star and its partners, Chow Tai Fook and Far East Consortium (who each hold a 25% interest). The project is one of Brisbane's largest urban renewal projects, situated on approximately 12.8 hectares of leasehold land under a 99-year lease from the Queensland Government title (expiry in 2115):

QUEEN'S WHARF – PROPERTY FOOTPRINT

Source: The Star

Queen's Wharf Brisbane is the product of over a decade of design and development. In 2013, the Queensland Government announced its plan to redevelop the area to create a revitalised tourism and entertainment precinct. Following a competitive tender process, the Queensland Government selected DBC as the preferred tenderer in 2015. On 1 January 2017, DBC took possession of the development site to begin demolition and enabling works and construction commenced in 2019.

The opening of *Queen's Wharf* is being undertaken through a staged approach, with the first phase officially opened on 29 August 2024 (following the transfer of the casino license). Today, the facilities include:

- *The Star Brisbane* managed integrated resorts ("*The Star Brisbane MIR*"), which include:
  - the main gaming floor and premium gaming rooms, comprising approximately 1,600 EGMS (licence cap of up to 2,500), 150 table games and around 200 MTGMs;
  - one luxury five star hotel (i.e. *The Star Grand Hotel*) with over 340 rooms in total; and
  - a wide selection of restaurants and bars;
- an event centre, which features the largest hotel ballroom in Brisbane with a capacity of ~1,850 guests;
- other entertainment amenities such as a Sky Deck (a 250 metre long rooftop space with restaurants and a bar situated 100 metres above the Brisbane River) and a Leisure Deck (an open-air, mixed-use space with exclusive amenities including three pools, bars and food service); and
- the Neville Bonner Pedestrian Bridge, which is a 320 metre long bridge that connects South Bank to the Brisbane CBD (where *Queen's Wharf* is located).

Over the next two years, premium hotels (including *Rosewood* and *Dorsett*), Queen's Wharf Residences, as well as additional food and beverage offerings and retail spaces, are expected to open. Once complete, the precinct is anticipated to attract around 1.4 million additional visitors to Brisbane each year, inject nearly $2 billion into the local tourism economy and drive international interest in the city in the lead-up to the 2032 Olympic and Paralympic Games in Brisbane.

Since opening in August 2024, *The Star Brisbane* has also been operating under the monitoring and supervision of an external manager appointed by the Queensland Government (the "External Adviser").

Funding Pressures

Construction of *Queen's Wharf Brisbane* was originally scheduled to be completed by late 2022 at an estimated cost of $2.6 billion. However, the project faced multiple setbacks as it faced labour shortages and surging prices of construction materials as well as constrained and disrupted supply chains. In 2023, a dispute with Multiplex Constructions Qld Pty Limited ("Multiplex"), the building contractor for DBC (as well as Towers 1 and 2 in DGCC) delayed project delivery.

As a result of these pressures, DBC was forced to revise its project cost estimates upwards several times and now expects the total project cost to be around $3.6 billion (before additional funds required for operating losses) with the opening of stage one ultimately delayed by nearly two years.

DBC is funded via equity contributions (around $1.5 billion to date) from its joint venture parties and project debt funding (around $1.6 billion debt facility). The debt facility is due to mature by the end of 2025 and is backed by parent company guarantees from each joint venture party. At the time DBC raised the project debt facility, it was anticipated that *Queen's Wharf Brisbane* would have had three years of operating history before refinancing was required.

Based on the latest estimates available to The Star, at least $400 million in equity contributions will be required beyond 31 March 2025 to complete the remaining stages of the development. Additional equity contributions may also be required as part of the refinancing of the project debt facility, which is scheduled to mature in late 2025.

5.2 The DBC Transaction

On 7 March 2025, The Star announced that it had entered into a binding Heads of Agreement with Chow Tai Fook and Far East Consortium to exit its 50% interest in the DBC. The DBC Transaction will have the following consequences for The Star:

SUMMARY OF THE DBC TRANSACTION

THE STAR WILL RECEIVE	THE STAR WILL GIVE
• $53 million in cash (of which $45 million has already been paid by 31 March 2025)[32] • 66% interest in Gold Coast Tower 1 (*Dorsett*) and Tower 2 (*Andaz*), thereby consolidating its ownership in the two towers and retaining the rights to develop the rest of the sites (on freehold land) as well as Towers 3 to 5 • amended management rights to *The Star Brisbane* over a transitional period through 31 March 2026 (may be extended at the option of Chow Tai Fook and Far East Consortium) • management rights for *Dorsett* hotel after five years	• 50% interest in DBC • exit from the DBC operator agreement • 100% of the Treasury Car Park • 100% of the Treasury Hotel • 50% interest in Festival Car Park Pty Limited (which holds the Charlotte St Car Park)

Source: The Star

32 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 venture agreements will be amended to confirm that those proceeds will be received by the joint venture partners.

SUMMARY OF THE DBC TRANSACTION (CONTINUED)

THE STAR WILL RECEIVE	THE STAR WILL GIVE
• cash bank guarantees for the pedestrian bridge • release from any liabilities associated with the State of Queensland and lenders to DBC (including the release from any parent company guarante and any remaining equity contributions) • exclusive development rights to Towers 4 and 5 (albeit The Star will have the option to buy out those rights for Tower 3 for $17 million)	

Source: The Star

The Star would also be eligible for an earn-out payment of up to $225 million which is based on the lower of $225 million or 50% of DBC's pro forma equity value (calculated as nine times FY30 EBITDA less net debt as at 31 March 2025 adjusted for forecast capital expenditure commitments of $320 million).

Completion of the DBC Transaction is subject to a number of conditions, including entry into long form documentation and the receipt of applicable regulatory approvals, lender approvals (to The Star, DBC and DGCC), amendments to DBC's debt facility documentation and the release of The Star from its parent company guarantees in favour of DBC.

If the DBC Transaction is implemented, The Star's only ongoing exposure to *Queen's Wharf Brisbane* (aside from the earn-out payment) is for the remaining duration of its management rights to *The Star Brisbane* managed integrated resort. Prior to the DBC Transaction, The Star was entitled to an operator fee (that was variable and linked to the resort's revenue and EBITDA) under the DBC Casino Management Agreement. Under the DBC Transaction, the agreement is to be restructured, following which the Star is paid a fixed operator fee of $5 million per month from 1 March 2025 (increasing to $6 million per month after 30 June 2026, should the transition period be extended).

The Star has indicated that it continues to progress the DBC Transaction with a view of completing as soon as practicable.

5.3 Operating Performance

Historical Financial Performance

As the Queen's Wharf Brisbane was only opened to the public in late August 2024, *The Star Brisbane MIR* has yet to complete a full year of operations. The historical operating financial performance of *The Star Brisbane* (as it relates to The Star's management agreement) for 1HY25 is summarised below:

THE STAR BRISBANE - OPERATING PERFORMANCE ($ MILLIONS)

	FY24 ACTUAL	1HY25 ACTUAL
Operator fee revenue	-	14.4
Operating expenditure	-	(34.3)
Adjusted EBITDA	-	**(19.9)**
Depreciation and amortisation	-	-
Adjusted EBIT	-	**(19.9)**
Equity contributions to DBC	*74.5*	*127.8*

Source: The Star and Grant Samuel analysis

As the brand new integrated resort remains in very early ramp-up stages (not withstanding the weaker trading conditions and heightened regulatory requirements affecting the casino industry more broadly), The Star reported an EBITDA loss of $19.9 million in 1HY25. The operating expenditure solely comprises the allocation of corporate costs associated with the property since its opening in August 2024 (of which 35% of group costs are allocated to *The Star Brisbane*). Operating costs at the property are borne by the joint venture.

Outlook

If the DBC Transaction is implemented, the outlook for The Star's revenue exposure to *The Star Brisbane* is expected to be relatively certain during the transition period as it should receive a fixed monthly operator fee of:

- $5 million starting on 1 March 2025 through the end of the transitional period on 31 March 2026 and will apply up until 30 June 2026 (subject to the transitional period being extended beyond 31 March 2026); and
- $6 million (subject to the transitional period being extended beyond 30 June 2026).

Corporate costs previously allocated to *The Star Brisbane* would either be transferred to DBC (e.g. employees, services and related systems) or absorbed by the group and allocated to other parts of the business as stranded costs (albeit these costs can be reduced).

6 Valuation of The Star

6.1 Summary

Grant Samuel has valued The Star in the range $411-1,020 million which corresponds to a value of $0.13-0.31 per share. The valuation is summarised below:

THE STAR - VALUATION SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	6.4	1,170.0	1,380.0
Other assets and liabilities	6.5	(491.6)	(92.7)
Enterprise value		**678.4**	**1,287.3**
Adjusted net borrowings	6.6	(267.5)	(267.5)
Value of equity		**410.9**	**1,019.8**
Diluted shares on issue (millions)[33]		3,286.5	3,286.5
Value per share		**$0.13**	**$0.31**

The valuation represents the estimated full underlying value of The Star assuming 100% of the company was available to be acquired and includes a premium for control. Australian regulatory policy requires that full underlying value is to be determined disregarding any financial distress that the entity is suffering. Given the precarious state of The Star's financial position, this approach to determining underlying value is a theoretical exercise. It does not represent potential values that shareholders in The Star can expect to realistically achieve at the current time.

Moreover, the valuation of The Star, given its current circumstances, is subject to considerable uncertainty. It is loss making and lacks a clear and defined pathway (bar regulatory changes) to restoring its profitability. The value range adopted by Grant Samuel is premised on relatively optimistic assumptions (even if risk weighted). In particular, it assumes:

- a successful remediation program and full restoration of casino licences at both *The Star Sydney* and *The Star Gold Coast*;
- legislative changes to effect a "level playing field" between casinos and pubs and clubs are rolled out within the next five years;
- completion of the DBC Transaction within the timeline announced by the company, which would stem its losses at *The Star Brisbane*;
- there would not necessarily be a full step up in casino duties in New South Wales in FY31; and
- that, in the absence of financial distress, notional acquirers of The Star would assume that a turnaround could be achieved (to some extent).

There are, of course, risks that one or all of these assumptions do not materialise. To the extent that this is the case, there would be a material reduction in the value of The Star and the underlying value of its shares would likely be much closer to, if not, zero.

The value attributed to The Star's business operations of $1,170-1,380 million is an overall judgement having regard to a number of valuation methodologies and parameters, with a principal focus on discounted cash flow ("DCF") analysis. In the case of *The Star Gold Coast*, the adopted value range is above recent non-binding indicative offers for the resort in large part due to the distressed position The Star was in when those offers were made (albeit the offers are not necessarily on the same basis as the valuation).

[33] Includes convertibles notes from the first tranche of the Transactions and excludes performance rights and out of the money options.

Capitalisation of earnings or cash flows (multiples of EBITDA) was also considered but, in light of the current underperformance (and losses for *The Star Sydney*) and the need for a dramatic turnaround, it has been used only as a cross check. A general discussion of valuation methodologies and the approach taken for The Star are set out in Sections 6.2 and 6.3.

The issues weighing on assessing a value range for The Star are further exacerbated by The Star's various non-trading liabilities that are likely to arise:

- penalties that may arise on conclusion of the AUSTRAC civil penalty proceedings;
- tax disputes with the ATO regarding historical GST and withholding tax treatment of rebates paid to junket operators;
- the ongoing shareholder class action lawsuit; and
- legal costs associated with ASIC's civil penalty proceedings against former directors and officers and other disputes or legal proceedings.

The amounts that may be required to be paid are so uncertain that they cannot be reliably quantified at this point in time. However, they do need to be factored into shareholders' consideration of full underlying value of The Star.

The combination of debt and non-trading liabilities means that the equity value of The Star can swing materially even for relatively small movements in the value of the operating business. Value could realistically fall in a very wide range. However, it would not be helpful to adopt a range such as $0.00-0.50 per share. Grant Samuel has therefore adopted a narrower value range (in this case $0.13-0.31 cents per share).

6.2 Methodology

6.2.1 Overview

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- discounting of projected cash flows;
- capitalisation of earnings or cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

6.2.2 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the NPV of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The NPV is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cash flow valuations are commonly used and can play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

6.2.3 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. It is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the prices at which comparable businesses trade, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

While EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable indicator of ongoing capital expenditure. In addition, there can be differences between companies in the basis of calculation of depreciation. Where this is an issue, another metric that can be useful is EBITDA-Capital Expenditure (sometimes referred to as Operating Cash Flow); and

- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. While averages or medians can be determined it is not appropriate to simply apply such measures to the business being valued. The range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings. The most important part of valuation is to evaluate the attributes of the specific business being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations, premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations, there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework (including accounting practices). It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

6.2.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. However, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

6.2.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.

6.3 Approach for The Star

6.3.1 Overview

Grant Samuel's valuation of The Star has been estimated by aggregating the estimated market value of its business operations (*The Star Sydney, The Star Gold Coast* and *The Star Brisbane MIR*) together with the realisable value of investments and non-trading assets and deducting external borrowings and non-trading liabilities. The values of the business operations have been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing The Star's business operations, the primary focus was on DCF analysis, with earnings multiples analysis used as a cross check. Grant Samuel's approach to DCF analysis for The Star is described in Section 6.4.2 of this report. The market evidence for earnings multiples considered by Grant Samuel is summarised in Appendix 2. Industry rules of thumb were not applicable in the case of The Star. Recent non binding indicative offers for individual assets were also considered.

The value ranges selected for The Star's business operations are judgements. The objective is to determine a value that both fits with the output of DCF analysis in terms of the various scenarios and their likelihood and is consistent with the market evidence as to multiples (as far as it can be utilised).

6.3.2 Specific Issues

The following factors should be noted when considering the value ranges assessed by Grant Samuel:

Valuation Date

The valuation of The Star's business operations is at 31 December 2024. It utilises the balance sheet at that date and the DCF analysis incorporates operating cash flows from 1 January 2025.

Certain adjustments have been made for non-trading assets and liabilities as well as significant events post-balance date (such as the receipt of proceeds in relation to the sale of *The Star Sydney Event Centre* and the receipt of upfront cash consideration in relation to the DBC Transaction) up to the date of this report.

Single Business or Sum of the Parts Valuation

Grant Samuel has separately valued each of The Star's business operations. There are a number of reasons for this approach:

- they are separate business operations, both geographically and in terms of their respective board and management structure. *The Star Sydney* and *The Star Gold Coast* each have their own Chief Executive Officer and are subject to their own set of State regulations. While there are some shared corporate costs that are allocated, most operating costs are incurred at the property level.

  On the other hand, *The Star Brisbane MIR* (assuming the amended terms under the DBC Transaction are implemented), has its own distinct set of operating management fees that are not directly affected or linked to The Star's other business operations;

- while the overarching economic drivers of each of the resorts are similar (international travel, gambling expenditure per capita), the key drivers of operating performance are different as *The Star Gold Coast*:
  - is the only casino resort in the Gold Coast catchment (albeit that Brisbane is within a 1.5 hour drive). *The Star Sydney* faces a level of direct competition against *Crown Sydney* (albeit the latter caters to a high-end premium luxury clientele); and
  - has completed a major refurbishment of its gaming floor and non-gaming facilities. On the other hand, *The Star Sydney* would likely need a major refresh of its facilities in the coming years to ensure its gaming and non-gaming experience remains competitive; and
- third parties have made indicative offers for one of the assets but not both.

The surplus property portfolio of freehold land at the Gold Coast has been separately valued as it is not part of The Star's business operations. If required, the surplus property portfolio can be separated from the rest of the business (as individual assets or as a portfolio) or monetised separately (as demonstrated by the development rights buy-out option on Tower 3 that was agreed with Chow Tai Fook and Far East Consortium as part of the DBC Transaction).

Synergies

Grant Samuel has given consideration to the synergies potentially achievable by acquirers of the business. In this regard, it needs to be recognised that:

- normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer; and
- where earnings multiples from comparable transactions represent primary valuation evidence, adding synergies to earnings or making a further multiple adjustment for synergies would potentially result in "double counting" of value as the multiples from the comparable transactions are usually based on standalone earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits).

In accordance with RG111, any increase in a party's relevant interest above 20% is deemed to be a change of control and, as a consequence, assessment of the value of The Star needs to take into account 100% of ownership of the company.

In this regard, The Star currently incurs corporate costs of approximately $300 million per annum (including remediation costs). These costs represent costs associated with:

- the executive office of The Star (such as costs associated with the offices of the Chief Executive Officer and Chief Financial Officer, company secretarial and legal, corporate affairs, treasury, tax);
- listed company expenses (such as directors fees and insurance costs, annual reports and shareholder communications, share registry and listing fees and dividend processing);
- risk and compliance as well as financial crime risk operations (much of which is delegated to the property level); and
- other group shared services (such as legal, corporate affairs, procurement, finance and transformation, etc.).

These corporate costs are fully allocated to each of The Star's business operations and are expected to decline due to a combination of cost-outs (including the transfer or "standing down" of certain costs as part of the DBC Transaction), eventual wind down of the remediation programme and migration of costs towards individual properties.

An acquirer of 100% of The Star would arguably be able to eliminate some, but not all, of The Star's corporate costs. The costs that may be eliminated by any acquirer are largely listed company costs (e.g. directors fees and insurance costs, annual reports and shareholder communications, share registry and listing fees and dividend processing). The vast majority of these listed company costs would not be required if 100% of The Star was acquired.

Grant Samuel has assumed that listed company costs of approximately $15 million per annum represent a synergy benefit that would be available to all acquirers of The Star.

6.4 Value of Business Operations

6.4.1 Summary

Grant Samuel has estimated the value of The Star's business operations to be in the range $1,170-1,380 million:

THE STAR - VALUATION SUMMARY ($ MILLIONS)

	VALUE RANGE	
	LOW	HIGH
The Star Sydney	500.0	600.0
The Star Gold Coast	700.0	800.0
The Star Brisbane MIR	(30.0)	(20.0)
Value of The Star's business operations	**1,170.0**	**1,380.0**

The principal approach to valuing The Star's business operations was by DCF analysis. The DCF analysis is based on simplified, high level models for each of The Star's key business operations (*The Star Sydney* and *The Star Gold Coast*) developed by Grant Samuel. The value of *The Star Brisbane MIR*, which has a finite duration, is also principally based on DCF analysis.

Where appropriate, recent non-binding indicative acquisition offers for individual assets were also considered (albeit in light of the circumstances under which those offers were made). The capitalisation of earnings approach was also considered but, given the difficulty in assessing a "normalised" earnings profile for The Star (and its individual properties), has only been used as a cross check to value.

6.4.2 DCF Analysis

Overview

THE FINANCIAL MODEL

The financial model developed by Grant Samuel uses the Long Term Operating Scenario as a framework. Grant Samuel has developed a number of scenarios based on the Long Term Operating Scenario provided by The Star and has extended the model for a further five years based on broad assumptions in relation to gaming and non-gaming revenue growth (including EGM market share). Overhead, capital expenditure and working capital assumptions have been made for each business operation. None of the scenarios directly tie to the Long Term Operating Scenario. The DCF analysis is based on scenarios designed by Grant Samuel.

The DCF model projects nominal after tax cash flows from 1 January 2025 to 30 June 2035, a period of ten and a half years, with a terminal value calculated at 30 June 2035 to represent the value of cash flows in perpetuity. The terminal value has been calculated by capitalising net after tax cash flows using a perpetual growth assumption.

LIMITATIONS

The DCF model is based on a number of assumptions and is subject to significant uncertainties and contingencies, many of which are outside the control of The Star. Key assumptions regarding future operational performance are highly uncertain and there is scope for significant differences of opinion in relation to these assumptions. As a result of these uncertainties, there is a wide range of potential outcomes that could occur, both positive and negative (and an even greater number of possible combinations of those outcomes).

Moreover, DCF analysis is subject to significant limitations and NPV outcomes need to be treated with considerable caution. The calculated NPVs are extremely sensitive to small changes in assumptions regarding revenue growth, operating expenditure and capital expenditure for many years into the future. This sensitivity to assumptions regarding future operational performance is accentuated by the fact that the terminal value (the value contributed by cash flows generated after the end of the explicit cash flow projection period) contributes a high proportion of the overall value.

These uncertainties are exacerbated by The Star's circumstances with recent earnings (particularly in FY24 and FY25) severely affected by the implementation of regulatory restrictions (e.g. mandatory carded play and cash limits), increased competition (particularly with the opening of *Crown Sydney*) and weaker trading conditions. The issues are further complicated by the uneven regulatory regime between casinos and pubs and clubs, which has led to sharp losses in EGM market share for both *The Star Sydney* and *The Star Gold Coast.* A reversion to competitive neutrality would unwind some of these pressures but would also require legislative changes. There is no certainty that any such changes will occur (and even if they did, their timing and effectiveness is unknown).

The pathway for recovery is inherently uncertain and difficult to predict with any degree of reliability. A return to previous levels of activity (e.g. FY19 or even FY23) could be argued to be a reasonable starting point but there are numerous reasons (particularly in the case of The Star) why that is not appropriate.

SCENARIO ANALYSIS

Grant Samuel has considered a number of scenarios for each of The Star's business operations to reflect the impact on value of key assumptions relating to main floor gaming revenue growth, non gaming revenue growth and EBITDA margins. These scenarios have been adopted following discussions with The Star's management but do not necessarily align with any of The Star's internal operating scenarios.

It should be recognised that the scenarios are highly simplified and focus on several key value drivers rather than detailed "bottom up" parameters. In addition, the scenarios are not mutually exclusive and compound scenarios are quite conceivable. Nevertheless, Grant Samuel considers that the analysis does provide some insight into value. In view of the uncertainties surrounding the future growth of The Star's business operations, the scenarios analysed are, to some extent, arbitrary. However, in Grant Samuel's opinion, they reflect the range of judgements that potential buyers of the business could make. The scenarios do not, and do not purport to, represent the full range of potential outcomes for The Star's business operations.

The scenarios are inherently hypothetical. They do not represent Grant Samuel's forecasts of the future financial performance of The Star. Rather, they are in the nature of "what if". In other words, they are outcomes that could happen rather than projections of what is expected to happen. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of The Star. Such future performance is subject to fundamental uncertainty. The scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated NPVs of alternative assumptions regarding the future growth and financial performance of The Star's business operations.

Discount Rates

For the purposes of the analysis, Grant Samuel has utilised a nominal discount rate (weighted average cost of capital) ("WACC")) in the range 9.5-10.5% for The Star's business operations.

The cost of equity has been derived from application of the capital asset pricing model ("CAPM") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. There are more sophisticated multivariate models which utilise additional risk factors but these models have not achieved any significant degree of usage or acceptance in practice.

The cost of equity capital is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the CAPM do no more than infer it from other data using one particular theory about the way in which security prices behave. The usefulness of any estimate therefore depends on the efficacy of the theory and the robustness of the data but available tools such as the CAPM involve:

- models which have questionable empirical validity (and competing formulation);
- simplifying assumptions;
- the use of historical data as a proxy for estimates of forward looking parameters;
- data of dubious statistical reliability; and
- unresolved issues (such as the impact of dividend imputation).

It is easy to over-engineer the process and to credit the output of models with a precision they do not warrant. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than an absolute truth. The cost of capital is fundamentally a matter of judgement, not merely a calculation.

While strict application of the CAPM in recent years gave results that were arguably unrealistically low (primarily because of very low government bond rates) and were often inconsistent with other measures, these issues have now subsided as government bond rates have approached historical averages.

Grant Samuel has calculated a cost of equity in the range 11.3-11.9% using the CAPM and the following parameters:

- a risk-free rate of 4.1% based on the 10-year Commonwealth Government bond rate as at 30 April 2025;
- a market risk premium of 6% (a standard rate adopted by Grant Samuel), which is similar to that used by a wide variety of analysts and practitioners (typically in the range 5-7%); and

- a beta factor of 1.2-1.3. It is difficult to determine a reliable beta for The Star:
  - The Star's betas vary significantly depending on the measurement source:
    - over the last four years, The Star's beta as measured by the Securities Industry Research Centre of Asia-Pacific ("SIRCA") has varied between around 1.2 and 1.9 and was measured at 1.6 at 31 December 2024[34]. Betas have generally trended upwards over the period, reflecting The Star's increased gearing levels and compounded by the uncertainty weighing on the business;
    - estimated historical betas by MSCI Barra ("Barra") are substantially lower at around 0.8, albeit with predicted betas closer to around 1.4-1.7; and
    - betas measured by Bloomberg vary across a very wide range depending on the time period (with four year betas around 1.0-1.1 but two year betas markedly higher at around 1.5-1.7) and, to a smaller extent, the index that its share price is benchmarked against. The higher two year betas reflect the greater volatility of the share price in recent years.

    The wide discrepancy in beta estimates is not easily explained. However, virtually all of the beta estimates (bar the historical betas measured by Barra) are well in excess of 1.0 and, in some instances, well above 1.5;
  - the betas for listed casino operators internationally sit across a very wide range. For example:
    - U.S. casino operators (both regional and Las Vegas focussed) generally have betas above 1.0 but they vary widely. Betas measured by Bloomberg range from 1.0 to 2.9 over four years and from 0.7 to 2.0 over two years; and
    - Macau-based operators generally have beta factors that are slightly lower (around 0.9-1.6 over four years, and 0.7-1.1 over two years) than those of their U.S.-based counterparts. The lower betas measured over shorter periods likely reflect the improving regulatory climate for these operators which were facing intense regulatory scrutiny and contending for the renewal of their casino licences just over two years ago.

    SkyCity arguably presents the most relevant benchmark but, even then, is affected by a number of issues that may affect the estimates (e.g. regulatory reviews, one-off penalties and fines, major capital investments). Estimates of its beta factors vary across a very wide range with one estimate suggesting a negative beta factor but the remainder generally at around 0.9-1.1 (with a predicted beta of 0.8); and
  - gearing levels vary significantly but are not always consistent with the beta factors.

  The evidence does not provide a clear outcome. However, it does indicate that virtually all entities operating in the casino industry have historical betas well above 1.0 (indicating greater volatility than the overall market). Intuitively, this makes sense given that activity in the casino industry is purely discretionary and subject to the ebbs and flows of the business cycle (and disposable income).

  In addition:
  - casino operators, particularly large ones, are prone to regularly undertaking large scale developments of new casinos which carry a higher risk profile;
  - the trend of selling the underlying real estate is likely to have added further volatility for some of these operators (e.g. MGM Resorts and Caesars) because they now carry a significant additional fixed cost (rent) representing as much as 50% of EBITDAR; and
  - the generally higher betas of offshore casinos may be partly attributable to their generally higher gearing ratios.

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[34] Based on latest published data. SIRCA betas are published on a quarterly basis and the data for the most recent quarter end (i.e. 31 March 2025) was not available at the date of this report.

On the other hand, it can be argued that casinos (and gambling more broadly) have a natural hedge during economic downturns which caps the volatility in earnings and share prices (and hence demands a lower beta). Certainly, prior to the pandemic, The Star demonstrated a relatively stable level of earnings that was, in part, underpinned by its monopoly positions in its respective catchments.

Taking all of these factors into account, Grant Samuel believes that a beta in the range 1.2-1.3 is a reasonable estimate of the appropriate beta for The Star.

The resultant WACC calculation (of 9.3-10.5%) assumes:

- a pre tax cost of debt of approximately 6.6% (which implies a margin of around 2.5% over the risk free rate). The adopted pre-tax cost of debt is substantially lower than the interest rate on The Star's existing debt facilities (which have an all-in interest rate of 13.5%), which is higher than what would be expected in "ordinary" circumstances as it reflects the urgency and level of financial distress the group was under when it entered into the amended debt facility agreements in late 2024.

  Accordingly, Grant Samuel has considered other benchmarks in selecting the appropriate pre tax cost of debt for The Star. The adopted margin over the risk free rate takes into account:

  - current spreads for Australian BBB rated bonds over Australian Government bonds of similar tenor as published by the Reserve Bank of Australia, which are approximately 120 basis points for 10 years and 145 basis points for 5 years; and
  - the weighted average interest rate on borrowings for SkyCity of 6.0% (as at 31 December 2024). Although SkyCity (rated BBB-minus) also faces a number of regulatory issues not dissimilar to The Star, much of the uncertainty has been removed following the conclusion of the AUSTRAC court process and resolution of the dispute on casino duties payable by the group.

  An adopted margin (or cost of debt) above these benchmarks is appropriate. The majority of casino operators have credit ratings that are below BBB (with most at either B or BB) and would therefore incur higher margins on their debt. It also includes an allowance for establishment costs and the cost of liquidity; and

- a debt/equity mix of 70-80% equity and 20-30% debt. The estimated gearing ratio does not reflect The Star's current gearing levels as its gearing has increased materially in recent years due to rapid decline in equity market value as well as a combination of issues (e.g. deterioration in trading conditions, loss of market share, regulatory costs, etc.) that The Star is seeking to address in order to reduce its gearing to more sustainable levels. The estimated gearing ratio reflects the gearing levels over the past four years of comparable listed companies, for which gearing levels of closer to 50% are not uncommon (which in turn is reflected in slightly higher equity betas).

Grant Samuel considers a discount rate in line with the calculated WACC to be an appropriate measure of the cost of capital. Accordingly, for this purpose Grant Samuel has adopted a discount rate in the range 9.5-10.5%.

The Star Sydney

SUMMARY

Grant Samuel has valued *The Star Sydney*, absent financial distress, in the range $500-600 million.

KEY OPERATING ASSUMPTIONS

For Scenario A, Grant Samuel has determined and applied the following assumptions:

- for the key drivers of revenue:

  - gaming revenues are impacted by the reduced cash limit ($1,000 by 19 August 2025), decreasing by 12% in FY26. Thereafter, gaming revenues are supported in the near term by implementation of The Star's revenue initiatives and the introduction of competitive neutrality with pubs and clubs from December 2027:
    - slots revenue (inclusive of MTGMs) improves between FY27 and FY30 as *The Star Sydney* is able to compete with pubs and clubs on a more level playing field and re-establish itself as a preferred destination. This results in *The Star Sydney*'s market share recovering from around 4% in FY26 and FY27 to around 9% in FY30 (in line with FY19 levels), and remaining at this level for the rest of the projection period. The broader EGM market grows at around 4% per annum, with an offsetting reduction of 15% by FY30 reflecting the tighter restrictions across the whole market;
    - private gaming room revenues recover to above $100 million by FY30 as the broader market reaches around 80% of FY19 levels. *The Star Sydney* maintains a consistent market share over the projection period, with the broader market growing at around 3.5% per annum in the medium to long term; and
    - main gaming floor revenues benefit from mass market promotions, marketing and reactivations of inactive customers (subject to finalisation of due diligence processes) improving revenue by around 8% in FY27, before growing at approximately 4% per annum for the remainder of the period.

    Total gaming revenues grow to approximately 90% of adjusted FY19 levels (i.e. excluding international VIP and domestic rebate revenues) by FY30, increasing at around 3.5% per annum in the outer years; and
  - non-gaming revenues, largely comprising food and beverage and hotel revenue, grow at an average rate of around 2.5% per annum, achieving FY19 levels by FY29. Growth is underpinned by enhanced entertainment offerings (i.e. new food and beverage concepts and products, revitalising underutilised spaces) and improved customer service (i.e. hosted services and promotions) to increase foot traffic.

  Total revenues decline in FY26, before growing at higher rates in subsequent years as the business becomes more competitive against pubs and clubs. Growth tapers to around 3.5% per annum from FY30, reflecting a more stabilised competitive environment. After exceeding 20% in FY27, the contribution from non-gaming revenues falls to below 15% by the end of the projection period;
- government taxes and levies are payable on gross revenue, with individual taxes ranging between 30% and 35% of gross gaming revenues (representing around 35-45% of total operating expenditure over most of the projection period). The implied slots tax rate has been increased to over 50% of gross revenue from 1 July 2030 to reflect the New South Wales Government's proposed increase in casino duty rates on slots from this date;
- other operating expenses (around $470 million in FY26) grow at over 3% per annum over the projection period reflecting the stabilising of operations.

  Employee costs represent the largest other operating expense at around 35% of gross revenues. This percentage reduces in the outer years as slots revenue increases, as it requires minimal incremental employee cost. Other operating expenses principally comprise advertising and promotions, property costs and allocated corporate costs. Most of the cost base is considered to be largely fixed, reflecting the structural rigidity required to maintain core operational standards (e.g. minimum staffing and resources required to operate casino facilities);
- the result of the above assumptions is that the EBITDA breaks even by FY27 and EBITDA margin improves to 20% by FY30 (slightly below FY19 levels) due to improved product mix from slots.

However, the step-up in casino duty rates on slots in FY31 results in a steep reduction in EBITDA margin for the remainder of the projection period;

- capital expenditure is expected to primarily comprise remediation and critical maintenance and average approximately 6% of revenue over the projection period. An incremental $10-15 million per annum of major refurbishment capital expenditure is assumed in the cash flows to account for the recurring need to periodically refresh the casino, hotel and restaurant facilities;
- corporate tax rate of 30%;
- minimal incremental working capital is expected over the projection period, with *The Star Sydney* maintaining a focus on operational efficiency and cash flow control; and
- a terminal growth rate of 2.5%.

DCF SCENARIOS

The key assumptions underlying each of the scenarios considered are outlined below:

THE STAR SYDNEY – DCF SCENARIOS

SCENARIO	DESCRIPTION
Scenario A	As above.
Scenario B	Scenario A, except the impact of the $1,000 cash limit is less pronounced, with around half of the losses in FY26 recovered due to revenue initiatives. *The Star Sydney*'s share of the slots and MTGMs market reaches FY19 levels of around 9% by FY30.
Scenario C	Scenario A, except the level playing field recovery is delayed by one year, such that *The Star Sydney*'s share of the slots and MTGMs market reaches FY19 levels of around 9% by FY31.
Scenario D	Scenario A, except *The Star Sydney* share of the slots and MTGMs market recovers to around 8% by FY30.
Scenario E	Scenario A, except operating expenses continue at elevated levels (i.e. cost saving initiatives are partially unsuccessful in FY26) and remediation capital expenditure continues for an additional two years ($10 million in FY26 and $5m in FY27).
Scenario F	Scenario A, except revenues related to hotel and food and beverage are 5% higher by FY27 due to revenue initiatives (remaining at the elevated level for the rest of the projection period).
Scenario G	Scenario A, except private gaming revenues reach $130 million by FY30, with *The Star Sydney* maintaining a consistent market share.

NPV OUTCOMES

Grant Samuel's selected value range of $500-600 million for *The Star Sydney* reflects a subjective balancing of the scenarios and a view that the appropriate discount rate to apply is 9.5-10.5%.

The value range selected needs to be considered in the context of the headwinds facing *The Star Sydney*:

- the reduction in mandatory cash limits to $1,000 by August 2025 (Scenarios A and B);
- ongoing uncertainty regarding the timing, structure and effectiveness of reforms aimed at achieving a level playing field in competing with clubs and pubs (Scenarios C and D); and
- broader operational and reputational challenges, including cost pressures, compliance obligations and the need to rebuild brand trust and market share following extended regulatory scrutiny (Scenarios E, F and G).

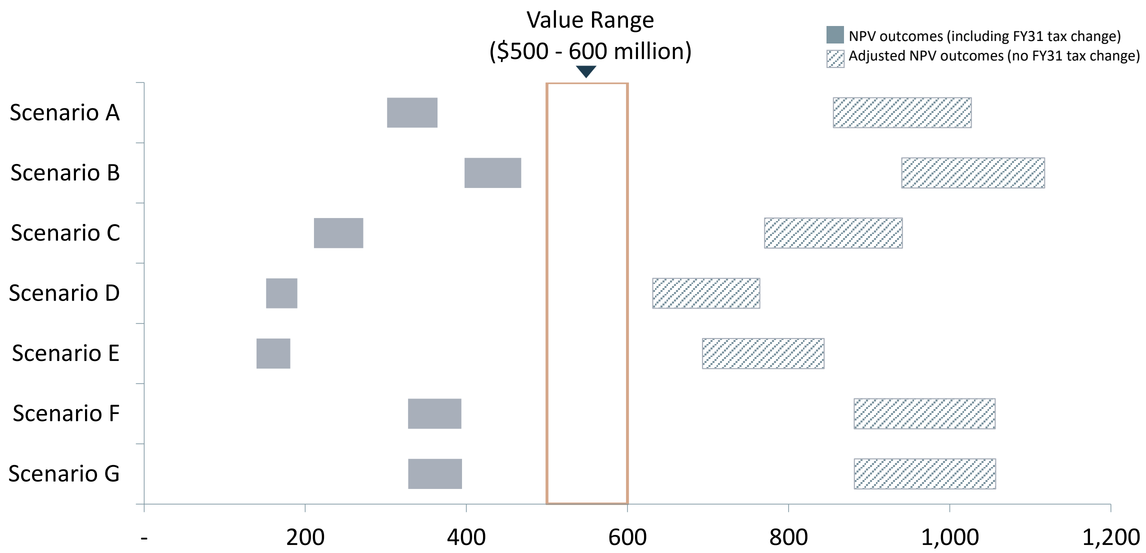
Compounding these uncertainties is the proposed implementation of new casino duty rates on slots in New South Wales, scheduled to take effect from FY31. Under the current proposal, the duty would substantially increase the effective tax rate on slots at *The Star Sydney* and have a material impact on earnings. However, the final structure and quantum of the tax remain subject to change. Additionally, The Star may request a good faith review which will consider *The Star Sydney*'s recent trading conditions and EBIT. This introduces significant uncertainty, as the final tax position may ultimately be influenced by prevailing business conditions and negotiations between The Star and the New South Wales Government. In reality, it is unlikely that the Government would introduce a tax framework so onerous as to materially undermine *The Star Sydney*'s financial viability, as this may have the potential to reduce aggregate tax collections.

Given this uncertainty, Grant Samuel has considered each scenario (A to G) with and without the impact of the proposed FY31 tax changes. The inclusion of the tax change results in a reduction of approximately $500-650 million to the NPV outcomes.

The following chart illustrates the NPV outcomes for *The Star Sydney*:

THE STAR SYDNEY – NPV OUTCOMES

(AT 9.5-10.5% DISCOUNT RATE)



Grant Samuel has considered the NPV outcomes for all the scenarios in determining its value range for *The Star Sydney*. However, the weight given to each scenario in considering the value range was subjective and is not capable of being expressed in percentage terms.

The NPV outcomes fall across an exceptionally wide range, with value outcomes for *The Star Sydney* ranging from as low as $140 million to as high as $1,120 million. This range reflects the extent to which the NPV outcomes are contingent on uncertain future events that are inherently uncertain, such as achievement of a level playing field with pubs and clubs (e.g. illustrated in Scenarios C and D) and the implementation of the FY31 casino duty. A third party purchaser would likely attribute some value to the possibility of upside, even if it was heavily discounted in light of the associated risks. Conversely, if the casino duty is implemented at the proposed level, The Star may consider a fundamental restructuring of its operations to preserve value. This may lead to the conclusion that continuation of the business in its current form is not economically rational, and an alternative business model may be sought.

In this context, Grant Samuel's assessed value range reflects a balancing of various cases. No buyer would assume the FY31 tax increase will be abolished completely. Equally, there are plausible reasons for it to be moderated.

The Star Gold Coast

SUMMARY

Grant Samuel has valued *The Star Gold Coast* in the range $700-800 million.

KEY OPERATING ASSUMPTIONS

For Scenario A, Grant Samuel has determined and applied the following assumptions:

- for the key drivers of revenue:
  - gaming revenues are materially impacted by the Queensland Government implementing mandated carded play and cash limits of $1,000 by 1 July 2025, resulting in revenues declining 13% in FY26. Gaming revenues growth remains modest in FY27, before mass market revenues drive a more material uplift in the following years:
    - slots revenue (including MTGMs) strengthens between FY28 and FY30 as *The Star Gold Coast* competition neutrality with pubs and clubs is implemented. This underpins a market share rebound from around 21% in FY26 to approximately 34% by FY30 (equivalent to levels achieved in FY19), remaining steady over the remainder of the projection period. Similar to the Sydney market, the Gold Coast market grows at around 4% per annum, with an offsetting reduction of 15% by FY30 reflecting the tighter restrictions across the whole market; and
    - main gaming floor revenues recover to around $60 million by FY28, broadly in line with FY25 levels, before stabilising at around 4% per annum growth thereafter. Private gaming room revenue is not material to the business, contributing less than $10 million in revenue annually.

    Total gaming revenues grow to approximately 120% of adjusted FY19 levels (i.e. excluding international VIP and domestic rebate revenues) by FY30, increasing at around 3.5% per annum in the outer years;
  - non-gaming revenues exhibit strong growth in the near term (averaging almost 15% per annum between FY25 and FY30), before growing at around 3% per annum for the remainder of the projection period. This growth is supported by:
    - total hotel revenues (including *Dorsett* and *Andaz*) which grow at an average of over 20% annually between FY25 and FY30, driven by the completion of *The Andaz* in FY26, and consolidation of ownership (*Dorsett* and *Andaz* were previously equity accounted). FY25 does not include any revenue contribution from the *Andaz*.

      Dorsett and *Andaz* contribute more than $55 million to hotel revenue in FY26 (around $25 million for *Dorsett* and $30 million for *Andaz*). The *Andaz* hotel, provides over 200 rooms, with occupancy rates ramping up to a steady state of just below 80% by FY28. Occupancy rates and daily rates for *Andaz* and *Dorsett* experience a temporary increase in FY33, due to an increase in tourism from the Brisbane Olympics.

      In the longer term, total hotel revenues grow at around 3% per annum, as room rates rise with inflation and hotel occupancy remains relatively steady;
    - food and beverage revenues increase by around 15% per annum from FY25 to FY27, supported by increased foot traffic via conferences and events, marketing initiatives and the increased property patronage from *Andaz* residents. Following stabilisation of the hotel complex in FY28, food and beverage revenues grow at approximately 3% per annum; and
    - other non-gaming revenues comprise income from entertainment (including theatre shows) as well as car park, day spa and leasing.

  Total revenues improve in FY26 (by approximately 10%) as additional hotel revenues are introduced and are only partially offset by the decline in gaming revenues. Improvement across the whole complex (i.e. hotel ramp up, increased visitation and level playing field) drives an average annual revenue growth of above 10% from FY26 to FY29. By the end of this period, gaming and non-gaming revenue contribution are around equal. This composition is anticipated to continue throughout the remainder of the projection period, with total revenues increasing at around 3% per annum;

- government taxes and levies remains steady over the period, with individual taxes ranging between 20% and 40% of gross gaming revenues;
- other operating expenses are approximately $350 million in FY26 and increase to around $400 million in FY30 as the performance of the resort improves and the *Andaz* hotel reaches stable occupancy. Similar to *The Star Sydney*, most of the cost base is considered to be largely fixed.

  Employee costs equate to around 35% of gross revenues (similar to *The Star Sydney)* or over half of total operating expenses (excluding taxes and levies). Other operating expenses principally comprise venue operating expenses (around 15% of total other operating expenses), property (approximately 7% of total other operating expenses) and allocated corporate costs (approximately 6% of total other operating expenses).

  In the longer term other operating expenses grow at around 3% per annum reflecting the more stable operating base;
- the result of the above assumptions is that the EBITDA margin improves from recent lows of around 5% in FY25 to above 23% by FY30, remaining at this level long term. The uplift in margin is underpinned by operating conditions returning to levels comparable to those prevailing in FY19;
- capital expenditure of 6% of revenues to cover the resort's critical maintenance and remediation requirements. An incremental $5-10 million per annum of major refurbishment capital expenditure is assumed to account for the recurring need to periodically undertake a significant refresh of the casino, hotel and restaurant facilities. This is a lower requirement than *The Star Sydney* reflecting *The Star Gold Coast's* newer facilities;
- corporate tax rate of 30%;
- minimal incremental working capital is expected over the projection period, with *The Star Gold Coast* maintaining a focus on operational efficiency and cash flow control; and
- a terminal growth rate of 2.5%.

DCF SCENARIOS

The key assumptions underlying each of the scenarios considered are outlined below:

THE STAR GOLD COAST – DCF SCENARIOS

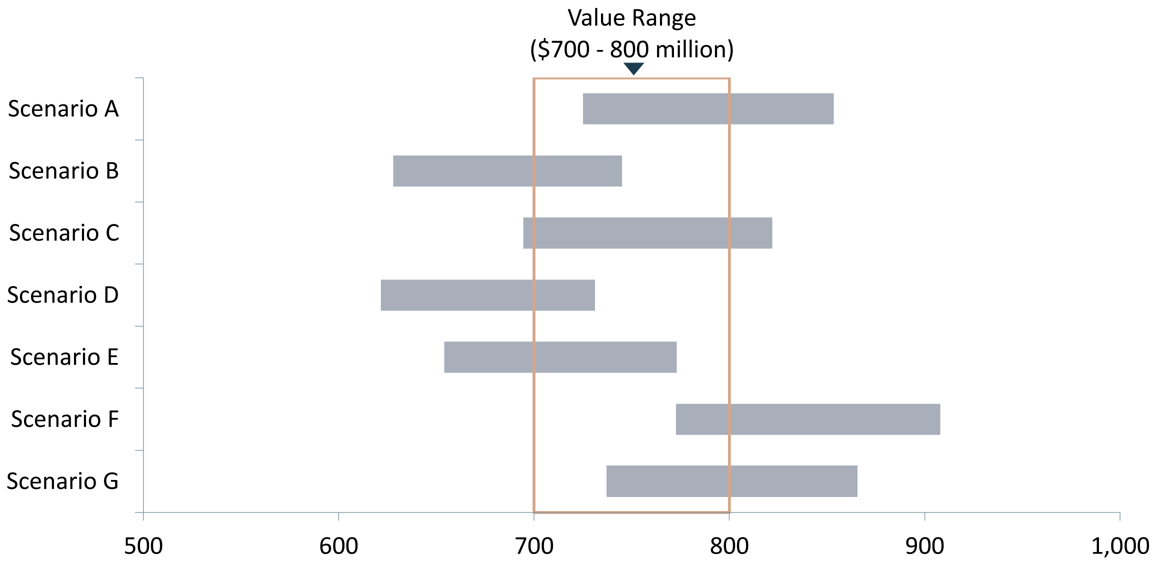
SCENARIO	DESCRIPTION
Scenario A	As above.
Scenario B	Scenario A, except the impact of the mandatory carded play and $1,000 cash limits is approximately doubled (i.e. 26% decline) in FY26. *The Star Gold* Coast's share of the slots and MTGMs market share still reaches FY19 levels of around 34% by FY30.
Scenario C	Scenario A, except the level playing field recovery is delayed by one year, such that *The Star Gold* Coast's share of the slots and MTGMs market reaches FY19 levels of around 34% by FY31.
Scenario D	Scenario A, except *The Star Gold Coast's* share of the slots and MTGMs market recovers to around 30% by FY30.
Scenario E	Scenario A, except operating expenses continue at elevated levels (i.e. cost saving initiatives are partially unsuccessful in FY26) and remediation capital expenditure continues for an additional two years ($4 million in FY26 and $2 million in FY27).
Scenario F	Scenario A, except revenues related to hotel and food and beverage are 5% higher by FY27 due to revenue initiatives (remaining at the elevated level for the rest of the projection period).
Scenario G	Scenario A, except the implementation of mandatory carded play and $1,000 cash limits is delayed by one year (i.e. introduced in FY27) and FY26 gaming revenues are in line with FY25 levels.

NPV OUTCOMES

Grant Samuel's selected value range of $700-800 million for *The Star Gold Coast* reflects a subjective balancing of the scenarios and a view that the appropriate discount rate to apply is 9.5-10.5%. This is depicted diagrammatically below:

THE STAR GOLD COAST – NPV OUTCOMES

(AT 9.5-10.5% DISCOUNT RATE)



Grant Samuel has considered the NPV outcomes for all the scenarios in determining its value range for *The Star Gold Coast*. However, the weight given to each scenario in considering the value range was subjective and is not capable of being expressed in percentage terms.

Similar to *The Star Sydney*, the selected value range must be considered in the context of the significant structural and regulatory uncertainties affecting the business. In particular, the anticipated impact of mandated carded play and cash limits of $1,000 in July 2025 (illustrated in Scenarios A and B), which represent a substantial shift in operating conditions and introduce downside risk to gaming expenditure and overall visitation.

The different NPV outcomes for these scenarios illustrate the difficulty in estimating the impact of regulatory reforms ahead of their implementation (although The Star now has observable data points from the earlier rollout of similar reforms in New South Wales). These insights provide a valuable reference point for understanding customer responses and operational impacts. Importantly, this experience has equipped The Star with practical learnings that can support a more effective implementation in Queensland. Additionally, the delayed rollout in Queensland (i.e. relative to New South Wales) may contribute to a smoother transition, as both customers and staff are likely to be more familiar with the regulatory requirements by the time they are introduced.

However, while regulatory reform is expected, the timing of implementation remains uncertain due to a lack of clarity around the finalisation of regulations by the Queensland Government. Given the current stage in the financial year and the proposed implementation date of 1 July 2025, it is likely that some delay will occur (illustrated in Scenario G) which would delay the negative impact of the reforms and have a positive (albeit small) impact on the NPV output.

At the same time, a fundamental assumption across all scenarios is that a level competitive landscape will emerge over time. However, the timing, extent and market share implications of the level playing field remain uncertain but are a critical determinant of medium to long term performance. Any deferral or weakening of these reforms risks cementing structural disadvantages and will limit *The Star Gold Coast*'s ability to restore earnings (illustrated in Scenarios C and D).

Taking all these factors into account, Grant Samuel believes that NPV outcomes provide a balanced view of the challenges facing *The Star Gold Coast* and support a value range of $700-800 million. The value range is at a premium to recent non-binding indicative offers for the resort, reflecting the distressed position The Star was in when those offers were made.

The Star Brisbane MIR

SUMMARY

Grant Samuel has valued The Star's operating agreement with *The Star Brisbane MIR* in the range of $(30)-(20) million.

KEY OPERATING ASSUMPTIONS

As part of the exit from its interests in the DBC, The Star has agreed to restructure the DBC operator agreement, as follows:

- The Star will be paid a fixed fee of $5 million per month commencing 1 March 2025 until 31 March 2026, after which The Star's role is subject to extension at the discretion of the joint venture partners;
- the DBC will fund reasonable costs associated with transferring employees, services and related systems from The Star to DBC in accordance with a transition plan to be agreed; and
- if the transitional period is extended, the fixed fee will increase to $6 million per month (after 30 June 2026).

If the transitional period is not extended beyond 31 March 2026, The Star will receive an operator fee of $45 million in FY26. The costs associated with operating *The Star Brisbane MIR* are expected to be marginally higher than the operator fee.

As part of this transition, The Star will be required to unwind the corporate infrastructure that supports the operation of *The Star Brisbane MIR.* While the DBC has committed to funding reasonable transition costs, there remains a risk that The Star will be left with stranded corporate overheads at the end of the operator agreement. These costs may not be fully eliminated immediately and could take time to exit.

NPV OUTCOMES

Grant Samuel's selected value range of $(30)-(20) million for *The Star Brisbane MIR* reflects a number of scenarios, including where The Star incurs around $10 million in stranded costs for FY27 and FY28 and another where no stranded costs are incurred. A discount rate of 9.5-10.5% has been applied to the cash flows.

It has also been assumed that The Star's role as the operator will not be extended. While finding a new, suitable operator that passes the required approvals will be challenging, Chow Tai Fook and Far East Consortium have time to find a solution (i.e. almost 12 months).

6.4.3 Implied Multiples for The Star

The utility of an analysis of implied earnings multiples for The Star is doubtful because of the lack of a reliable estimate for current or near term earnings that is reflective of the longer term earnings capacity of the business. Earnings have been on a downwards trend for the past two years, with losses accelerating further in FY25. The group's losses are expected to compound even further in the near term when mandated carded play and cash limits are implemented in Queensland (and restrictions tightened in New South Wales).

On the other hand, while it is far from perfect, FY24 EBITDA could be used as a benchmark or proxy for earnings in a more "normalised" environment. The implied FY24 EBITDA multiples are set out below:

THE STAR'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
THE STAR'S BUSINESS OPERATIONS			
Value range ($ millions)		**1,200**	**1,400**
Implied FY24 EBITDA multiple[35]	*136.1*	*8.8x*	*10.3x*
THE STAR SYDNEY			
Value range ($ millions)		**500**	**600**
Implied FY24 EBITDA multiple	*51.8*	*9.7x*	*11.6x*
THE STAR GOLD COAST			
Value range ($ millions)		**700**	**800**
Implied FY24 EBITDA multiple	*84.3*	*8.3x*	*9.5x*

The adopted value range for The Star and its business operations implies FY24 EBITDA multiples of around 9-11 times, which are broadly in line with the transaction and sharemarket evidence outlined in Appendix 2 which indicates:

- transaction multiples in excess of 11 times EBITDA (in the case of the acquisition of Crown Resorts and other recent acquisitions involving other U.S. majors); and
- trading multiples of around 8-9 times EBITDA.

However, it is not appropriate to draw any definitive conclusions from this analysis. Any return to "normalised" trading is in fact some years away and, more importantly, FY24 earnings do not reflect a number of the realities currently facing the business including mandated carded play and cash limits.

On this basis, Grant Samuel has not placed any weight on the capitalisation of earnings approach in determining the value range for The Star.

6.5 Other Assets and Liabilities

Summary

Grant Samuel has valued The Star's other assets and liabilities in the range $(492)-(93) million:

THE STAR – OTHER ASSETS AND LIABILITIES ($ MILLIONS)

	SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Provisions and contingent liabilities	refer below	(535.0)	(201.1)
Other assets and liabilities	refer below	43.4	58.4
DBC Transaction – earn-out		--	50.0
Other assets and liabilities		**(491.6)**	**(92.7)**

Provisions and Contingent Liabilities

Provisions and contingent liabilities include a number of unresolved issues where the quantum and timing are subject to considerable uncertainty (including a number for which no provisions have been raised by The Star).

[35] Adjusted to include the EBITDA contribution from *Dorset* and, as the *Andaz* is not yet operational, a pro forma adjustment for its EBITDA contribution.

As at 31 December 2024, The Star recognised balance sheet provisions of $375 million in relation to these items. The provisions, as a whole, represent The Star's most recently published estimate of anticipated future expenses or losses but may differ materially from the actual penalties or costs that will be incurred.

The provisions balance includes certain penalties or settlements for which the amounts and timing of payments have been confirmed, such as the remaining balance of the financial penalty issued by the NICC following the conclusion of the Bell Two Inquiry (i.e. final payment of $5 million due on 30 June 2025) and the payment of underpaid casino duty to the New South Wales Government (payable by 30 June 2026).

Some of the remaining items are potentially material in their own right. However, the amounts that will be required to be paid are so uncertain that they cannot be reliably quantified. On the other hand, they do need to be taken into account in a value analysis. These outstanding issues include:

- penalties that may arise on conclusion of the AUSTRAC civil penalty proceedings. To date, AUSTRAC has commenced proceedings against three other companies in the broader gaming industry that have led to the Federal Court approving (or ordering) the payment of significant penalties. In 2017, Tabcorp was fined $45 million. More recently, Crown Resorts and SkyCity were fined $450 million and $67 million, respectively. Similar penalties in the banking industry were of a much larger magnitude.

  Accordingly, there remains significant uncertainty as to the quantum of the penalty and timing of any payments that will be levied against The Star. The proceeding is currently listed for a six day hearing commencing on 4 June 2025. The hearing is expected to conclude after the date of this report, with any final decision by the Court due sometime after. It is difficult to determine the likely liability with any precision at this time (noting that The Star's financial position and its capacity to pay must be taken into account in determining the penalty);
- tax disputes with the ATO regarding historical GST and withholding tax treatment of rebates paid to junket operators. The total amount in dispute (including interest) is approximately $160 million. However, the total exposure for The Star is reduced by the $44.1 million deposit already made to the ATO on a no-admissions basis as well as the potential for other tax refunds that The Star has advised it expects to receive from the ATO. At this stage, there is no certainty that The Star will be successful in defending these tax disputes;
- the ongoing shareholder class action lawsuit;
- legal costs associated with ASIC's civil penalty proceedings against former directors and officers, noting The Star is not a party to the proceedings;
- a range of settlement outcomes in relation to variations and claims (net of contingencies and liquidated damages) filed by Multiplex in relation to the construction of Tower 2 at the Gold Coast, for which The Star will assume 100% responsibility of as part of the DBC Transaction; and
- other provisions for legal costs and regulatory items.

In aggregate, these provisions and contingent liabilities (i.e. non-trading liabilities) have been valued in the range $(535)-(201) million. The upper and lower ends of the range are approximately 45% higher and lower than the provisions recognised by The Star in its latest published accounts. The range of values reflects the wide range of possible outcomes (including, at the high end, favourable outcomes with respect to certain issues) although the range does not reflect the full scope of outcomes (e.g. the tax dispute).

Other Assets and Liabilities

SURPLUS LAND AT THE GOLD COAST

The Star owns freehold land on Broadbeach Island within *The Star Gold Coast* precinct. This land is surplus to the group's current operations and is available for future development. The land parcel covers approximately 15,000 square metres and, according to the government-approved masterplan for the precinct, allows for:

- three individual land parcels (of approximately equal size) to build three additional mixed-use towers (beyond Tower 1 and Tower 2);
- around 1,200 additional units and over 500 additional hotel rooms (albeit the final configuration is subject to final development plans for Towers 3 -5); and
- other food and beverage and commercial amenities.

The development potential of this parcel is substantial. The masterplan contemplates a final end value of around $2 billion for the entire project (including Tower 2). However, successfully executing the masterplan is subject to a substantial amount of risk (typical for a property development of its scale and nature) including:

- development approvals and other relevant permits for each of the additional towers have not yet been secured;
- feasibility studies and concepts have yet to be advanced to a level that can be relied upon for analysis. At this stage, none of the three towers has reached a final investment decision;
- timing of the development of any of these remaining towers has yet to be determined (and will be subject to market conditions at the time); and
- further investment is required to develop and construct the three additional towers and supporting infrastructure (e.g. pedestrian bridges). Although no budgets have been prepared, the total cost of investment is expected to be substantial. For example, construction of Tower 1 (the smaller of the two existing towers) was completed in 2021 at a total cost of around $400 million.

The Star has not commissioned a formal independent valuation of its surplus land assets at *The Star Gold Coast* precinct as part of its evaluation of the Transactions. However, it previously commissioned an external valuer to assess the market value of the entire precinct for financial reporting purposes. The analysis by the external valuer was completed on 20 July 2023 and ascribed an indicative value of $35 million for the future development land based on sales evidence from comparable nearby development sites for high density mixed use towers. The indicative value is distributed evenly across the three parcels of land on which each of the additional towers would be built on (i.e. at around $11.7 million per parcel).

The indicative assessment by the external valuer was subject to a number of limitations including:

- the land has not been subdivided or reconfigured. There are no plans for individual towers or even definitive land sizes. As a consequence, the assessment was undertaken assuming that the entirety of the integrated resort and attached land were sold in a single transaction;
- site surveys and breakdown of areas (for each tower development) was not available;
- development approvals and other permits had not been secured for the additional three towers; and
- the timeframe for development is unknown but is likely to be spread over a number of years.

The indicative assessment was primarily based on comparable development site sales in nearby areas taking into account *The Star Gold Coast*'s location (west of the Gold Coast highway) offset by the attractions of an integrated resort.

Other factors to note include:

- softer demand for high-density mixed use development sites on the Gold Coast due to supply constraints and, at least in recent years, skyrocketing construction costs (e.g. labour and materials).

These issues are further compounded by the sheer scale of the project. Making new projects feasible is extremely challenging at the present time; and

- the integrated nature of the precinct. The masterplan envisions an integrated entertainment precinct where the mixed use towers will share a number of amenities and infrastructure (e.g. car parking). Setting transaction perimeters (or even effecting it through rezoning and subdivisions) and other commercial agreements to facilitate a sale of individual tower developments could take time and be difficult to implement.

At the same time, the agreed buy-out price for the development rights to Tower 3 under the DBC Transaction suggests that there is clear upside potential. The buy-out price implies a value threshold of at least $25 million (on a 100% basis) before it is “in the money”. Although there is no guarantee that the value of Tower 3 would exceed this threshold (even in the long run), it is a meaningful benchmark from which to estimate value.

The low end of the range is in line with the indicative value assessment, with the high end including an allowance for some of the upside in development potential. No adjustment has been made for the buy-out of The Star’s joint venture partners as the value range is “out of the money”.

EQUITY INVESTMENTS

The Star also has a number of other equity investments:

- the carrying value of The Star’s remaining equity accounted investments, namely its 50% interests in:
  - DGCI (previous owner of the *Sheraton Grand Mirage Resort)*, which reflects the net value of its interest in the joint venture (i.e. the carrying value of its investment in DGCI less the loan from the joint venture); and
  - Destination Sydney, which reflects the balance being held in escrow that was received in May 2025; and
- other loans receivable from joint ventures are included at book value.

DBC Earn-out

As part of the DBC Transaction, The Star is eligible to receive further consideration from the joint venture parties (i.e. Chow Tai Fook and Far East Consortium) by 31 December 2030 in the form of a deferred earn-out payment. The payment is based on the lower of $225 million and 50% of DBC’s pro forma equity value calculated as nine times EBITDA for the 12 month period ended 30 June 2030, less net debt as at 31 March 2025 and development capital expenditure commitments of $320 million.

Under the terms of the earn-out, DBC would need to generate EBITDA in excess of $190 million by FY30 for any payment to become payable (and at least $320 million in EBITDA for the maximum earn-out payment to be payable).

Attributing any value to the earn-out payment at this stage is extremely challenging:

- *Queen’s Wharf Brisbane* is still in the very early stages of ramp up and has been loss-making since its launch. There is a limited track record from which to make any meaningful estimate of its future earnings potential and no certainty as to its earnings trajectory;
- while *Queen’s Wharf Brisbane* may benefit from a spike in activity around the 2032 Olympics, FY30 is two to three years earlier so is unlikely to enjoy any material impact directly from these events;
- as much as the economic incentives (of the financial success of DBC) are aligned between The Star and the joint venture parties, achieving these earnings hurdles and setting the strategy for DBC is beyond the control of The Star; and

- the replacement operator agreement has yet to be agreed. Commercial terms for any new agreement may not be better than those offered to The Star (i.e. $72 million per annum by FY30).

There is no guarantee that DBC would be able to generate the minimum EBITDA needed to trigger an earn-out payment for The Star. At worst, the value that a third party buyer, acting at arm's length, would be willing to pay for right to receive this earn-out payment is zero.

On the other hand, there should be at least some value for the optionality to participate in the upside of the business. *Queen's Wharf Brisbane* has already launched and, although it is still loss making, the measurement period to determine the earn-out payment is still five years away. It is reasonable to assume that, as part of the negotiation of the terms of the DBC Transaction, The Star believed that it was worth more than zero taking into account the other concessions it had to make. Long term operating scenarios prepared by DBC suggest that some payment is plausible. Although there is no scientific way of valuing the optionality, Grant Samuel's view is that, while the low end should be zero, an implied earn-out payment of $50 million at the high end would be reasonable.

Other

Remaining sale proceeds from the sale of Gold Coast Tower 2 apartments have not been included in other assets and liabilities, as the balance has already been prepaid to The Star as part of the upfront consideration under the DBC Transaction.

Additional costs may be attributable to the joint venture parties (including The Star) in relation to water damage to Tower 2 of *The Star Gold Coast*. The impact is currently being assessed by its contractor and the true quantum of the costs (or delays), the attribution of cost between the joint venture parties and the contractor and the amount that would be covered under available insurance policies have yet to be determined but an allowance has been made on the downside.

6.6 Adjusted Net Borrowings

The Star's net borrowings for valuation purposes are $267.5 million. This amount reflects The Star's reported net borrowings (including leases) as at 31 December 2024 and the following "capital" adjustments:

THE STAR – ADJUSTED NET BORROWINGS ($ MILLIONS)

	SECTION REFERENCE	VALUE
Reported net borrowings (including lease liabilities) as at 31 December 2024	4.6	(348.7)
add: upfront proceeds from DBC Transaction	refer below	45.0
add: first tranche cash proceeds	refer below	100.0
less: first tranche subordinated debt	refer below	(66.6)
less: joint venture contributions (net)	refer below	(26.0)
add: 100% of net borrowings held by DGCC	refer below	(118.9)
add: net proceeds held in escrow in relation to the sale of *The Star Sydney Event Centre*	refer below	58.1
add: net proceeds held in escrow in relation to the sale of *Treasury Brisbane* leasehold interest	refer below	59.6
add: remaining cash proceeds as part of the DBC Transaction	refer below	8.0
add: other cash adjustments	refer below	22.0
Adjusted net borrowings		**(267.5)**

Reported net borrowings have been calculated on a post AASB 16 basis, which is consistent with the basis on which The Star's business operations have been valued (i.e. annual lease payments have not been included in the cash flows used in the DCF analysis and earnings are presented on a post AASB 16 basis). In any event, these are not material.

While the valuation of The Star's business operations was based on a valuation date as at 31 December 2024 (and included operating cash flows from 1 January 2025), adjustments need to be made for certain post balance events:

- receipt of upfront cash consideration for the DBC Transaction ($45 million);
- receipt of cash from the first tranche of the Transactions ($100 million); and
- joint venture contributions between 31 December 2024 and 31 March 2025 ($26 million).

Adjustments have also been made for:

- the $66.6 million in subordinated debt received as part of the first tranche of the Transactions. No allowance has been made for the Notes as the valuation has been prepared on a diluted basis (i.e. assuming the Notes have been converted to shares in The Star);
- 100% of the net borrowings held by DGCC (including pro forma debt for Tower 2), which is consistent with the basis on which *The Star Gold Coast* has been valued. The analysis assumes that the DBC Transaction is completed and, as a consequence, The Star would acquire the remaining interest in *Dorsett* and *Andaz* that it does not already own;
- net proceeds from recent disposals of non-core assets. The cash proceeds are currently restricted from distribution to the rest of the group and relate to the sale of:
  - *The Star Sydney Event Centre*, for which the full amount can be released after shareholder approval is obtained for the Transactions; and
  - *Treasury Brisbane* leasehold interest, for which the full amount is secured against the syndicated debt facility and can only be released at the discretion of its senior lenders.

  While the proceeds in relation to the sale of *Treasury Brisbane* are locked up, they do effectively represent an offset to its borrowings and are, in any event, assets of The Star even if not available in cash;
- remaining proceeds ($8 million) payable to The Star under the DBC Transaction (incremental to the $45 million already received). In accordance with the transaction terms, the payment is due by the earlier of 30 November 2025 and when the recapitalisation of Tower 2 occurs; and
- other cash adjustments ($22 million) include an allowance for the release of cash from post balance date reductions in cage cash (reflecting surplus cash being carried in the cage) as well as maturation of cash backed guarantees.

No adjustment has been made for capitalised borrowings costs as no borrowing costs were capitalised as at 31 December 2024.

7 Evaluation of the Proposal

7.1 Summary of Opinion

There are compelling reasons for non associated shareholders of The Star to approve each of the Transactions. They will clearly be better off if the Transactions proceed than if they do not. Accordingly, each of the Transactions are reasonable having regard to the interests of the non associated shareholders of The Star. Grant Samuel has concluded that the terms of each of the Transactions are "not fair" but the methodology required for this analysis under regulatory policy is, at best, theoretical and should not be the primary basis on which to judge the merits of the Transactions.

The Star is in the midst of an existential liquidity crisis resulting from a collapse in earnings, unanticipated capital contributions (for DBC) and a slew of non-trading liabilities (including currently unquantifiable liabilities) largely due to regulatory breaches and disputes. Over the last 12 months, The Star and its advisers have pursued a number of funding options, including asset sales and a variety of recapitalisation proposals. The continued deterioration of its financial performance and other calls on funds placed an increasing degree of urgency on the task. Although divestments of certain non-core assets have provided some relief to its capital position, none of the longer term funding options that were being pursued were able to be completed. The Star is now at the "end of the road". It has essentially exhausted every other option available to it other than entering into voluntary administration. The Transactions are the only lifeline available to The Star. The prospects of an alternative recapitalisation proposal on terms more favourable to The Star are remote.

The Notes to be subscribed for by Bally's and Investment Holdings (if converted) would result in a significant dilution in the interests of non associated shareholders who will hold only 39%[36] of the issued capital post transaction. Upon conversion of all of the Notes, the Board of The Star will comprise two directors nominated by Bally's, one director nominated by Investment Holdings, the Managing Director and an additional independent director so that the Board initially comprises five directors. This means that Bally' and Investment Holdings may be collectively entitled to majority representation of the directors on the Board of The Star. Nevertheless, non associated shareholders of The Star will still retain a significant exposure (albeit diluted) to any future uplift in the value of the company whether from improved financial performance or other factors.

At the same time, the Transactions are not, in themselves, a complete solution to The Star's woes. A turnaround in operating performance is fundamental to longer term financial stability but is far from certain and there are substantial unquantifiable non-trading liabilities. Additional capital may be required depending on earnings performance and the actual level of non-trading liabilities. However, funding provided through the Transactions does buy time for the business and allows non associated shareholders to "live to fight another day" (albeit at a cost of dilution).

In summary, non associated shareholders of The Star will clearly be better off if they approve the Transactions than if they do not. Accordingly, Grant Samuel has concluded that the terms of the Transactions are reasonable.

7.2 Fairness

7.2.1 Basis of Evaluation

Australian regulatory policy requires that the Transactions be assessed on the basis that The Star is the subject of a change of control transaction (as both Bally's and Investment Holdings could each acquire more than 20% of The Star's share capital if the Notes are converted). For this type of transaction, ASIC

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[36] Excluding the existing holding of Investment Holdings.

policy guidance reflects the possibility that non associated shareholders, in approving the Transactions, may be giving up the opportunity to realise a control premium in the future.

ASIC therefore requires that assessment of the fairness of the Transactions involve a comparison of:

- the value of the opportunity foregone to realise full underlying value (i.e. the fair market value of shares in The Star on a control basis prior to the Transactions); with
- the "consideration" to be received by non associated shareholders, where that consideration is deemed to be the fair market value of shares in The Star post-transaction on a minority basis.

However, this analysis is problematic:

- regulatory policy (RG 111, paragraph 15) requires that the underlying value of The Star be determined disregarding any financial distress that the entity is suffering. Given the precarious state of The Star's financial position, this approach to determining underlying value is a theoretical exercise. It does not represent potential values that shareholders in The Star can expect to realistically achieve at the present time (absent the second tranche of the Transactions). Accordingly, "fairness" (as defined under the construct of the required approach) is not necessarily a helpful test for non associated shareholders in making their decision to vote for or against the Transactions;
- the underlying value of The Star, given its current circumstances, is subject to considerable uncertainty. It is currently loss making, the pathway to restoring its profitability is not clear and, in large part, depends on factors outside The Star's control. Any new legislation to "level the playing field" with respect to pubs and clubs has not been agreed with relevant authorities and the precise terms and timing of any such legislation is impossible to determine with any certainty. These issues are exacerbated by The Star's various non-trading liabilities that are likely to arise and could vary significantly. The full range of possible equity value outcomes for The Star is, in reality, extremely wide; and
- assessing the minority value of The Star (on a post transaction basis) is also vexed. Minority value of The Star cannot be based on the typical fundamentals such as current or near term earnings and cash flows or other metrics such as dividend yields. Rather, even on a post Transactions basis, the share price effectively represents a bet on the possibility of achieving a turnaround.

In any event, given that shares in listed companies normally trade at a significant discount to the underlying control value, fairness would require that the trading value of the shares achieves a substantial uplift (equal to the premium for control) through the Transactions. This is a very high hurdle and, in the ordinary course, it is to be expected that almost any recapitalisation proposal of this nature analysed on this basis would be "not fair".

7.2.2 Underlying Value of The Star (pre Transactions)

Grant Samuel has estimated the full underlying value of The Star to be in the range \$411-1,020 million which corresponds to \$0.13-0.31 per share (see Section 6 for details).

The value is the aggregate of the underlying value of The Star's business operations in the absence of financial distress less adjustments for net borrowings and other non-trading liabilities. The value range of \$0.13-0.31 per share includes a premium for control and exceeds the price at which, based on current market conditions, Grant Samuel would expect shares in The Star to trade on the ASX in the absence of a change of control proposal (or speculation as to such a proposal). It is also premised on completion of the DBC Transaction.

Even ignoring financial distress, the valuation is uncertain. The Star's earnings have been severely impacted in recent years and its financial results over the last nine months reveal a business in turmoil (with EBITDA falling from \$300 million in FY23 to negative in FY25 to-date). While a turnaround is plausible, a number of critical issues weigh on its outlook:

- when will cost of living pressures in Australia begin to ease and lift trading conditions for casinos?
- have earnings for *The Star Sydney* already bottomed since introduction of mandatory carded play and cash limits in 2024? How much further (if at all) would earnings fall with the additional reduction in cash limits?
- how will the implementation of mandatory carded play and cash limits in Queensland affect trading levels in *The Star Gold Coast*?
- is there any political appetite to implement legislative reforms to "level the playing field" with pubs and clubs and, if so, how soon can it be rolled out and will the changes be effective?
- can it successfully restore the brand perception of *The Star* (especially after years of intense regulatory scrutiny and the poor customer experience of its enhanced vetting process)?
- how much more in cost-outs can the group realistically achieve beyond the $100 million per annum in savings already implemented?
- will the legislated step up in casino tax for *The Star Sydney* in FY31 still occur or can it be amended to reflect The Star's straitened circumstances?

On top of these issues, The Star is also exposed to a number of non-trading liabilities for which the outcomes are still unknown, including:

- AUSTRAC penalties;
- ATO disputes (GST and withholding tax);
- pending settlement with Multiplex (in relation to the Gold Coast towers); and
- legal costs associated with the ASIC civil penalty proceedings (as The Star is not a party to the proceedings);
- one-off costs from other legal proceedings and other matters.

Some of these items are potentially material in their own right. However, the amounts that will be required to be paid are so uncertain that they are not capable of reliable quantification. At the same time, they do need to be taken into account in a value analysis.

Even if The Star can successfully navigate its way through these issues, it still faces existential risks in relation to its licences. Its casino licence for *The Star Sydney* is suspended until 30 September 2025 and suspension of its licence for *The Star Gold Coast* has been deferred until the same date. The Star will need to meet the conditions of the relevant regulators to continue its gaming operations and, at some point, demonstrate its suitability to hold the licences or face cancellation of its licences.

The combination of debt and non-trading liabilities also means that the equity value can swing materially even for relatively small movements in the value of the operating business hence the wide equity value range of $0.13-0.31 per share (i.e. it is approximately +/- 40% around the midpoint).

Accordingly, it is unwise to be precise or definitive about value at the current point in time. Value could realistically fall in a very wide range. However, it would not be helpful to adopt a range such as $0.00-0.50 per share. Grant Samuel has therefore adopted a narrower value range (at least at the enterprise level) to provide a more useful benchmark for shareholders.

In any event, it should be noted that:

- the value range adopted by Grant Samuel represents a relatively optimistic outlook for the company. It assumes a successful remediation program, full restoration of casino licences, introduction of a "level playing field" that enables The Star to return to previous market share levels (albeit with some risk weighting) and that there will not be a full step up in casino duties in New South Wales in FY31. In the absence of these assumptions, there is a risk that the underlying value of The Star would likely be close to, if not, zero;

- it assumes that without financial distress, The Star would be in a position to hold out for an "optimal" price and notional acquirers of the business would be prepared to assume that a turnaround could be achieved (albeit that it would need to be risk weighted). It is therefore not a value that could necessarily be realised in today's circumstances (without the benefit of the second tranche of the Transactions) which would be at a substantial discount to these values; and
- individual realisable values for *The Star Sydney* and *The Star Gold Coast* would be impacted by the nature of the sale. The NPVs include corporate cost allocations. A higher value could be achieved for an individual property but at the expense of leaving stranded costs with the other.

7.2.3 Minority Value of The Star (post Transactions)

Assessing the minority value of The Star (on a post transaction basis) is challenging.

One approach is to apply a discount to the estimate of the full underlying value of The Star. Shares in listed companies generally (although not always) trade at a discount to full underlying value. This discount is notionally the reciprocal of the control premium commonly paid in takeovers. Control premiums are generally in the range 20-35% which, in turn, implies a range of discounts of 16.7% (corresponding to a takeover premium of 20%) to 25.9% (corresponding to a takeover premium of 30%).

On this basis, the implied minority value of shares in The Star (post Transactions) is as follows:

IMPLIED MINORITY VALUE OF THE STAR (POST TRANSACTIONS)

	RANGE OF PARAMETERS	
	LOW	HIGH
Estimated full underlying value (equity value)	410.9	1,1019.8
adjustment for Tranche 2 investment	266.6	266.6
Adjusted full underlying value (equity value)	**677.5**	**1,286.4**
Diluted shares[37]	6,618.7	6,618.7
Adjusted price per share	**$0.10**	**$0.19**
Implied minority value of The Star		
Trading range assuming 16.7% discount	*$0.09*	*$0.16*
Trading range assuming 25.9% discount	*$0.08*	*$0.14*

However, Grant Samuel does not believe this approach is a meaningful basis on which to determine the minority value of shares in The Star (post Transactions):

- control premiums are effectively outcomes of pricing decisions in change of control transactions, rather than determinants of value. It is not appropriate to estimate underlying value by merely adding an arbitrary premium to share trading values. In fact, the premium inherent in most transactions fall outside the so-called "typical" range;
- estimation of future share trading prices by applying a standardised discount to estimated underlying value will not necessarily yield reliable results. Historical trading in The Star shares suggests that any relationship between the group's full underlying value and its share price has not been constant; and
- the value range adopted by Grant Samuel, as required by regulatory policy, is premised on ignoring any financial distress. The Star is currently loss making and the turnaround is expected to take some years. The Transactions represent only a partial solution to The Star's funding issues and, as a result,

37 Includes convertibles notes from both tranches of the Transactions and excludes performance rights and out of the money options.

the company will remain under financial pressure even after implementation of the Transactions. The trading price will therefore not reflect fundamentals nor the kind of metrics that are typically used to evaluate listed shares such as earnings and cash flow multiples or dividend yields. Accordingly, the share price immediately post Transactions is unlikely to represent "standard" discounts to underlying values premised on a long term turnaround. Instead, the share price represents more in the nature of an option value or a bet on the likelihood of the necessary turnaround being achieved.

In Grant Samuel's view, a more meaningful approach is to consider the prices at which shares in The Star have actually traded in the period after announcement of the Transactions and after its shares resumed trading on 16 April 2025. Relevant factors to consider include:

- there is a liquid market for shares in The Star. Since relisting, turnover levels have remained high at well over 200% (annualised);
- since its shares resumed trading (and up until the date of this report), The Star shares have traded in the range $0.10-0.13 (albeit in a narrower range of around $0.10-0.11 since release of its third quarterly results) and at a VWAP of 10.8 cents;
- the share price over this period represents a well informed price. The Star announced the Transactions on 7 April 2025 and its 1HY25 results on 15 April 2025 (both before its shares resumed trading). The group's third quarterly results were released two weeks later on 30 April 2025. The travails of the business are well publicised in the market. While the market may not have detailed information on some of the unquantified liabilities (e.g. the AUSTRAC penalty), there are publicly available precedents that provide some guidance; and
- given the circumstances and the fact that Bally's and Investment Holdings have already invested $100 million in The Star, the market would likely assume a high probability of the Tranasctions proceeding. In this context, Investment Holdings already has probity clearance and Bally's is an established operator in the U.S.

Taking these factors into consideration, Grant Samuel believes that the more recent trading price of shares in The Star since announcement of the Transactions of around $0.10-0.11 represents a reasonably good estimate of the price at which The Star shares might be expected to trade immediately following completion of the Transactions although, given the inherent leverage and the circumstances, a high degree of volatility can be expected (and a "bounce" post transaction is not inconceivable).

7.2.4 Conclusion

In evaluating the fairness of the Transactions, the bottom of the value range for The Star (i.e. $0.13 per share) represents the relevant threshold. The value of the consideration in this case, has been assessed to be 10-11 cents. Accordingly, the Transactions are "not fair".

However, non associated shareholders in The Star should understand that this conclusion is a technical outcome resulting from the prescribed methodology required by regulatory policy. It does not imply that non associated shareholders are disadvantaged by the Transactions. The reality of the situation is that The Star is a forced seller on the verge of bankruptcy so other considerations are of much greater importance.

In addition, non associated shareholders should note that:

- it would only take just over a $30 million reduction in the low end of the value range for the Transactions to be considered "fair". Given the inherent uncertainties, this outcome is conceivable (e.g. if the AUSTRAC penalty exceeds the high end of the quantum assumed). Alternatively, shares in The Star would only need to trade at 2 cents higher than current levels. Even if this did occur and the Transactions were deemed "fair", it would only reinforce the view that non associated shareholders will clearly be better off if the Transactions proceed than if they do not;

- they have not necessarily permanently given up the opportunity to receive a control premium at some future time. Bally's will only have a 38% interest in The Star while Investment Holdings will have a 23% interest (if both Transactions proceed and the Notes are ultimately converted). They have stated that they are not associates (but this is a decision that will be made by the Board of The Star in due course). It is conceivable that at some future time, Bally's could sell down its interest or make a full offer for The Star or that a third party could make an offer. On the other hand, it would be imprudent to assume this is likely to occur within the next few years; and
- Bally's could end up with 54% ownership in its own right if the Investment Holdings Transaction is not approved and it is required to take up all of the second tranche of the Transactions. Whether majority ownership would, in practice, diminish the prospect of non associated shareholders receiving a control premium in the future is difficult to determine.

7.3 Reasonableness

7.3.1 Overview

Grant Samuel has concluded that the Transactions are not fair. Even if it was the case that the Transactions involved a real opportunity cost (in the sense that they resulted in a reduction in the prospects of non associated shareholders of The Star realising full underlying value in the future), in Grant Samuel's view, there are compelling reasons for non associated shareholders to approve the Transactions and, accordingly, the Transactions are reasonable. These reasons (and associated risks) are discussed further below.

7.3.2 Rationale

The rationale for voting in favour of the Transactions is straightforward. It is the only lifeline available to The Star that provides a meaningful quantum of cash that enables it to continue trading. It also preserves the opportunity for non associated shareholders to participate in any future turnaround of the business (albeit at the cost of dilution). If the Transactions are not approved, it is almost certain that The Star would have to enter into voluntary administration. In this context:

- The Star has been receiving external advice on the application of the relevant safe harbour provisions under the *Corporations Act 2001 (Cth)* since at least September 2024 and has, for several months, been operating under these provisions to continue running its business while pursuing funding alternatives (with increasing urgency) to recapitalise the business;
- the group's liquidity position is precarious. If the second tranche of the Notes is not received, the situation is as follows:
  - the unrestricted cash balance as at 11 April 2025 was $98.3 million;
  - no further debt can be drawn (as existing facilities are already fully drawn);
  - subordinated debt as part of the first tranche of the Transactions will need to be repaid;
  - nearly $120 million in net proceeds from recent asset sales (i.e. *Treasury Brisbane* and *The Star Sydney Event Centre*) will remain in escrow and unavailable for use by the group (unless The Star can identify other means to demonstrate its financial viability to the NICC);
  - ongoing operating cash losses which, over the last few months, have been in the range of around $15-20 million per month (including finance costs but adjusted for the new arrangements with DBC) will continue to be a drain the group's liquidity and, absent any major catalyst or change, will likely consume all of The Star's available cash in a matter of months. The outflows could worsen in the near term as a result of impending further restrictions in both Queensland and New South Wales; and

- non-trading liabilities (e.g. regulatory fines and penalties) that are likely to materialise in the next 12-18 months. Although any estimate of the precise quantum and timing of these liabilities is inherently uncertain at this point, Grant Samuel has attributed an aggregate value range of $(535)-(201) million to these provisions and non-trading liabilities.

It is clear that the group's existing cash is insufficient to satisfy all of its liabilities. Urgent action is needed to inject new capital into the business;

- no other funding option remains available. Over the last 12 months, The Star and its advisers have pursued a range of funding options, including asset sales and a variety of recapitalisation proposals. Although a number of these proposals were progressed (e.g. with Oaktree and Salter Brothers), The Star ultimately did not receive binding debt commitment letters that could be implemented. In short, the company is at the "end of the road". The prospects of an alternative recapitalisation proposal on terms more favourable to The Star are remote;

- the directors of The Star were unable to sign off on the 1HY25 accounts on time as there was material uncertainty as to whether the group would be able to meet its liabilities over the next 12 months and remain a going concern.

  It was not until the group announced the Transactions and received the initial proceeds from the first tranche that the directors of The Star were able to conclude that there were reasonable grounds to believe that the group could continue to remain a going concern. However, that statement was heavily caveated with provisos that (among other matters):

  - shareholder and regulatory approvals for the Transactions are obtained and the additional capital of $200 million is made available to the group;
  - funds held in escrow in relation to the sale of *The Star Sydney Event Centre* and the *Treasury Brisbane Casino* (nearly $120 million in additional funds in aggregate) are made available to the group. Release of the funds in escrow in relation to the sale of *The Star Sydney Event Centre* is heavily dependent on implementation of the Transactions;
  - the DBC Transaction is implemented no later than November 2025, which would release The Star from further equity contributions to DBC as well as its parent company guarantee obligations of The Star's 50% share of the DBC debt facility (for which the current drawn balance is approximately $1.4 billion);
  - DGCC is able to extend the maturity of its construction loan (currently due to mature in August 2025) given the delays to the completion of Tower 2 Gold Coast due to the recent water damage event and thereby not triggering a call on its parent company guarantee;
  - the ultimate payments from the provisions and non-trading liabilities are not of such magnitude (or timing) that would cause The Star to be unable to make the payments in full;
  - the group continues to meet its milestones in the remediation plan, which should allow it to return to suitability for its casino licences;
  - the earnings impact from carded play and cash limits in both *The Star Sydney* and *The Star Gold Coast* is not materially worse than currently anticipated (and that there are no further regulatory changes that would materially reduce earnings); and
  - it continues to be supported by key stakeholders, including the regulators, governments, lenders and shareholders, all of whom will be important in helping The Star address many of the matters listed above; and

- it is unlikely to meet its debt covenants for the 30 September 2025 testing period. The Star's senior lenders have previously agreed to provide it with covenant waivers for the past several testing periods (including the upcoming one on 30 June 2025). There is no certainty that its lenders will agree to any further extension of such waivers.

On this basis, it is clear that, if the Transactions fail to proceed, The Star would be left with no other option but to enter into voluntary administration.

Voluntary administration would likely come at significant cost to non associated shareholders of The Star. In practice, these processes are often designed to minimise losses for a company's creditors (with shareholders at the bottom of the hierarchy of receiving any compensation).

In the event that the DBC Transaction is not completed, the likelihood of any value recovery for non associated shareholders is effectively reduced to zero. Voluntary administration by any of the joint venture parties is considered an event of default which allows DBC's lenders to call on the parent company guarantees (which, in the case of The Star, is its 50% share of the DBC facility for which the current drawn balance is approximately $1.4 billion), thereby pushing non associated shareholders further down the hierarchy of receiving any return. The Star would have to repay the $10 million of proceeds received to date and reimburse its partners for its share of any equity injection since 31 March 2025. The Star would also continue to be responsible for its share of any future equity contributions into the business (including any incremental top-ups that would be required as part of the refinancing of DBC project debt at the end of the year) or face dilution of its interest in the joint venture.

Even if the DBC Transaction is completed, the consequences of voluntary administration would almost certainly leave little to no residual value for non associated shareholders in The Star as:

- there is no certainty that the voluntary administration can be funded. Some of the key stakeholders with respect to The Star include the respective state governments and the group's senior lenders. The competing interests between these parties are not necessarily aligned.

  Even if the New South Wales and Queensland Governments agreed to defer gaming taxes and levies (thus turning the group's operating cash flows positive), this may not be sufficient to fully fund the voluntary administration process;

- the group is currently generating around $15-20 million in ongoing operating cash outflows per month. An unfunded voluntary administration in these circumstances would:
  - likely require The Star to cease trading. The group has over 9,500 employees (including casuals) across its head offices and on-site at its resorts. Nearly $200 million in employee entitlements (including leave provisions, notice and redundancy) would likely be triggered in the event that The Star ceases trading; and
  - restrict the amount of time available to the administrators to achieve optimal outcomes for the group. For instance, it would place even greater urgency on already constrained timelines for asset sale processes and other negotiations with key stakeholders. In any event, the closure of the casino gaming floor (particularly in the case of *The Star Sydney*) would be detrimental to any effort to divest the non-gaming assets at the resort as the lease requires operation of a casino;
- even if fully funded, there are significant additional costs that would need to be incurred including:
  - voluntary administrator's fees and other legal fees and costs such as pre-payments to guarantee the continued provision of goods and services from certain third party providers (estimated to be over $100 million in the first year). There is a risk that the costs could exceed these estimates if the voluntary administration process takes longer than originally anticipated;
  - default interest on the secured debt facility; and
  - various other costs and imposts;
- the achievable sale prices for the group's assets or business operations (e.g. hotels, car parks and event centres) would inevitably be compromised. Even if an orderly, funded sale process can be achieved, the fact that The Star would be in financial distress (and that the sale process would be run by an administrator), would limit the ability to hold out for an optimal price.

The complexities of a sale process (particularly in a distressed scenario) are manifold, including:

- the limited buyer universe for casinos in Australia. Casino ownership is heavily regulated and subject to a robust probity assessment of the character of the individual seeking to acquire more than a 10% interest in a company. Such reviews can take extended periods of time and may deter some potential buyers from participating in the sale process for The Star's gaming assets. In addition, The Star continues to operate under suspended casino licences for both properties (deferred, in the case of *The Star Gold Coast*) and is subject to a rigorous monitoring and compliance regime under an appointed special manager. Similarly, buyers may be reluctant to participate until these issues are fully resolved (albeit that Bally's was not deterred);
- achieving an optimal outcome for the sale of *The Star Sydney* is further compromised by its loss making status and the deterioration in its financial performance. There is the prospect of a material step up in casino duties in FY31 that, if implemented, would likely all but eliminate its ability to generate meaningful profits in the long term. The integrated resort is also located on a site leased from the New South Wales Government, which means that there is no freehold land and the lease requires operation of a casino. Accordingly, there are no alternative uses; and
- the value of hotels and other non-gaming offerings as part of an integrated casino may be compromised without an operating casino. The "integrated" model is designed so that the different components of the business are mutually reinforcing. For example, foot traffic in the main gaming areas drives food and beverage consumption (particularly at bars) whereas non-gaming facilities offer an alternative drawcard for other customer segments that in turn can also lead to gaming activity. In any event, closure would endanger the value of these other elements. On the other hand, some interested parties may see primary value in the hotels and view the casinos as a "millstone" but, in the case of *The Star Sydney*, the lease would make closure and alternative use difficult; and
- the overlap of shared group services across its resorts. Even if a buyer can be successfully identified for any one of its properties, the new owners may be required to take on the risk of providing (or replacing) these shared group services over a transition period. In any event, The Star could be left with a significant quantum of stranded corporate costs if the portfolio is split.

Not many investors or acquirers are likely to assume such a level of risk that may prove existential to the business (at least in the case of the potential loss of casino licences) or, at a minimum, be extremely costly and difficult to disentangle (as is the case with the shared group services).

Accordingly, voluntary administration would likely result in zero (or, at best, close to zero) value outcomes for non associated shareholders in The Star. In Grant Samuel's view, non associated shareholders will clearly be better off if the Transactions proceed than if they do not.

7.3.3 Other Benefits

Other benefits of the Transactions include:

- expected release of cash from escrow in relation to the sale of *The Star Sydney Event Centre*;
- the ability for interest on the Notes to be settled by way of the PIK which preserves The Star's cash resources; and
- no repayment of subordinated loans of up to $66.6 million, which would arise if either or both Transactions are not approved (the actual quantum depends on which resolutions are not passed).

7.3.4 Risks and Drawbacks

There are however a number of risks and drawbacks associated with the Transactions that will remain with non associated shareholders:

- the Transactions are not a "silver bullet" that fully resets The Star's finances. Although the Transactions would unlock additional funds (e.g. those sale proceeds held in escrow), it is not a complete solution to The Star's woes:

ILUSTRATIVE SOURCES AND USES OF AVAILABLE FUNDS (PRO FORMA)

AVAILABLE FUNDS		USES OF FUNDS	
CATEGORY	**$ MILLIONS**	**CATEGORY**	**$ MILLIONS**
Unrestricted cash as at 11 April 2025	98.3	Recurring operating cash outflows (based on 12 months)	~(180)-(240)[38]
Proceeds from Tranche 2	200.0	Non-trading liabilities (including amouts that may become payable in more than 12 months)	~(201)-(535)[39]
Net proceeds from prior asset sales	58.1		
Other realisable assets	6.7		
Total available funds	**363.1**	**Total uses of funds**	**(381)-(775)**

The table above demonstrates the precarious state of The Star's financial position even if the Transactions are approved. Despite the funding from the Transactions, The Star could run out of cash within the next 12 months if:

- financial performance continues at current levels (operating cash flow after interest has run at negative $15-20 million per month for the last nine months); and
- all non-trading liabilities become payable during this period.

Financial performance is expected to improve through a number of initiatives (e.g. improved customer experience, cost savings, etc.) but, at the same time, earnings may come under more pressure as various regulatory changes in Queensland (mandatory carded play and cash limits) and New South Wales (reduction in cash limits) come into force. It is also likely that some of the liabilities will be able to be deferred beyond 12 months. Nevertheless, the position highlights the risks of further financial difficulties ahead.

In addition, at the current rate of losses, it is unlikely that The Star will meet its debt covenant tests on 30 September 2025. Its senior lenders have not granted any covenant waivers beyond 30 June 2025 and there is no certainty that any further extension will be provided. In a worst case scenario, the full amount of $400 million in drawn facilities could become immediately payable and require The Star to seek further funding.

It is likely that it would become necessary to raise additional funding or face yet another liquidity crisis and the possibility of financial collapse. If so, there are three primary sources available to The Star:

- increasing secured debt (including the possible replacement of its existing debt facilities);
- issuing subordinated debt; and
- raising additional equity.

Importantly, the terms of the Notes do not preclude The Star from raising any of these additional funds including equity (once the subordinated debt under tranche one has been repaid) although, if the Notes are converted, these funding decisions will be controlled by Bally's and Investment Holdings.

Each of these options has its own set of challenges.

It is not clear whether there is further appetite in the market for more secured debt. The Star has already tapped its lenders multiple times for relief and, even in the most recent round, failed to meet the conditions that would have given it access to an additional $100 million tranche of the debt facility.

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38 See Section 7.3.2.

39 See Section 6.5.

There is reason to believe that it has exhausted options for raising additional senior debt from existing lenders. At the same time, engagement with other third parties prior to announcement of the Transactions indicated there was serious interest from some new lenders (even if they were not able to be completed).

Subordinated debt is a possible solution but it would rank behind $400 million in secured debt and, in light of the prices already being paid for the senior debt (at 13.5% per annum), it would likely also be expensive.

Finally, raising new equity will also be challenging as:

- many shareholders are sitting on substantial losses of capital, in particular those shareholders that acquired additional shares in the two capital raisings in 2023 (at a $1.20 per share and $0.60 per share, respectively); and
- there is little likelihood of dividends being paid for several years.

Ultimately, securing a meaningful amount of further capital will likely require The Star to demonstrate clear signs of progress on the turnaround of its business (although Bally's and the other parties were prepared to provide funding to The Star "as is"). While any turnaround (particularly in light of the steep collapse in The Star's earnings) is subject to significant risk and uncertainty, there are several steps that The Star is already taking to restore its earnings:

- improving its enhanced customer vetting processes to ensure that the customer's experience is front of mind;
- achieving further cost-outs although much of the "low hanging fruit" has already been targeted and any further reductions will be increasingly hard to find;
- successfully ramping up its newest Gold Coast hotel, *The Andaz*, which is set to open in late 2025 and will further expand its non-gaming revenue streams; and
- completing the DBC Transaction, as it would curtail the losses at *The Star Brisbane* under the original casino management agreement (which failed to allow The Star to adequately recoup its costs and generate a return).

A broader recovery in customer sentiment and rebound in discretionary income should provide further tailwinds for any recovery especially as the group has navigated a weakening trading environment in recent months. While each of these factors would be important contributors to restoring the group's earnings profile, none of them would necessarily be transformational for the future of The Star.

Fundamentally, any meaningful turnaround of The Star is dependent on some form of "level playing field" being put in place across both New South Wales and Queensland. EGMs have historically been a core part of The Star's business operations (particularly in *The Star Gold Coast*, where they used to account for over 60% of gaming revenue excluding rebate play). The imbalance in regulatory environments between casinos and pubs and clubs has been one of the main reasons why The Star has seen a sharp decline in EGM market share in both Sydney and the Gold Coast over the last 2-3 years. A reversal in its fortunes (and ability to attract capital) would depend on legislative change that has yet to be mandated.

Any such progress would significantly enhance any ability to raise funding; and

- Bally's is seeking an active role in the future management of The Star:
  - on approval of the Transactions, Bally's would be able to appoint two individuals to operational roles within The Star (subject to appropriate due diligence by The Star and having satisfied all regulatory and other appointment requirements). Mr David Curry has extensive experience in government relations and corporate relations (as part of the Endeavour Group). Mr Con Nikitas also has direct operational experience in the gaming industry (also recently as part of the Endeavour Group); and

- on conversion of all the Notes, Bally's will be entitled to appoint nominees to the Board of The Star such that the Board of The Star will comprise two directors nominated by Bally's, one director nominated by Investment Holdings, the Managing Director and an additional independent director so that the Board initially comprises five directors. If all the Notes are converted, their nominees may, collectively, represent a majority of the directors on the Board. Such representation on the Board of The Star would give Bally's a meaningful level of control (or at least influence) over the future strategic direction and investment decisions of the group.

Although Bally's has provided some public commentary on its broader plans for The Star, no detailed strategic plans have been published to date. Prior to announcement of the Transactions, Bally's had not conducted any due diligence on The Star other than a review of the group's liquidity scenario documents and publicly available information as well as certain limited discussions with representatives of The Star. It is likely that any such comprehensive reset in strategy would only be announced after the Transactions are implemented and Bally's and Investment Holdings have secured the Board positions.

While any changes in plan and implementation of any new strategy would require approval of the full Board of The Star, it is reasonable to assume that Bally's will have a substantial involvement in the design and implementation of future strategies. Accordingly, non associated shareholders will heavily depend on Bally's ability to drive a successful turnaround.

In this context, non associated shareholders should be aware that:

- Bally's carries a significant level of gearing (which, at around 80%, is much higher than nearly every other listed casino operator). Bally's entry into the binding terms sheet with The Star was not subject to any explicit financing condition. While that should allay concerns over its ability to fund its share of the investment contemplated in the Transactions, the sheer amount of debt it carries raises a question as to whether it has sufficient financial firepower to participate in any significant follow on capital injections if that is required by The Star.

  At the same time, there are limited principal repayments expected in the near term. As at 31 December 2024, Bally's had over US$3 billion in gross borrowings but only US$20 million maturing in each of the next three years before over US$1.8 billion is scheduled to mature in 2028. In most years, group EBITDA for Bally's has also been largely sufficient to satisfy ongoing capital expenditure obligations. However, the anticipated step-up in investment with the development of *Bally's Chicago* and new entertainment resort at the former *Tropicana* site may absorb a greater share of its ongoing cash flows;

- Bally's has no prior experience in the casino industry in Australia. While the U.S. casino industry is also heavily regulated, the nature of that regulation is not necessarily the same as in Australia. There are also important cultural, demographic and other differences between the markets; and

- while Bally's has an established track record in successfully turning around struggling casino operations in the U.S., the majority of Bally's casinos are located in regional or suburban areas and they tend to be smaller in scale than The Star (on average, less than 1,000 EGMs and around 25 table games with several well below this level) and principally focus on gaming (often over 90% of revenue). In contrast, both *The Star Sydney* and *The Star Gold Coast* are located in major metropolitan markets that are prime tourist destinations in their own right. They are each substantially larger than nearly all of Bally's operating casinos and offer a much wider array of non-gaming facilities. Bally's portfolio does include larger and higher profile assets (e.g. *Bally's Chicago* and the former *Tropicana* site in Las Vegas) but they are still under construction and have not yet opened.

- there is a possibility that Bally's would have a relevant interest of over 50% in The Star. In the event that Investment Holdings fails to secure the shareholder approvals for its portion of the second tranche of the Transactions and also does not elect to convert its share of the Notes subscribed in the first tranche, then Bally's (if it chooses to convert its Notes) may have up to a 54% interest in The Star. Under such a scenario, Bally's would have effectively secured control of The Star in its own right.

This majority control could increase Bally's influence on the day to day operations but, in practice, is probably marginal (relative to a scenario where all Notes are converted and Bally's holds 38% interest in The Star, with Investment Holdings holding 23%). However, a greater than 50% shareholding may act as a deterrent to any third party acquirer (although that is a relatively remote prospect at the current point in time); and

- there is no guarantee that regulatory approvals would be received in a timely manner (if at all) even if the Transactions are approved by non associated shareholders. If this situation arises and there are no breaches under The Star's senior debt facilities, the Transactions allow for a temporary fall-back option which would allow The Star to issue more subordinated debt to Bally's and Investment Holdings in place of the Notes. The increase in subordinated debt and any delay in conversion of the Notes (assuming that they are converted at the earliest) may cause the interest of non associated shareholders to be diluted further as The Star, due to its pressing liquidity needs, would likely have to satisfy its interest obligations through the PIK option.

  If regulatory approval is still not obtained by 7 May 2026, then all outstanding subordinated debt will be redeemed.

Section 3.3 of the Explanatory Memorandum details a number of other risks of the Transactions. Non associated shareholders should consider these factors in making a decision on whether to vote for the Transactions.

7.3.5 Terms of the Notes

Bally's and Investment Holdings are subscribing for Notes rather than shares in The Star. These confer benefits on both investors relative to the position of existing shareholders (until such time as they are converted), including the following:

- the Notes have a coupon of 9.0% per annum (paid quarterly) while shares are unlikely to pay any dividends. If the Notes are not converted until maturity, this would provide a net benefit to Bally's and Investment Holdings of approximately 2 cents per share (depending on the assumed discount rate). Accordingly, if held to maturity, the effective purchase price of shares in The Star is reduced to approximately 6 cents per share (instead of the conversion price of 8 cents per share); and
- the Notes will rank ahead of shareholders in any winding up of The Star.

These are tangible benefits for Bally's and Investment Holdings but only if they do not convert. They have not made any definitive statements about their plans for conversion, but there are reasons to believe that Bally's and Investment Holdings are likely to convert the Notes at the earliest possible date (thus minimising any of the benefits listed above). The primary reason is that, until all the Notes are converted, Bally's and Investment Holdings will not have any presence on the Board of The Star (other than as invitees) and so will not be able to participate in Board decisions relating to the group's business strategy or implementing any other initiatives.

In this context, the subscription price, whether it is 8 cents or 6 cents, is well below the control valuation of The Star (in the absence of financial distress) of $0.13-0.31 per share.

7.3.6 Impact of the DBC Transaction

As at the date of this report, the DBC Transaction has not been completed and is subject to a number of conditions, including entry into long form documentation. There is still a risk that the transaction falls over, which would be extremely damaging to the future prospects of The Star (whether or not the Transactions proceed) as:

- the parent company guarantee in relation to The Star's share of the DBC debt facility (for which the current drawn balance is approximately $1.4 billion) would remain on foot;
- additional equity injections (in excess of $400 million) would be needed from The Star to complete the remaining stages of the development as well as any other additional equity required as part of the refinancing of the DBC debt facility in late 2025;
- the original casino management agreement for *The Star Brisbane* would remain on foot, which means that operator fees would fall by at least 50% and contribute to even greater levels of ongoing EBITDA losses (at least until the new resort ramps up operations and trading levels improve); and
- The Star would have to repay $10 million of the upfront consideration that has already been received and reimburse Chow Tai Fook and Far East Consortium for any other equity contributions made since 31 March 2025 (among other payments).

Accordingly, completion of the DBC Transaction is of paramount importance to putting The Star on a more secure financial footing. It will reduce the immediate cash flow requirements of The Star and also free up its financial flexibility in the near term (albeit at the cost of relinquishing its rights to any future upside in DBC, other than via the deferred earn-out payment). Even if the Transactions are approved and implemented, failure to complete the DBC Transaction would still have significant adverse consequences for The Star's chances of survival (in the absence of further capital injections). Non associated shareholders should continue to monitor any future updates on the DBC Transaction up until the general meeting at which shareholders will vote on the Transactions.

7.4 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Bally's Transaction and, separately the Investment Holdings Transaction, are fair and reasonable having regard to the interests of non associated shareholders of The Star and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Transactions, the responsibility for which lies with the directors of The Star.

In any event, the decisions whether to vote for or against the Bally's Transaction or the Investment Holdings Transaction are matters for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Transactions, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in The Star. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Bally's Transaction or the Investment Holdings Transaction. Shareholders should consult their own professional adviser in this regard.

8 Qualifications, Declarations and Consents

8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared nearly 600 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson MCom (Hons) SF Fin and Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD. Each has a significant number of years of experience in relevant corporate advisory matters. Shaun Yu BBA CFA, Mitchell Skene BEng (Hons) BCom, Mathew Hildebrand BProfAccg BProfPrac and Brandon McConnell BCom assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether each of the Bally's Transaction and the Investment Holdings Transaction are fair and reasonable to the non associated shareholders of The Star. Grant Samuel expressly disclaims any liability to any shareholder of The Star who relies, or purports to rely, on the report for any other purpose and to any other party who relies, or purports to rely, on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Explanatory Memorandum issued by The Star and has not verified or approved any of the contents of the Explanatory Memorandum. Grant Samuel does not accept any responsibility for the contents of the Explanatory Memorandum (except for this report).

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with The Star, Bally's or Investment Holdings or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Transactions.

Grant Samuel had no part in the negotiation or formulation of the Transactions. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $700,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Transactions. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

8.4 Declarations

The Star has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. The Star has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. These indemnities will not apply in respect of the proportion of any liability finally determined by a court to be primarily caused by any conduct involving negligence, fraud or wilful misconduct by Grant Samuel. Any claims by The Star are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to The Star and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. In addition, the value range changed from $0.13-0.32 to $0.13-0.31. This change was the net result of correction of an error in relation to debt in the DGCC joint venture, recognition of certain other post-balance date cash releases and reduction in a provision to reflect a verbal offer from a counterparty. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to shareholders of The Star. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

The accompanying letter dated 23 May 2025 and the Appendix form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

23 May 2025

Grant Samuel & Associates

APPENDIX 1
BROKER CONSENSUS FORECASTS

Broker Consensus for The Star

Set out below is a summary of forecasts prepared by brokers that follow The Star in the Australian stockmarket:

THE STAR – BROKER FORECASTS ($ MILLIONS)

		REVENUE		EBITDA		EBIT	
BROKER	DATE	FY25	FY26	FY25	FY26	FY25	FY26
Broker 1	15 Apr 25	1,290.0	1,207.0	(48.0)	54.0	(108.0)	(5.0)
Broker 2	15 Apr 25	1,214.0	1,172.0	(37.0)	86.0	(63.0)	26.0
Broker 3	22 Apr 25	1,128.2	1,020.1	(61.4)	(24.5)	(128.2)	(90.9)
Broker 4	24 Apr 25	1,194.7	1,231.0	(70.2)	42.4	(139.0)	(21.1)
KEY STATISTICS (EXCLUDING BROKER 3)							
High		*1,290.0*	*1,231.0*	*(37.0)*	*86.0*	*(63.0)*	*26.0*
Low		*1,194.7*	*1,172.0*	*(70.2)*	*42.4*	*(139.0)*	*(21.1)*
Median		***1,214.0***	***1,207.0***	***(48.0)***	***54.0***	***(108.0)***	***(5.0)***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data, the following should be noted:

- the forecasts for FY25 and FY26 represent the latest available broker forecasts for The Star following the announcement of its HY25 results on 15 April 2025;
- as far as Grant Samuel is aware, The Star is followed by eight brokers (of which only four are presented above). The four brokers excluded from the table are either restricted or have not published any updated earnings forecasts for The Star subsequent to the release of The Star's 1HY25 results;
- estimates by Broker 3 are an outlier, likely because they have not been prepared on a consistent basis with the other brokers. In particular, the estimates do not appear to assume implementation of the DBC Transaction, which means that:
  - revenue and EBITDA contributions from Tower 2 and Tower 3 at *The Star Gold Coast* have been excluded from the estimates; and
  - amended terms of *The Star Brisbane MIR* do not appear to have been incorporated.

  As a result, the estimates by Broker 3 have been excluded from the calculation of key statistics (e.g. high, low, median); and
- as far as it is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts:
  - allow for corporate allocations at each of the individual assets; and
  - do not incorporate any one-off adjustments or non recurring items (with the exception of ongoing remediation costs).

Given the unprecedented level of uncertainty weighing on The Star's business operations (which is further complicated by broader industry headwinds), there is a very wide spread of estimates of The Star's future revenue and EBITDA. The median consensus broker forecasts for revenue and EBITDA differ materially from the group's internal projections.

Broker Consensus by Property

Broker estimates for each of The Star's property assets is extremely limited. Only three of the four brokers have provided revenue and EBITDA estimates for *The Star Sydney*, whereas only two brokers have provided these estimates for *The Star Gold Coast* on a standalone basis (as most consolidated their estimates for The Star's other Queensland operations).

Set out below is a summary of forecasts prepared by brokers that follow The Star and separately disclose forecasts for *The Star Sydney* and *The Star Gold Coast*:

THE STAR – BROKER FORECASTS BY PROPERTY ($ MILLIONS)

		REVENUE		EBITDA	
BROKER	DATE	FY25	FY26	FY25	FY26
THE STAR SYDNEY					
Broker 1	15 Apr 25	--	--	--	--
Broker 2	15 Apr 25	--	--	(53.0)	(3.0)
Broker 3	22 Apr 25	647.7	639.1	(56.6)	(42.0)
Broker 4	24 Apr 25	689.8	721.7	(42.1)	(7.4)
KEY STATISTICS					
Median		***668.8***	***680.4***	***(53.0)***	***(7.4)***
THE STAR GOLD COAST					
Broker 1	15 Apr 25	--	--	--	--
Broker 2	15 Apr 25	--	--	37.0	44.0
Broker 3	22 Apr 25	--	--	--	--
Broker 4	24 Apr 25	408.6	439.1	24.6	69.5
KEY STATISTICS					
Median		***408.6***	***439.1***	***30.8***	***56.8***

Source: Brokers' reports, Grant Samuel analysis

Despite the limited number of broker estimates, some observations could be drawn:

- the earnings profile for *The Star Gold Coast* is expected to remain positive (at least on an EBITDA level) through the downturn. Some of this can be explained by the:
  - resiliency of its earnings profile; and
  - consolidation of revenue and EBITDA from Towers 1 and 2 from FY26 onwards. Excluding these contributions, EBITDA for *The Star Gold Coast* is expected to fall; and
- the financial performance for *The Star Sydney* is expected to be weighed down at least over the next two years. Although revenue is expected to continue declining in both FY25 and FY26, the fall in EBITDA is expected to bottom in FY25, albeit with narrowing of losses in FY26.

APPENDIX 2

MARKET EVIDENCE ON EARNINGS MULTIPLES

1 Overview

The capitalisation of earnings methodology involves the review of earnings and other multiples that buyers have been willing to pay for similar businesses in the recent past and a review of the multiples at which shares in comparable listed companies trade on sharemarkets. This analysis will not always lead to an obvious conclusion of an appropriate range of multiples as there will often be a wide spread of multiples. It is necessary to consider the particular attributes of the business operation being valued (relative to the peers), the resilience of the patronage profile (reliance on either domestic or international tourism) and the competitive environment as well as the prevailing economic conditions and regulatory framework under which the business operates.

The Star primarily operates casinos in Australia, with a clear focus on the premium integrated resorts. Grant Samuel's review of the market evidence has considered transactions and listed companies involved in similar activities in Australia, Macau and the U.S.

In particular, Grant Samuel has:

- separated the analysis of earnings multiples by geography and proximity to major gambling centres (e.g. Macau and Las Vegas) to better reflect the different growth prospects in each market; and
- calculated EBITDAR multiples (rather than EBITDA multiples) where appropriate for comparable transactions and comparable trading multiples to ensure that the market evidence is not distorted by the effect of sale and leaseback transactions on operating profits. While EBITDA multiples are generally more widely observed and referenced in the industry, companies adopt different asset ownership models (i.e. own or lease) which may introduce inconsistencies when comparing multiples between one company to another. Rental expense may comprise a material share of EBITDAR for certain companies. For example, rental expense at Penn Entertainment Inc. ("Penn") represents nearly 50% of EBITDAR. Consequently, EBITDAR multiples are a better basis of comparison than EBITDA multiples.

2 Transaction Evidence

Background

Due to the strict regulatory framework surrounding casino ownership (particularly in Australia and Macau), casino resorts in these markets are traded infrequently. The most recent takeover for an Australian integrated casino resort of scale was in 2022 when Blackstone Inc. and its affiliates ("Blackstone") acquired Crown Resorts. There is a very limited number of transactions involving other Australian casino resorts in recent years. In any event, these casinos are significantly smaller in size and generally command lower foot traffic and a smaller catchment size than The Star (and are therefore less relevant valuation benchmarks for The Star's integrated resorts).

While Grant Samuel would typically focus on recent Australian transaction evidence over, say, the past five years, earlier transactions (as far back as 1998) have been considered where they are relevant or provide meaningful benchmarks for the valuation of The Star's integrated resorts (e.g. the transactions involving other Australian integrated resorts such as Tabcorp's acquisition of Star City Holdings Limited ("Star City") in 1999 and Jupiters Limited ("Jupiters") in 2003).

Due to the limited transaction evidence in the Australian casinos industry and the fact that most potential acquirers of The Star are offshore, Grant Samuel has considered transaction evidence involving:

- large scale owner-operators of casino resorts across major tourist destinations (e.g. Las Vegas Strip) and regional markets in the U.S. With the exception of Circus Circus Holdings Inc. ("Circus Circus"), all transactions had implied enterprise values of at least US$1 billion;
- transactions where integrated resorts were divided with the real estate sold under a sale and leaseback structure and the residual operating entity (now with lease obligations) separately acquired. Virtually all of these transactions occurred in the U.S.; and
- casino operators (i.e. operating leased casinos) that are predominantly focused in the U.S. gaming market.

In considering the transaction evidence, it should be noted that the majority of transactions occurred prior to the introduction of AASB16 (in 2019) and are therefore on a pre AASB16 basis. For transactions occurring after 2019, there are complications in deriving meaningful historical earnings, particularly for 2020 which was particularly affected by COVID-19 related issues. Where appropriate, Grant Samuel has used 2019 earnings as the best proxy for historical earnings. Accordingly, the data is less robust than may typically be the case in analysing precedent transactions.

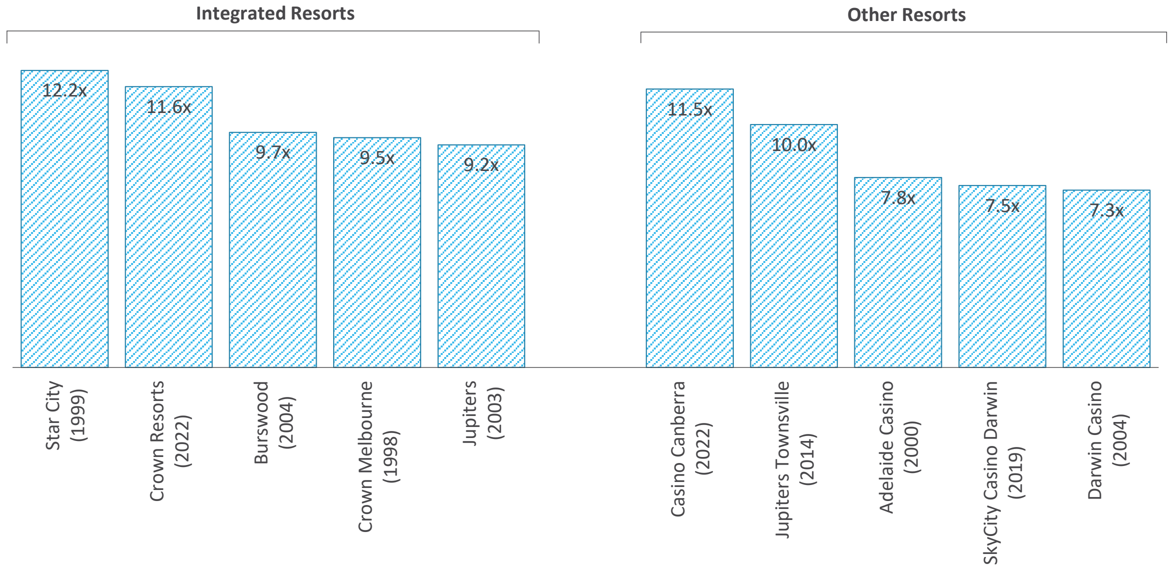
In the following charts:

- the implied multiples for "pure" casino operating companies are in solid colours (and are post rent EBITDA multiples), whereas blended EBITDAR multiples for combined casino property and operations are shown in hatched shading with solid lines; and
- pre-synergy transaction multiples are in blue shade whereas post-synergy multiples are in red shade.

Australian Casinos

The following chart summarises the historical EBITDA multiples implied by transactions in Australia:

RELEVANT COMPARABLE TRANSACTIONS — AUSTRALIAN CASINOS
HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis[1]

[1] Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

The most recent transaction involving a portfolio of integrated resorts in Australia is Blackstone's acquisition of Crown Resorts in 2022. Crown Resorts is the largest integrated resort owner-operators in Australia with a distinct focus on luxury and premium resorts. The implied multiples likely reflect a number of issues that were weighing on its business at the time, including the:

- uncertain operating conditions amidst a pandemic inflicted environment, especially as government mandated venue closures, operating restrictions and international travel restrictions still limited the ability of physical venues such as integrated resorts to operate at full capacity;
- unprecedented level of scrutiny that were likely to have a significant impact on its operations and earnings capacity. At the time, the full extent of the new regulatory legislation following the Victorian Royal Commission and Perth Casino Royal Commission have yet to be determined;
- material overhang of any potential AUSTRAC penalties and other one-off regulatory and legal matters that had yet to fully play out; and
- significant uncertainties about the return of the international VIP market (which had become a major earnings driver for the business in the years leading up to 2020).

Notwithstanding these issues, the implied EBITDA multiple is still amongst the highest seen in Australian casino industry and likely reflects its:

- scale and diversification, particularly as Australia's leading gaming and entertainment group with a portfolio of three premium integrated resorts;
- established market positions in a number of the prime destinations in Australia, all of which are in three of Australia's largest and fastest growing population centres that have also historically attracted inbound international tourism; and
- significant growth opportunity to establish a foothold in the Sydney gaming market, which has arguably been underpenetrated especially in the premium tables segment.

Most of the remaining transactions involving large Australian casino resorts occurred between 1998 and 2004. With the exception of Tabcorp's acquisition of Star City, the multiples for these transactions were lower than the most recent Crown Resorts acquisition due to the single-asset nature of the transactions, the large share of scrip in the transaction consideration (with the exception of *Burswood Casino*) and specific issues behind each of the transactions. These transactions followed the consolidation strategy of two leading entertainment companies:

- Tabcorp, one of the largest diversified gaming companies in Australia with operations across wagering, sports betting, EGMs and gaming. The expansion into the casino industry reflected a continuation of its diversified gaming strategy and included the acquisitions of:
  - Star City, which owned *Star City* resort[2] (now known as *The Star Sydney)*, at a relatively high multiple reflecting the size of the business (second largest casino in Australia) and its position as the only casino resort in Sydney at the time with exclusivity through to 2019. The acquisition also came shortly after the state government approved new tax arrangements to enable *Star City* to enter the international VIP market which was expected to boost earnings; and
  - Jupiters, which owned hotel and casino resorts in Brisbane, Gold Coast and Townsville as well as EGM monitoring operations in Queensland and New South Wales. Despite its size, diversified revenue base and protected market position (through a ten year exclusivity period for *Conrad Treasury Brisbane*), Jupiters was sold at a lower multiple due to the limited immediate cost synergies (due to an outsourced casino management contract) and constrained flexibility to rebrand the resorts (at least through to 2010); and

[2] The management contract of *Star City* was subcontracted to a joint venture owned by Harrah's Entertainment Inc. (85% interest) and Leighton Properties Pty Limited (15%). Ahead of the acquisition of Star City Holdings Inc., Tabcqorp entered into a separate agreement with Harrah's Entertainment to acquire its 85% interest in the management company.

- PBL, one of the leading pure-play media companies in Australia, strategically pivoted away from its core television and media businesses and into gaming and casinos through acquisitions of:
    - *Crown Melbourne* in 1998 at a relatively low acquisition multiple of 9.5 times historical EBITDA, which reflected the all-scrip nature of the consideration (that arguably did not include a full premium for control) and the company's high debt burden after two tumultuous years of operations. Its launch in 1997 coincided with the Asian economic crisis which halted the stream of international tourists that were a significant element of the casino's business case. *Crown Melbourne*'s consecutive years of widening net losses exacerbated the increasingly steeper challenge to refinance its debt laden balance sheet; and
    - *Burswood Casino* (now known as *Crown Perth*) in 2004 at a similar EBITDA multiple to the *Crown Melbourne* transaction. While the *Burswood Casino* was significantly smaller than *Crown Melbourne* (approximately 70% less revenues and less than half of the total tables and gaming machines), it had a stronger market position (e.g. no pubs or clubs in Perth are allowed to own and operate EGMs), higher profitability and more favourable casino tax regime.

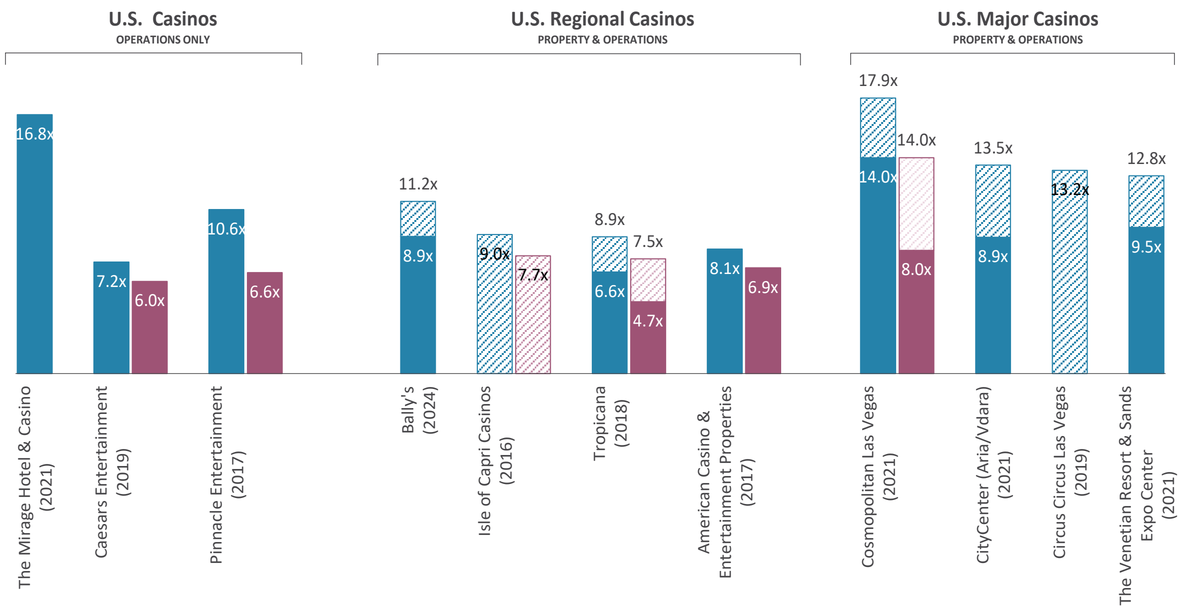
These implied transaction multiples, while instructive in identifying the relative value drivers in the Australian casino industry, should be treated with caution as they occurred while the industry was still in its nascent stages and arguably subject to different risks and market forces.

While there have been other transactions involving Australian casinos over the past two decades, these primarily relate to significantly smaller single-site operations and generally occurred at a discount to the larger peers (with the exception of the acquisition of *Canberra Casino* by Iris Capital, for which the relatively high multiples likely reflected the sharp rebound in trading activity that year).

U.S. Major and Regional Casinos

The following charts summarise the historical EBITDAR and EBITDA multiples implied by transactions in the U.S.:

RELEVANT COMPARABLE TRANSACTIONS — U.S. MAJOR AND REGIONAL CASINOS
HISTORICAL EBITDAR/EBITDA MULTIPLES



Source: Grant Samuel analysis[1]

The transaction evidence across the U.S. shows a clear distinction between transactions involving:

- casino owner-operators in major casino and gaming destinations ("U.S. majors"), which have consistently occurred at 13-14 times historical EBITDAR (adjusted for synergies); and

- casino owner-operators in regional areas ("U.S. regional casinos"), which have generally occurred at a discount to the transactions involving U.S. majors, or between 7 and 8 times historical EBITDAR (adjusted for synergies).

The U.S. majors are generally large scale premium integrated resorts in the Las Vegas Strip that have diversified revenue streams across gaming and non-gaming offerings. Despite the intense level of competition in the Las Vegas Strip market, the U.S. majors have generally transacted at premiums relative to their industry peers, reflecting the:

- strategic importance of the assets and their standing within the global casino industry;
- significant value potential of the land and property;
- size and scale (i.e. generally at an implied value of approximately US$6 billion);
- diversified gaming and non-gaming operations within the integrated resorts; and
- "freshness" of the offering (e.g. recent refurbishments).

The *Cosmopolitan Las Vegas* transaction occurred at the top end of the range (14 times post-synergy EBITDA). The relatively high multiples reflected its strategic importance to MGM Resorts International ("MGM") given its central location between the *Bellagio* and *CityCenter* (both of which MGM already owned) and the positive signs of increasing momentum in the recovery of the Las Vegas Strip market in the second half of 2021. The high multiples were further supported by the low near-term capital expenditure requirements for the asset as *Cosmopolitan Las Vegas* is among the newest facilities in the Las Vegas Strip and benefited from an US$500 million in refurbishments and renovations prior to the transaction.

The blended multiples for *The Venetian Resort & Sands Expo Center* and *CityCenter* reflected the strategic importance and high quality of the assets (as well as the improving outlook as both were 2021 transactions):

- Apollo Global Management's ("Apollo") acquisition of *The Venetian Resort & Sands Expo Center* was part of its global strategy to increase its exposure to the gaming industry. In 2021, Apollo announced the acquisition of Great Canadian Gaming Corporation (operator of 25 regional Canadian gaming properties) and also lodged a non-binding indicative offer for Tabcorp's wagering business; and
- MGM's acquisition of the 50% interest in *CityCenter* that it did not already own reflected the strategic value and immediate monetisation opportunity for MGM. Consolidating control over this asset enabled MGM to monetise *CityCenter*'s real estate assets and advance its asset-light strategy. The sale and leaseback of the property assets also offered significant strategic value to Blackstone Real Estate Income Trust, Inc., which already owned the real estate of the adjacent *Bellagio* resort.

While the acquisition of Circus Circus occurred at a multiple consistent with other U.S. majors transactions, the implied multiple was impacted by its smaller size (enterprise value of US$825 million) and the significant development potential of the adjacent surplus land parcel that MGM acquired for US$575 million in April 2007 (or US$17 million per acre). Adjusting the sale price for more recent land values of say US$12 million per acre[3] results in an adjusted acquisition multiple of 6.7 times historical EBITDA. This lower adjusted multiple is more in line with U.S. regional casino transactions and is arguably justified due to the Circus Circus resort's location on the northern edge of the strip (nearly five kilometres away from the heart of the Las Vegas Strip) and need for major capital expenditure.

In contrast, the lower implied transaction multiples for U.S. regional casinos reflect the smaller scale of the businesses (less than US$2 billion enterprise value) despite the geographically diversified regional holdings (portfolios of at least four casinos).

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[3] On 12 October 2021, The Las Vegas Convention and Visitors Authority sold 10 acres of land on the former *Riviera Hotel-Casino* for $120 million. The land parcel is located adjacent to the current *Circus Circus* resort.

The largest of the transactions involving U.S. regional casinos is Standard General L.P.'s acquisition of Bally's Corporation ("Bally's), which implied an enterprise value of approximately US$5.5 billion. Standard General L.P. already owned 26% of Bally's at the time of the announcement following several prior attempts to buy out all of the company. Unlike all the other transactions for U.S. regional casinos (which are principally just bricks and mortar businesses), Bally's also has a substantial iGaming business (over 40% of revenue). The iGaming segment is widely viewed as the growth frontier of the gambling industry and involves a different financial risk-to-reward profile (e.g. early stage, significant development investments, highly scalable) from the traditional brick-and-mortar casino gaming model that most other regional casinos employ. As such, the implied multiple for Bally's likely reflects some of the growth opportunities from this market.

Transactions involving pure-play casino operating companies ("Casino OpCos") have occurred at a significant discount to the rest of the peer group at between 6 and 9.5 times historical EBITDA (adjusted for synergies). With the exception of certain outliers, the relatively low implied multiples for Casino OpCos reflect the:

- relinquishment of control. Casino OpCos have limited discretion over the casino resort property (compared to owner-operators). While the underlying lease agreements typically set out a comprehensive regime of protocols (and delegation of rights), investment decisions and major refurbishments (or expansions) become significantly more difficult for Casino OpCos than for owner-operators as these decisions will now also involve a third party with ultimate ownership and control over the assets;
- increased financial leverage. The Casino OpCos typically enter into long term lease agreements that contain fixed but escalating rental payments. These structures may limit their financial flexibility as a significant share of the operating company's cash flows are devoted to fixed recurring payments; and
- lack of exposure to property value gains over time.

The implied EBITDA multiples for Casino OpCo transactions are consistently low regardless of:

- location. The Casino OpCos for *Cosmopolitan Las Vegas*, *CityCenter* and *The Venetian Resorts* all represented an immediate foothold in the Las Vegas Strip casino market but all traded within a narrow range of between 8 and 9.5 times historical EBITDA; and
- size or diversification. The merger of Eldorado and Caesar's was one of the largest transactions of all time in the casino industry. Caesar's is a globally recognised brand and had a portfolio of over 50 casinos across the globe, including in Las Vegas and across regional U.S. but:
    - prime resorts on the Las Vegas Strip represent a small proportion of earnings; and
    - rent constituted more than 40% of EBITDAR.

The only outlier in this group is the unusually high multiple implied by Hard Rock International's ("Hard Rock") acquisition of the operating company for *The Mirage* resort at 16.8 times historical EBITDA. The high multiple reflected the strategic importance and redevelopment potential (across 77 acres of land) to re-establish the *Hard Rock* brand in the heart of the Las Vegas Strip. Accordingly, it is not an appropriate benchmark. Moreover, the favourable commercial terms in its land lease agreement also supported the higher multiple. The new lease offered Hard Rock a highly competitive EBITDA rent coverage of 2.7 times (most peers were under 2 times) and up to US$1.5 billion in additional funding support for the redevelopment of *The Mirage*.

3 Sharemarket Evidence

Following the acquisition of Crown Resorts by Blackstone, there remains only two casino operators (The Star and SkyCity[4]) listed on the ASX. Due to the limited number of listed entities in Australia, Grant Samuel has also considered the trading multiples of:

[4] SkyCity is dual listed on the ASX and on the New Zealand Stock Exchange ("NZSE").

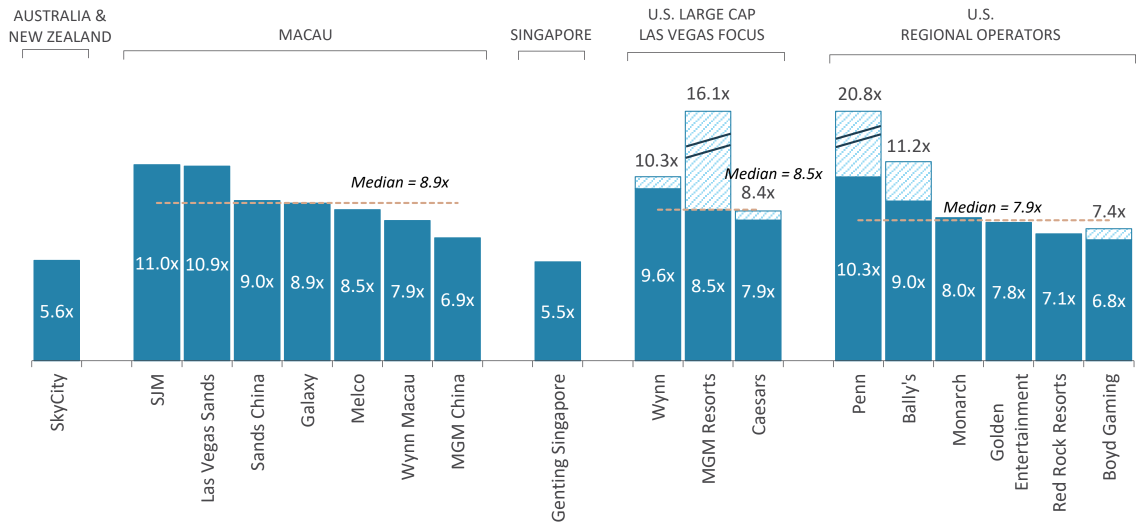
- casino operators of premium integrated resorts in major international casino precincts such as Las Vegas Strip, Singapore and Macau that have historically relied on inbound international tourism; and
- casino operators across regional U.S., that are geographically dispersed across the country and consequently (typically) face lower competitive risk than those in Las Vegas.

While there is a wider group of ASX listed entities that operate in the broader gaming industry in Australia, the underlying business models (and value drivers) of these entities are not comparable to The Star and have been excluded from the analysis. These include lotteries-focused operators (The Lottery Corporation, Jumbo Interactive Limited), wagering companies (Tabcorp and PointsBet Holdings Limited) and gaming machine producers (Aristocrat). Reef Casino Trust, the owner of *The Reef Hotel Casino*, was also considered but excluded as its financial profile (which is dependent on lease income from the hotel and casino operator) is dissimilar from integrated resort owner operators such as *The Star*.

It should be noted that the multiples for the listed entities are based on share prices and do not include a premium for control. With the exception of SkyCity, each of the comparable trading companies has a 31 December year end. The financial data has not been adjusted to align the year end for each company.

The following charts summarise the historical and forecast EBITDA and EBITAR multiples for comparable listed casino operators based on share prices at 30 April 2025:

RELEVANT COMPARABLE LISTED COMPANIES
HISTORICAL EBITDAR/EBITDA MULTIPLES



Source: Grant Samuel analysis[5,6]

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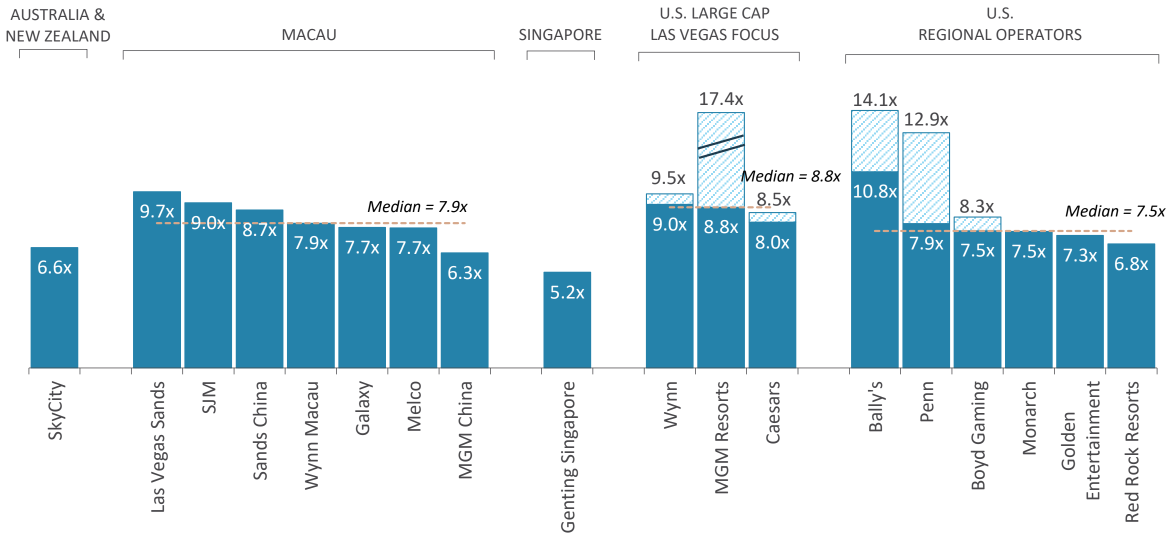
5 Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, broker reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

6 Non-controlling interests may represent a material proportion of value for certain listed entities such as Wynn Resorts Limited ("Wynn"), MGM Resorts Limited ("MGM Resorts") and Las Vegas Sands Limited ("Las Vegas Sands"). In these instances, the proportional share of market value (where available) as at 30 April 2025 of these non-controlling interests have been adopted in calculating enterprise value.

RELEVANT COMPARABLE LISTED COMPANIES
FORECAST EBITDAR/EBITDA MULTIPLES



Source: Grant Samuel analysis[5]

SkyCity is the only other listed company (besides The Star) that has any casino operations in Australia. There are several reasons that would, in ordinary circumstances, warrant a high EBITDA multiple for a company with SkyCity's attributes. Its market position (particularly in *SkyCity Adelaide* and *SkyCity Auckland)* is secured through extensive exclusivity periods that effectively bar any new entrants from competing against these two casinos during the exclusivity period. Further earnings upside is also buoyed by the anticipated opening of the New Zealand International Convention Centre in February 2026 as well as the proposed launch of a regulated iGaming market in New Zealand.

Despite these attractive attributes, SkyCity has one of the lowest historical and forecast EBITDA multiples across the peer group. The low multiples likely reflect headwinds facing the business such as the:

- regulatory uncertainty. Although SkyCity has already agreed to over $70 million penalties arising from prior breaches of AML/CTF laws raised by AUSTRAC and the New Zealand Department of Internal Affairs, a number of matters remain unresolved. The independent review into SkyCity's suitability to hold the casino licence for *SkyCity Adelaide* is not expected to conclude until at least mid-2025. In addition, the costs to implement its three-year transformation program are significant (around NZ$60 million in total, or nearly 10% of its market capitalisation) and remain ongoing;
- anticipated roll-out of mandatory carded play across New Zealand by July 2025 and in Adelaide by early 2026. The introduction of mandatory carded play (and similar restrictive measures) in other markets has had a clear negative impact on revenue and customer activity for The Star and other casino operators; and
- broader macroeconomic uncertainty, particularly with the New Zealand economy battling weak economic growth and recessionary pressures (thereby affecting customers' propensity to gamble).

International casino operators in Macau and the U.S. trade in a relatively wide range, albeit with some consistency at around 8-10 times historical EBITDA and 7.5-9 times forecast EBITDA.

Although the trading multiples for Macau based casino operators have historically traded at a discount to its international peers, this gap has narrowed in recent years due to:

- improved regulatory certainty. Following years of tightening scrutiny of casinos, the Government of Macau granted new ten-year licences to six incumbent casino operators that collectively own and operate over 40 casinos in the region. The new gaming licences came into effect in January 2023;

- increased diversification of revenue. Historically, nearly all Macau-based operators derived around 85-95% of revenue from gaming activities. Following the renewal of the gaming licences (as well as the government crackdown on junket operators), this level of reliance on gaming has fallen and is expected to fall further as the casino operators have agreed to expand non-gaming operations through major infrastructure projects such as convention centres and theme parks; and
- further revenue upside due to the prolonged recovery from the COVID-19 pandemic. Although the revenue and earnings for most other casino operators have already recovered to pre-pandemic levels, none of the Macau-based operators (except MGM China Holdings Limited ("MGM China")) have fully been restored (in part due to lockdowns and movement restrictions extending well into 2023). Based on market consensus, their revenue recovery trajectory for Macau-based operators is generally expected to continue over the next 2-3 years and outpace growth for other international operators (which are near-zero or tepid at best).

At the same time, the trading multiples of this group may also be affected by their low level of free float. Approximately 70% of total shares outstanding for Wynn Macau Limited ("Wynn Macau") and Sands China Limited ("Sands China") are held by the parent entities (i.e. Wynn Resorts Limited ("Wynn") and Las Vegas Sands Corporation ("Las Vegas Sands"), respectively). MGM China is also affected the same limitations on free float, albeit to a smaller extent (56% owned by MGM Resorts).

The relatively higher multiples for SJM Holdings Limited ("SJM") and Las Vegas Sands reflect the specific characteristics of each business. For example, the higher historical multiples for SJM reflects the ramp-up of its *Grand Lisboa Palace* resort, which only completed the last of its three towers in 2024. On the other hand, the trading multiples for Las Vegas Sands likely reflects its market leading share in the Macau market and the contribution from *Marina Bay Sands* (around 40% of EBITDA), which has a more expansive non-gaming suite of offerings.

The large cap U.S.-based casino operators with established operations on the Las Vegas Strip generally trade towards the top of the range of listed peers (consistent with the upper end of the range of Macau peers). The relatively high historical and forecast trading multiples can be attributed to:

- geographic diversification and scale. Both Wynn and MGM Resorts have large portfolios of premium integrated resorts across Las Vegas and Macau. Caesars (and, to a smaller extent, MGM Resorts) also has extensive casino operations across regional U.S.;
- the attractive tourist destination. Las Vegas Strip is the largest casino gaming centre in the U.S. and attracts visitors from across the world; and
- diversified revenue base. Non-gaming revenues comprise up to 50% of revenue for these companies (substantially higher than other international peers). These non-gaming revenues help draw increased customer visitations, which in turn can lead to gaming activity and also add to the resilience of the resort's revenue streams.

However, the trading multiples of this peer group are also heavily influenced by:

- their exposure to growth markets, particularly iGaming and online sports betting. With the exception of Wynn (which exited the iGaming and online sports wagering industry in early 2024), both MGM Resorts and Caesars still have substantial and growing presence in the high growth online segment. However, successfully delivering on growth has been challenging and extremely costly (due to the sheer quantum of marketing spend and technological investment required to compete) despite the remarkable size of the U.S. market opportunity. MGM Resorts, through its joint venture *BetMGM*, is the third largest online gambling company in the U.S. but remains loss making and has recently deferred its target profitability milestone of US$500 million by several years;
- their exposure to the Macau market. The EBITDA multiples of these companies are affected by the performance of their Macau operations (except for Caesars which has no exposure to Macau). Wynn

and MGM each have a high exposure to the Macau market. In 2024, Macau represented approximately 50% revenue for Wynn and around 25% for MGM Resorts; and

- their financial structure. All three entities use a sale and leaseback structure, albeit to different extents. In MGM Resorts' case, rent is nearly 50% of EBITDAR, whereas it is less than 10% of EBITDAR for both Wynn and Caesar's. On an adjusted basis using EBITDAR multiples, their forecast multiples are within a closer range.

The U.S.-based regional casino operators do not trade at substantially lower multiples than other peer groups despite their significantly smaller scale. This may be due to:

- lower competition. While there are over 370 land-based casinos in the U.S., over half are located in Nevada with the remainder scattered across the rest of the country. Tight restrictions ensure that competition from new casino entrants remains low as casino operations are strictly regulated in most states and the total number of casino licences is typically capped;
- diversification. Most operators in this peer group have a portfolio of at least ten casinos that are geographically dispersed across the U.S., minimising their reliance on the economic and demographic trends of a single locality; and
- resilience through a downturn. While key casino hubs such as the Las Vegas Strip saw revenues decimated in the years following the pandemic in 2020, regional casinos reported much smaller declines. Continued patronage from high frequency, local visitors helped ensure that regional casinos were able to maintain a steady flow of operations and deliver strong revenue growth as restrictions eased and domestic activity rebounded.

At the top end of the range of regional casino operators are Bally's and Penn, which probably trade at a premium to the group due to their growing exposure to iGaming. In the case of Bally's, the iGaming business accounts for around 40% of its revenue and was built on a series of acquisitions (although the much higher forecast EBITDA multiple likely reflects the impact to its earnings as it invests in the transformation of the business). Similarly, Penn also has a sizeable online sports betting and iGaming business (albeit accounting for only 15% of revenue) through its significant investments in acquisitions (e.g. US$2 billion acquisition of Score Media and Gaming) and media partnerships (e.g. with ESPN Inc. to *ESPN Bet* in the U.S. market).

Finally, the low trading multiple for Genting Singapore Limited ("Genting") is best regarded as an outlier due to the significant cash drag on its business (which it has maintained for over a decade).