

SUN INTERNATIONAL LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1967/007528/06)

Share code: SUI

ISIN: ZAE000097580

("Sun International" or "the Company")

PROPOSED MERGER BETWEEN SUN DREAMS S.A. ("SUN DREAMS") AND CERTAIN GAMING ASSETS OF CLAIRVEST CHILE LIMITADA ("CLAIRVEST") AND INVERSIONES SAN ANDRES LIMITADA ("VALMAR") (COLLECTIVELY "MARINA") AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the Stock Exchange News Service ("SENS") announcement released on the Johannesburg Stock Exchange ("JSE") on 30 April 2019 when shareholders were advised that Nueva Inversiones Pacifico Sur Limitada ("Pacifico") had made an offer, which the Company has accepted, to acquire 14.94% of Sun International's shareholding in Sun Dreams, which would result in each party holding a 50% equity interest in Sun Dreams.

Sun International and Pacifico's strategic intent is to build a casino and hospitality group with critical mass in Latin America ("Latam"), which can capitalise and develop future business opportunities in South America, Mexico and the United States of America while at the same time, mitigating future challenges and risks to the business and concentration of assets in any one country in Latam.

In order to capitalise on these growth opportunities in Latam and elsewhere, Sun International and Pacifico (collectively the "Sun Dreams shareholders") have entered into a binding Memorandum of Understanding, incorporating a term sheet ("MOU"), with Clairvest and Valmar ("the Marina shareholders"), which subject to certain suspensive conditions being fulfilled, or where applicable waived, will result in a merger (the "Proposed Merger"), between Sun Dreams and Marina ("the Merged Entity").

In addition, the Sun Dreams shareholders and the Marina shareholders (collectively "the parties"), have agreed that once the Proposed Merger has been consummated, they will consider an Initial Public Offering ("IPO") of Sun Dreams, on the Santiago Stock Exchange in the near future, in order to further unlock the strategic intent highlighted above.

2. BACKGROUND TO MARINA**2.1. Clairvest**

Founded in 1987, Clairvest is a Toronto-based private equity management firm with over Canadian \$2.0 billion of equity capital under management. Clairvest manages its own capital and that of third parties, through the Clairvest Equity Partners Limited partnerships and one of its primary areas of focus is the gaming industry.

2.2. Valmar

Valmar is a real estate family company founded in 1969, which has been involved in the development of housing and neighborhoods in Concepcion, the second largest city in Chile, for the past 50 years. Valmar invests in and develops construction solutions for the Chilean market, which has included joint ventures and many other construction and real estate companies in the past.

During the last 15 years, Valmar has expanded into different businesses such as IT, agriculture and forestry, although its main business remains real estate. In the last 10 years, Valmar has also significantly invested in casinos and hospitals and manages in excess of US\$500 million in assets in total.

2.3. The Marina portfolio of properties comprises of:

PROPERTY	CASINO		HOTEL			FOOD AND BEVERAGE OUTLETS
	Slot machines	Table games	Rooms	Convention Centre Delegates	SPA sqm	
CHILE						
Talcahuano	1385	50	120	600 hotel 800 conference centre	800	16
Calama	485	21	148	600	650	9
Osorno	400	21	-	-	-	6
Chillán	450	20	100	400 hotel 1500 conference centre	730	11
Total	2,720	112	368	3,900	2,180	42

3. RATIONALE FOR THE PROPOSED MERGER

Over the past years, Sun Dreams has assembled an attractive portfolio of assets, which forms the basis to leverage its growth strategy in the region. Sun Dreams believes that in order to achieve further critical mass in Latam, the company needs to make acquisitions or merge its assets with another meaningful player in the region. In addition to expediting its growth strategy, a merger also mitigates risks to the business by diversifying its asset base.

The Proposed Merger strengthens Sun Dreams' position in Latam and affords Sun Dreams the opportunity to partner with Clairvest, which are experienced investors in casino assets. In addition, Clairvest will bring a wealth of experience and add value to the Merged Entity by growing the business.

The Proposed Merger results in the creation of one of Latam's largest gaming groups, which will have the profile, critical mass and balance sheet to expand throughout the rest of the continent, make meaningful acquisitions and take on larger projects. The Merged Entity will be structured with a relatively low level of gearing which will ensure that it is self-sustaining. The Proposed Merger should also unlock synergies between the combined Chilean properties as a result of its scale.

4. NET ASSET VALUE OF AND PROFITS ATTRIBUTABLE TO SUN DREAMS, MARINA AND BASIS OF VALUATION OF MERGED ENTITY

For the year ended 31 December 2018, the Revenue, EBITDA and operating profit of the merging parties was as follows:

US\$ million	Sun Dreams	Marina
Revenue	388	114
EBITDA	99	33
Profit after tax	19	14

The above trading excludes Chillán (Marina asset) which has not yet commenced trading.

The book net asset value of the shareholding held by Sun International in Sun Dreams as at 31 December 2018 (being the date of the most recent published financial results), was US\$260 million.

The merger ratio in respect of the Proposed Merger has been based on a valuation of the Merged Entity taking into account the applicable EBITDA's, term of licences, country factors, other assets and net debt. Based on the valuation, the Proposed Merger will result in Sun International holding approximately 31% of the Merged Entity, which reflects the full value of its investment prior to the Proposed Merger. This shareholding is calculated taking into account the disposal of Sun International's 14.94% equity interest in Sun Dreams to Pacifico.

In addition, and in order to align the equity interests, based on the enterprise merger ratio (i.e. before net debt), Sun International will have the option (for a period of 10 days following the merger) to acquire additional shares to increase its shareholding to 32% of the Merged Entity from the Marina shareholders. Sun International will therefore have a meaningful interest in the business that has strong growth potential and will actively participate in the growth strategy of the Merged Entity.

The merger valuation may be adjusted by the parties following the Proposed Merger in accordance with the valuation true-up provisions contained in the binding MOU. Further details in this regard are set out in paragraph 5 below and will be contained in the circular to be posted to shareholders.

5. SALIENT TERMS OF THE PROPOSED MERGER

The salient terms and conditions of the Proposed Merger, as set out in the MOU entered into between the parties, are as follows:-

- both the parties will combine their businesses in Latam to form the Merged Entity that will own and operate, 11 Chilean casino licences and associated assets, 8 Peruvian casino operations and associated assets, an Argentinian casino licence and 60% of a Colombian licence;
- the valuation of Iquique (Sun Dreams asset) and Chillán (Marina asset) are subject to an adjustment based on the actual EBITDA achieved by these assets for the 12 month period starting 12 months following the official opening of new properties and the audited actual cost of construction of the new properties. Any adjustment will be settled between the parties as a price adjustment payable in shares of the Merged Entity;
- the Merged Entity will for the time being continue to be managed by the existing senior management team of Sun Dreams and will be the sole vehicle through which the parties develop their gaming business in South America;
- a right of pre-emption will exist between the parties in order to retain their ownership percentages in the Merged Entity and no party will be entitled to dispose of their equity interest in the Merged Entity for a period of 12 months following an IPO of Sun Dreams;

- the Proposed Merger will be subject to standard restraints, warranties and indemnities and minority protection clauses associated with transactions of this nature, as well as the fulfilment (or where applicable waiver) of the suspensive conditions set out in this announcement and more fully described in the MOU; and
- the Proposed Merger will be governed by and interpreted according to the laws of Chile.

6. EFFECTIVE DATE OF THE PROPOSED MERGER

The Proposed Merger will become effective on the date of fulfilment, or where applicable waiver, of the last of the suspensive conditions set out hereunder and in the MOU.

7. SUSPENSIVE CONDITIONS TO THE PROPOSED MERGER

The Proposed Merger is subject to the fulfilment (or where applicable waiver) of the following suspensive conditions:-

- the approval of the boards of directors and shareholders of the parties, as applicable, pertaining to the conclusion of the Proposed Merger and the entering into of definitive agreements containing terms and conditions substantially similar to those contained in the MOU;
- the parties conclude a due diligence exercise, the outcome of which is satisfactory to the parties;
- the lenders of the parties agree to waive the acceleration of any loans granted to these parties or the parties have secured finance, which shall allow them to repay those loans;
- no material adverse effect equal to or greater than US\$50 million shall have occurred to, among others, the business, operations, assets, prospects or results of any of the parties; and
- the obtaining of all regulatory and other third party approvals pertaining to the Proposed Merger, including but not limited to the relevant gambling board and stock exchange approvals.

8. CATEGORISATION OF THE PROPOSED MERGER AND SHAREHOLDER APPROVAL

In terms of the JSE Listings Requirements, the Proposed Merger is classified as a Category 1 transaction and will require Sun International shareholder approval. Accordingly, a circular to shareholders will be posted within 60 days of the date of this announcement containing, among others, a notice of general meeting.

9. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement dated 30 April 2019 and are advised that as the discussions and negotiations with the Marina shareholders have culminated in the entering into of a binding MOU regarding the Proposed Merger, caution is no longer required to be exercised by shareholders when dealing in the Company's securities.

By order of the board of the Company

Sandton
24 May 2019

Financial Advisor and Sponsor to Sun International
INVESTEC BANK