

ACQUISITION OF THE PEERMONT GROUP & WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Sun International Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 1967/007528/06)
Share code: SUI ISIN: ZAE000097580
("Sun International" or the "Group")

DETAILED TERMS ANNOUNCEMENT RELATING TO THE ACQUISITION BY SUN INTERNATIONAL OF 100% OF THE ISSUED SHARES OF MAXSHELL 114 INVESTMENTS PROPRIETARY LIMITED ("MAXSHELL") THE HOLDING COMPANY OF PEERMONT GLOBAL PROPRIETARY LIMITED ("PEERMONT", MAXSHELL AND ITS SUBSIDIARIES ARE REFERRED TO AS THE "PEERMONT GROUP") AND THE WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Further to the cautionary announcement published by Sun International on the Stock Exchange News Service ("SENS") on 4 March 2015, the Board of Directors of Sun International is pleased to announce that definitive agreements have been concluded between Sun International and the holders of ordinary shares, preference shares and mezzanine debt in the Peermont Group in terms of which Sun International, through its wholly owned subsidiary, Sun International (South Africa) Limited ("SISA"), will acquire 100% of the Peermont Group (the "Proposed Transaction").

2. OVERVIEW OF PEERMONT

Peermont was founded in 1995 under the name Global Resorts, was rebranded Peermont Global in 2003 and listed on the exchange operated by the JSE Limited ("JSE") in 2004. Peermont was subsequently delisted from the JSE in 2007 after a private equity-led buyout by a consortium led by the Mineworkers Investment Company. During April 2014, the Peermont Group completed a restructure of its debt and equity to create a more sustainable capital structure.

Peermont operates a portfolio of gaming and hospitality businesses in South Africa and Botswana, owning nine casino resorts, including its flagship Emperors Palace casino resort, three stand-alone hotels and one stand-alone casino.

Details of Peermont's current operations are set out in the table below:

Property	Location	Gambling Jurisdiction	Hotel Category	Property Type	Slot Machines	Gaming Tables	Rooms
South Africa							
Emperors Palace	Kempton Park	Gauteng	Five, four and three star	Casino resort	1 724	68	667
Graceland	Secunda	Mpumalanga	Four star	Casino resort	311	18	98
Mmabatho Palms	Mafikeng	North West	Four star	Casino resort	152	8	150
Khoroni	Thohoyandou	Limpopo	Three star	Casino resort	150	7	82
Rio	Klerksdorp	North West	Three star	Casino resort	274	11	70
Umfolozzi	Empangeni	KZN	Three star	Casino resort	273	12	44
Frontier	Bethlehem	Free State	Three star	Casino resort	140	9	21
Mondazur*	San Lameer, KZN	-	Four star	Stand-alone hotel	-	-	40

Property	Location	Gambling Jurisdiction	Hotel Category	Property Type	Slot Machines	Gaming Tables	Rooms
Thaba Moshate	Burgersfort	Limpopo	Three star	Casino resort	150	8	82
Botswana							
Grand Palm	Gaborone	Botswana	Four and three star	Casino resort	150	15	337
Sedibeng Casino	Francistown	Botswana	-	Stand-alone casino	50	-	-
Mondior	Gaborone	-	Four star	Stand-alone hotel	-	-	67
Metcourt Lodge	Francistown	-	Three star	Stand-alone hotel	-	-	53
Total					3 374	156	1 711

* Currently the subject of a sale agreement with a third party

As at 31 December 2014, Peermont reported provisional revenues of R3 253 million and EBITDA of R1 205 million (being earnings before interest, taxation, depreciation, amortisation, restructuring gains, charges relating to the management long-term incentive programme and other non-cash items). The Thaba Moshate casino resort in Burgersfort ("Burgersfort") is scheduled to be opened during April 2015 and is anticipated to generate R40 million EBITDA in its first full year of operations. Emperors Palace contributed R872 million of the EBITDA.

Key attributes of Peermont include its:

- Established and well-maintained assets and infrastructure;
- Experienced and highly regarded management team;
- Extensive hotel and conference facilities at Emperors Palace;
- Profitable business with strong cash generation - historic EBITDA margins in excess of 37% over both five and ten year periods;
- Diversified portfolio that offers a number of strategic possibilities; and
- Further revenue and EBITDA growth expected from its newly built Burgersfort casino resort.

3. RATIONALE FOR THE PROPOSED TRANSACTION

The Proposed Transaction is aligned to Sun International's strategy to enhance and leverage its existing asset portfolio and to seek new growth opportunities:

- The acquisition of Emperors Palace provides Sun International with an opportunity to increase gaming revenue from Gauteng, being the provincial jurisdiction with the highest gambling spend in South Africa. Emperors Palace is one of the largest casinos in South Africa with an attractive financial and operating profile. The property has an EBITDAM (being EBITDA before management fees) margin of greater than 41%, which is well above the average of Sun International.
- Peermont has raised objections to Sun International's proposed relocation of its Morula license from the current site in Mabopane to Menlyn, Tshwane ("Menlyn Maine") (as more fully described in paragraph 4.4). In terms of a settlement agreement entered into between the parties as described per 4.4, this objection has now been withdrawn.
- As a result of the Proposed Transaction, Sun International's portfolio of South African assets will be further diversified. This diversification has the effect of reducing Sun International's reliance on its GrandWest property in the Western Cape, which currently represents 27% of the Group's EBITDA.

- Sun International remains committed to its strategy of diversifying the Group's portfolio to increase exposure to offshore opportunities, in particular Latin America. While the Peermont portfolio of assets will initially increase the proportion of the combined business that arises in Southern Africa, it also opens the possibility of further restructuring of local assets, with a medium term objective of creating a portfolio of fewer, larger, quality assets.

Sun International believes that the Proposed Transaction and the further restructuring possibilities that may arise from it, will further enhance its position and scale as a leading hotel, resort and gaming operator thereby enabling it to undertake larger developments and acquisitions internationally.

4. SALIENT TERMS OF THE PROPOSED TRANSACTION

4.1. Purchase Consideration

Sun International will acquire 100% of the issued ordinary shares of Maxshell, and the preference shares and mezzanine debt in the form of payment in kind notes issued by subsidiaries of Maxshell, for a purchase consideration determined with reference to an enterprise value of Peermont of R9 425 million ("Enterprise Value"), less net debt and certain capital expenditure and working capital benchmark adjustments, if applicable (the "Purchase Consideration"), calculated at the effective date of the Proposed Transaction, being the earlier of 31 December 2015 or following the conditions precedent described in paragraph 4.5 below having been fulfilled or waived, and the rights issue described in paragraph 4.3 below having been implemented. Given the anticipated time frame (9 to 12 months) for implementation and closing of the Proposed Transaction, the Enterprise Value can be referenced to Peermont's 2015 earnings (which are anticipated to be higher than the 2014 earnings, due not only to the opening of Burgersfort but also to organic growth in the existing business).

Sun International will assume all the debt currently within the Peermont Group and intends to fund the Proposed Transaction as set out in paragraph 4.2 below.

Sun International intends exploring the possibility of disposing of certain of the smaller assets within the Peermont portfolio following the closing of the Proposed Transaction. Should an agreement be reached for the disposal of these assets prior to the transaction closing then Sun International's funding requirements will be reduced accordingly.

4.2. Funding the Proposed Transaction

The Proposed Transaction will be funded as follows:

	R million
An issue of 10,416,667 Sun International shares at R120 per share to the Peermont ordinary shareholders and the holders of preference shares	1 250
The proceeds of an underwritten renounceable rights offer (the "Proposed Rights Offer") up to a maximum value of	3 750
A rollover of the estimated senior debt within Peermont	3 850
New estimated debt facility	575
Total	9 425

4.3. Proposed Rights Offer

Sun International will implement the Proposed Rights Offer once the Proposed Transaction becomes unconditional. Details of the Proposed Rights Offer will be released on SENS at that stage. Sun International has entered into an underwriting agreement with Investec Bank Limited and Nedbank Limited in respect of the Proposed Rights Offer, whereby the Proposed Rights Offer is fully underwritten.

4.4. Amendment to Sun International's Morula Casino Licence

Shareholders will be aware that Sun International, through its wholly-owned subsidiary SISA, applied to the Gauteng Gambling Board ("GGB") to amend its Morula casino licence to, amongst other things, provide for the relocation of the licensed premises from the current site in Mabopane to Menlyn, Tshwane, in order to deliver the full potential of this casino licence to the City of Tshwane and to the Gauteng Province.

On 31 July 2014 the GGB approved SISA's application to amend Morula's casino licence thereby permitting the relocation of the casino. The approvals, which are subject to certain conditions that largely reflect the commitments made in the application, pave the way for Sun International to commence planning and construction of the R3 billion development to be known as Time Square at Menlyn Maine. Menlyn Maine is anticipated to generate EBITDA of R600 million and management fees of R95 million, a significant increase from the Morula EBITDA of R16 million and management fees of R7 million, as at 30 June 2014. Sun International, through group companies, will hold an effective 74.9% of Menlyn Maine and will have the management contract.

Peermont had raised objections to the relocation of the casino licence, during the public participation process and having considered the same, the GGB saw fit to approve the amendments to the Morula casino licence. Subsequent to the approval being granted, Peermont brought review proceedings in the High Court of South Africa (Gauteng Division, Pretoria) ("High Court"), in which it sought to set aside the GGB approvals (the "Review").

The parties have entered into an agreement for Peermont's withdrawal of its review application in the High Court. In the event that the Proposed Transaction is not successfully implemented and Menlyn Maine opens to the public (or the licensed premises are relocated to a site which is within a 5km radius of Menlyn Maine, and the relocated casino opens to the public), Menlyn Maine will issue Peermont with a financial instrument that obliges Menlyn Maine to pay Peermont a capital amount of R700 million, which may increase to R900 million in certain defined circumstances (the "Note"). The Note has a term of 5 years bearing interest from the earlier of commencement of the operations of Menlyn Maine and 31 December 2017 and is without fixed terms of repayment but can be repaid at any time (without penalty) by Menlyn Maine. The Note is guaranteed by Sun International.

4.5. Conditions Precedent

The Proposed Transaction is conditional upon the fulfilment or waiver of the following conditions precedent:

- Approvals or applicable exemptions being obtained from applicable regulatory bodies, where necessary, including the GGB, the financial surveillance department of the South African Reserve Bank, the Takeover Regulation Panel, and competition authorities in the jurisdictions in which the businesses of the Peermont Group operate; and
- The approval of the requisite majority of Sun International shareholders of the resolutions necessary for implementation of the Proposed Transaction and the Proposed Rights Offer.

4.6. Net Assets Acquired and Profits Attributable to Those Assets

The net asset value of Peermont is approximately R2 928 million and the profit before interest and taxation associated with these assets is R889 million as at 31 December 2014. The profit after taxation associated with these assets is R 2 557 million as at 31 December 2014 (profit after taxation includes certain once-off credits associated with the capital restructure undertaken by Peermont in the 2014 financial year).

5. CATEGORISATION OF THE PROPOSED TRANSACTION

The Proposed Transaction is classified as a Category 1 transaction in terms of section 9 of the JSE Listings Requirements, requiring shareholder approval. Further, in order for the Proposed Rights Offer to be completed, certain amendments would be required to Sun International's existing memorandum of incorporation. Approval by the requisite majority of shareholders present and voting at a general meeting of shareholders ("General Meeting") to the various required resolutions will be sought by Sun International.

6. SHAREHOLDER SUPPORT

Sun International has approached its major shareholders to determine support for the Proposed Transaction. Shareholders representing 44.1 % of the total shares in issue (net of treasury shares) have provided written undertakings to support the Proposed Transaction.

7. CIRCULAR TO SHAREHOLDERS

A circular, which contains further details of the Proposed Transaction, together with a notice of General Meeting to vote on the resolutions required to implement the Proposed Transaction and the Proposed Rights Offer, will be issued to Sun International shareholders in due course.

8. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Following the release of this announcement, the cautionary announcement as released on 4 March 2015 is hereby withdrawn and caution is no longer required to be exercised by Sun International shareholders when dealing in their shares.

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20 March 2015

Investment Bank and Transaction Sponsor to Sun International

Investec Bank Limited

Corporate Law Advisers to Sun International

Cliffe Dekker Hofmeyr

Sponsor to Sun International

Rand Merchant Bank (a division of FirstRand Bank Limited)

Joint Underwriters for the Proposed Rights Offer

Investec Bank Limited

Nedbank Limited

Financial Adviser to Peermont Group

Rand Merchant Bank (a division of FirstRand Bank Limited)

Corporate Law Advisers to Peermont Group

Bowman Gilfillan

Corporate Law Advisers to GoldenTree Asset Management, LP

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