



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors held on Wednesday 2 May 2018 at 10.00am
at M12, Level 1, Crown Conference Centre, 8 Whiteman Street,
Southbank, Victoria

Present:

John Alexander (Chairman)
Helen Coonan (by telephone)
Andrew Demetriou
Geoff Dixon (by telephone)
John Horvath
Guy Jalland
Michael Johnston
Harold Mitchell

Mary Manos (Secretary)

By invitation:

Mark Arbib (CPH)
Ken Barton
Barry Felstead
Jane Halton
Lauren Harris
Toni Korsanos
Alan McGregor
Richard Murphy (MinterEllison) (Items 1 to 5 only)
Todd Nisbet

Apologies:

Karl Bitar

BUSINESS

Opening Business:

John Alexander welcomed Guy Jalland to his first Board meeting following his appointment as a Director of the Company on 16 April 2018 and also welcomed Jane Halton and Toni Korsanos as observers to the meeting.

Draft Minutes of Meeting of the Board and Written Resolutions:

It was **RESOLVED** that the Minutes of the Board Meetings held on 21 February 2018 and 7 March 2018 be approved.

It was also **RESOLVED** that the Written Resolutions of the Board dated 19 April 2018 be noted.

Matters Arising:

It was noted that there were no matters arising from the previous meeting.

CEO's Report:

The CEO's Report was taken as read.

Ken Barton advised the Board that:

- trading results through to the end of March 2018 were ahead of budget with both local businesses below budget and Aspinalls slightly below budget offset by the VIP businesses in Australia which are well above budget;
- Wagering and Online was above budget, excluding budgeted EBITDA for CrownBet;
- in April 2018, the Investment Committee approved the payment of the first of two contractual earn-out payments in relation to DGN, increasing the Company's shareholding in DGN from 70% to 85% at a cost of US\$8.4 million;
- given DGN's current strong performance, it is proposed that the Company, together with the founders, jointly provide funding of US\$6 million to support accelerated customer acquisition expenditure; and
- the sale of the Company's interest in CrownBet completed on 27 February 2018, with CrownBet losing all rights to use the CrownBet name and associated intellectual property at the end of August 2018.

John Alexander noted that CrownBet had requested a five year extension of the licence to use the CrownBet name.

Andrew Demetriou advised the Board that he had been approached by CrownBet to rejoin the CrownBet Board. The Board noted the potential conflicts of interest should Andrew Demetriou accept the appointment.

The Board requested that a letter be sent to CrownBet confirming that the Company does not agree to an extension of the licence to use the CrownBet name and that the rights will cease at the end of August 2018 in accordance with the sale documentation.

Ken Barton provided an update on recent regulatory matters noting that following the allegations made by Andrew Wilkie in

October 2017:

- AUSTRAC has conducted a comprehensive assessment of cash flow movements on the gaming floor, with particular focus on electronic gaming machines; and
- the Company is still awaiting the report from AUSTRAC on its review.

In relation to AUSTRAC, Ken Barton noted that:

- in April 2018, the Company identified a number of errors in 55 IFTI reports filed with AUSTRAC in March and April 2018;
- the errors arose from an IT systems update that took place in February 2018; and
- in future, any relevant systems updates will be run in parallel with internal audits on the Company's AUSTRAC reporting to minimise the risk of any future reporting errors arising from systems updates.

REDACTED - PRIVILEGE

It was **RESOLVED** that the CEO's Report be noted.

Trading Update:

Ken Barton spoke to the Trading Update for the Group to 22 April 2018 noting that VIP volumes in Melbourne and Perth are strong, however win rates are low.

The Board discussed the different win rate programs available to junkets and premium players and it was noted that Management is conducting a review to determine if there can be a better mix of programs resulting in a lower impact on the win rate.

The Board also discussed junket debtors and it was noted that a full review of junket debtors will be undertaken by the Audit and Corporate Governance Committee prior to the release of the FY18 results.

Among other current issues, Barry Felstead noted the following:

- Crown Perth hotel performance has been very soft particularly

with other new hotels opening in Perth;

- Management would be presenting to the WA Regulator in response to the most recent Wilkie allegations made on 24 April 2018;
- Crown Melbourne has increased its security measures by increasing bike patrols and random bag inspections, introducing random security metal detector screening and installing additional facial recognition cameras; and
- a number of executives and John Horvath had met with Tim Costello, Stephen Mayne and Anna Bardsley as a follow up from the 2017 Annual General Meeting.

John Horvath and Ken Barton noted that at the meeting with Tim Costello, Stephen Mayne and Anna Bardsley, the following three requests were made of the Company:

- consider the establishment of an external Customer Advisory Panel to consult with on responsible gaming matters;
- consider the distribution practices for promotional materials to patrons; and
- identify the Company's revenue from electronic gaming machines in its results.

John Horvath noted that he would work with the Responsible Gaming Committee on various other responsible gaming initiatives.

The Board discussed the current political environment and Barry Felstead advised that the Company is considering whether an internal Government Relations position may be beneficial to the Company.

Barry Felstead also noted that, consistent with Crown Perth, Crown Melbourne is looking to introduce annual health checks for employees who work in designated smoking areas from June 2018.

It was **RESOLVED** that the Trading Update be noted.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



It was **RESOLVED** that:

- the Chief Legal Officer – Australian Resorts;
- the General Counsel and Company Secretary of the Company;
and
- each lawyer employed by the Company or another company in the Crown group, provided they are acting with the prior approval of the Chief Legal Officer –Australian Resorts or the General Counsel and Company Secretary of the Company,

each be authorised to: (a) give the Company's solicitors instructions to file documents with the Court on behalf of the Company; and (b) swear or affirm affidavits to be filed on behalf of the Company in the proceeding as and when required, and that any such action taken by those persons to date be hereby ratified

and approved.

Key Development Matters:

Sydney Update:

Todd Nisbet advised that construction of Crown Sydney is proceeding on schedule and, among others, noted the following:

- the Company has been successful to date in obtaining 20% deposits for a number of Crown Sydney residences with a full release of the deposit on signing which will be used to offset construction expenses;
- a number of further residential sales contracts are under negotiation;
- the forecast for Crown Sydney residential sales cash flows are conservative and an updated sales forecast and corresponding cash flows will be included in the business plan update presented to the Board in June 2018;
- the Crown Sydney residences marketing suite in Kent Street, Sydney is now complete with a buyer party to be launched at the suite in the coming weeks for interested parties;
- the Crown Sydney hotel mock-up room is complete and the gaming mock-up room is expected to be completed in October 2018;
- it is anticipated that future marketing spend for residential sales will be largely focussed in offshore markets with a particular focus on Hong Kong and Singapore;
- approximately 76% of construction trade values are committed under contract;
- the Company is considering upscaling some of its decorative elements surrounding the property as part of its security measures; and
- the water taxi and boat drop off area is currently awaiting maritime approvals.

Todd Nisbet extended an invitation to the Directors to visit the Kent Street marketing suite.

The Board discussed the current status of the negotiations with the BDA over the sightlines issues arising from the proposed development of Central in Barangaroo. Todd Nisbet advised that at this stage, only a small number of potential buyers have expressed concerns over the sightline issues.

Helen Coonan provided an update on the status of the sale of a leasehold interest in six apartments located on floors 48 and 49 of the Crown Sydney Residences at the Crown Sydney Hotel Resort to

Mr James Packer which was approved by the non-CPH members of the Board that on 12 December 2017, with authority delegated to a Sub-committee comprised of Andrew Demetriou, Harold Mitchell and Helen Coonan to supervise the negotiation and finalisation of the transaction documents and noted the following:

- on 23 April 2018, the Sub-committee met to review and approve the transaction documents and the Sub-committee received assurance from both Management and Corrs Chambers Westgarth that the documentation was consistent with the terms previously presented to and approved by the non CPH members of the Crown Board; and
- on that basis, the Sub-committee resolved that the sale to Mr Packer of a leasehold interest in the Custom Residence for an amount of \$60 million (with a fit-out allowance of \$8 million) is in the best interests of the Company and approved the transaction documents.

Mary Manos advised the Board that the sale documentation was signed following the meeting of the Sub-committee.

One Queensbridge Update:

Todd Nisbet advised the Board that the Company is continuing to seek a third party equity investor for the One Queensbridge project to reduce residential exposure and noted the following:

- three potential new investors have shown interest in the project from a residential perspective, with two of those investors considering build to rent structures; and
- with the expiration of the planning permit in February 2019, preliminary meetings have been held with the Victorian DPC and Planning who are amenable to an extension of the project as long as the project remains an iconic project with 400-500 hotel rooms and a significant hospitality component managed by the Company.

Alon Update:

Todd Nisbet noted that the dispute with YWS architects has not yet been resolved and, based on the lack of engagement by YWS, it is not expected that the matter will be closed out by 30 June 2018 as originally anticipated.

Japan Update:

Todd Nisbet advised the Board of the following:

- the Integrated Resort Implementation Bill was tabled with the Diet on 27 April 2018 and it is possible it may be passed in late June 2018;
- a 30% gaming tax rate in Japan has been fixed with the possibility of additional local taxes; and
- limits have been set on the number of times Japanese nationals can visit casinos in Japan and they must also provide a 'My Number' card for identification purposes on entry.

The Board discussed the Company's potential investment in a casino in Japan, if any, and it was noted that Yokohama would be the most suited destination to the Company given its similarities to Southbank and Barangaroo.

The Board requested that:

- the decision making criteria for a potential investment in Japan be set ahead of the June Board meeting; and
- based on the decision making criteria set by the Board, Management provide a detailed timeline and investment criteria to the Board at its June meeting for consideration.

It was **RESOLVED** that the Development Update be noted.

Capital Management Update:

The Capital Management Update paper was taken as read.

Ken Barton noted the following:

- the on-market share buy-back and the Hybrid Notes I buy-back are both progressing;
- the on-market share buy-back will be suspended during the full year results blackout period which will commence on 1 July 2018; and
- it is proposed that the Hybrid Notes I buy-back be cancelled with effect from 1 July 2018 and the Hybrid Notes I be redeemed on the First Call Date, being 14 September 2018.

It was **RESOLVED** that:

- the Hybrid Notes I buy-back be cancelled with effect from 1 July 2018;
- the Hybrid Notes I be redeemed on the First Call Date of 14 September 2018 in accordance with the Terms of Issue of the Hybrid Notes I; and
- the Chief Financial Officer and any Director or the Company

Secretary be authorised to do any act, matter or thing necessary or desirable in connection with the cancellation of the Hybrid Notes I buy-back with effect from 1 July 2018 and the redemption of the Hybrid Notes I on the First Call Date.

Ken Barton also advised that Management has been in discussions with the Department of Treasury and Finance Victoria in relation to Crown's financial security arrangements with the State of Victoria and has proposed the following amendments to the existing security arrangements:

- removal of certain restrictive covenants as they apply to Crown Resorts;
- replacement of the existing \$185 million Letter of Credit with a new Letter of Credit for \$60 million, which will not be subject to the historical offset arrangements;
- removal of the existing \$285 million cap on the State's ability to recover under the Fixed and Floating Charge and Letter of Credit, with no limit on the amounts recoverable under the Fixed and Floating Charge; and
- removal of the offset arrangements between the Letter of Credit and the Fixed and Floating Charge.

The Board was supportive of the proposed changes.

Management Accounts YTD March 2018:

The Management Accounts YTD March 2018 were taken as read.

It was **RESOLVED** that the Management Accounts YTD March 2018 be noted.

Investor Relations Report:

The Investor Relations Report was taken as read.

It was **RESOLVED** that the Investor Relations Report be noted.

Committees:

Draft Minutes of Meeting of the Risk Management Committee and Occupational Health and Safety Committees held on 8 March 2018:

The draft minutes were taken as read.

John Alexander noted that a joint meeting of the Occupational Health & Safety and Risk Management Committees was convened to discuss the suspicious person incident that occurred at Crown Melbourne on 28 February 2018.

John Horvath advised the Board that the Committees had requested that Management prepare a briefing paper on Crown Melbourne's security arrangements and consideration of the

appropriateness of the adoption of additional security measures.

It was **RESOLVED** that the draft minutes of meeting of the Risk Management and Occupational Health and Safety Committees held on 8 March 2018 be noted.

***Draft Minutes of Meeting of the
Nomination and Remuneration
Committee held on 14 March 2018
and 23 April 2018:***

The draft minutes were taken as read.

Geoff Dixon noted that the Nomination and Remuneration Committee had considered a proposal to honour an agreement of the former Chairman, Rob Rankin, to provide additional remuneration (in the amount of \$2 million) to Karl Bitar for his assistance in the resolution of the detention of Crown's employees in China and after careful consideration, the Committee made the following observations:

- the proposed remuneration payment ought to have been brought to the Committee to consider prior to the arrangement being finalised;
- the Committee was being asked to ratify the actions of the former Chairman;
- the Committee and Management have done the best they can to investigate the matter in the circumstances; and
- based on the Company's internal investigations and having regard to the legal advice, the Committee considered that it is appropriate that to honour the remuneration payment commitment made to Mr Bitar by the former Chairman.

It was further noted that the Committee had requested that Management ensure that each member of the Executive Team be informed that, going forward, no such payments will be made unless the arrangements for the payment have been approved by the Committee and, if required, the Board at the time the arrangements are made and not at the time the payment is to be made.

It was **RESOLVED** that:

- having regard to above, Karl Bitar be paid \$2 million as a one off payment for undertaking the China related work to be made as part of Mr Bitar's FY18 remuneration; and
- the draft minutes of meeting of the Nomination and Remuneration Committee held on 14 March 2018 and 23 April 2018 be noted.

Draft Minutes of Meeting of the Corporate and Social Responsibility Committee held on 26 March 2018:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Corporate and Social Responsibility Committee held on 26 March 2018 be noted.

Draft Minutes of Meeting of the Responsible Gaming Committee held on 10 April 2018:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Responsible Gaming Committee held on 10 April 2018 be noted.

Draft Minutes of Meeting of the Investment Committee held on 10 April 2018:

The draft minutes were taken as read.

It was **RESOLVED** that the draft minutes of meeting of the Investment Committee held on 10 April 2018 be noted.

Other Business:

Director Appointments Update:

The paper with respect to this item was taken as read.

Mary Manos advised the Board of the following:

- Consolidated Press Holdings Pty Limited (CPH) had nominated John Poynton AO as a director of the Company to fill the vacancy created by the recent resignation of James Packer;
- since the Board papers were distributed, CPH has advised that it has retained Mr Poynton to assist in managing its affairs, thereby creating an association with CPH that could affect Mr Poynton's independence which the Board should consider when making its independence assessment; and
- the draft ASX announcement contained in the paper with respect to this item had been updated to note that Mr Poynton was nominated by CPH.

It was **RESOLVED** that:

- John Poynton be appointed as a director of the Company subject to:
 - the receipt by the Company Secretary of a signed consent to act as a director of the Company; and
 - the receipt of all necessary regulatory approvals; and
- the updated form of the ASX announcement regarding Mr Poynton's appointment be approved for release promptly following the conclusion of the Board meeting.

Future Meetings:

The Board noted the future meeting dates.

Closure:

There being no further business, the meeting was declared closed at 12.51pm.

Signed as a correct record



Chairman