

4 May 2023

Response to Silver Lake Media Release Regarding a Non-binding, Indicative and Conditional Proposal from Silver Lake Resources for St Barbara's Leonora Assets

St Barbara Limited ("**St Barbara**") (ASX: SBM) notes the media release by Silver Lake Resources ("**Silver Lake**") (ASX:SLR) regarding a non-binding, indicative and conditional proposal ("**Non-binding, Indicative and Conditional Proposal**") for St Barbara's Leonora assets.

St Barbara refers to its announcement of 17 April 2023 setting out the terms of an agreement ("**Transaction Agreement**") with Genesis Minerals Limited ("**Genesis**") (ASX: GMD) in respect of the sale of its Leonora assets ("**Leonora**") for \$600 million (at that time), comprising:

- Upfront cash of \$370 million;
- 147.8 million shares in Genesis, valued at \$170 million¹; and
- An additional 52.2 million shares in Genesis, valued at \$60 million¹, contingent upon the Tower Hill Project achieving first production.

The consideration under the Transaction Agreement now has an implied value of \$641 million based on the closing price of Genesis shares on 3 May 2023 of \$1.355.

On this latest basis, the net after-tax value to St Barbara shareholders under the Transaction Agreement (including the contingent consideration) is estimated to be \$612 million².

On the evening of 28 April 2023 St Barbara received the unsolicited, Non-binding, Indicative and Conditional Proposal from Silver Lake in relation to the sale of Leonora for \$732 million, comprising:

- Cash consideration of \$326 million; and
- Silver Lake scrip consideration, comprising 327.1 million new Silver Lake shares to be issued to St Barbara, having an implied value of \$406 million³.

Silver Lake has indicated that it has assumed that the Silver Lake shares to be issued to St Barbara would be distributed to St Barbara shareholders pursuant to a capital return.

The net after-tax value of the Non-binding, Indicative and Conditional Proposal, after allowing for the break fee payable to Genesis, is estimated to be \$668 million (approximately 9% above the net after-tax value of the Genesis consideration under the Transaction Agreement)⁴.

The Non-binding, Indicative and Conditional Proposal is stated to be subject to a number of conditions including:

- The completion and satisfaction of technical, operational and financial due diligence over a 2 week timeframe;
- The negotiation and execution of a definitive Asset Sale Agreement for Leonora between Silver Lake and St Barbara;
- Silver Lake obtaining a US\$150 million debt facility ("**Acquisition Facility**") from Taurus Mining Finance Fund No.2 LP ("**Taurus**"). The Acquisition Facility is subject to due diligence to be undertaken in parallel with Silver Lake's proposed 2 week due diligence period; and
- Final Silver Lake Board approval to enter into the proposed transaction on a binding basis.

¹ Based on the Genesis capital raising price of \$1.15/share.

² On the basis of 200 million Genesis shares valued at the closing price on 3 May 2023 of \$1.355 per share, plus \$370 million of upfront cash less tax, of approximately \$29 million (based on the Genesis shares being valued at the closing price).

³ Based on the closing price of Silver Lake shares on 3 May 2023 of \$1.24.

⁴ The Non-binding, Indicative and Conditional Proposal value comprises 327.1 million Silver Lake shares valued at the 3 May 2023 closing price of \$1.24 per share, plus upfront cash of \$326 million. It also accounts for estimated tax payable and the \$5.4 million break fee payable to Genesis in the Transaction Agreement.



The Non-binding, Indicative and Conditional Proposal indicates that any binding agreement between Silver Lake and St Barbara would include the following conditions:

- Preparation of an Independent Expert's Report in connection with the approval of Silver Lake shareholders;
- Approval of Silver Lake and St Barbara shareholders;
- Termination of the Transaction Agreement with Genesis; and
- Other conditions consistent with the Genesis transaction.

If all of the conditions were to be satisfied, Silver Lake has indicated expected completion of a transaction under its proposal in mid to late August 2023. This timing assumes that the 2 week due diligence period is sufficient for Silver Lake and Taurus due diligence and for St Barbara's reverse due diligence on Silver Lake.

As announced by St Barbara on 17 April 2023, the Transaction Agreement with Genesis includes reciprocal exclusivity arrangements (including "no shop", "no talk" and "no due diligence" restrictions and notification obligations), reciprocal matching rights and a reciprocal break fee of \$5.4m. The exclusivity arrangements are subject to customary "fiduciary out" exceptions in respect of the "no talk" and "no due diligence" obligations.

In accordance with the terms of the Transaction Agreement, St Barbara has given notice to Genesis of the Non-binding, Indicative and Conditional Proposal.

As part of the assessment of the Non-binding, Indicative and Conditional Proposal, the St Barbara Board requested additional information ("**St Barbara Information Request**") from Silver Lake in respect of the assumptions, terms, conditions and basis of the Non-binding, Indicative and Conditional Proposal.

Based on the information contained in the Non-binding, Indicative and Conditional Proposal, and the responses received in response to the St Barbara Information Request, the St Barbara Board has concluded that the terms offered by Silver Lake do not constitute a superior proposal to the Genesis transaction and do not satisfy the "fiduciary out" exceptions to the "no talk" and "no due diligence" obligations under the Transaction Agreement. Reasons for this conclusion include:

- On a post-tax basis, and factoring in the break fee of \$5.4m payable to Genesis, the Non-binding, Indicative and Conditional Proposal represents a modest ~9% premium in value to the Genesis transaction, based on the closing share price of both Genesis and Silver Lake on 3 May 2023;
- In St Barbara's view, Silver Lake has not provided any reasonable or quantitative assumptions to support its proposed offer price which could otherwise be confirmed via due diligence;
- The Non-binding, Indicative and Conditional Proposal is conditional on due diligence and obtaining finance;
- The lack of synergies and strategic fit between the Silver Lake assets and Leonora, in contrast to the significant synergies which St Barbara shareholders are expected to benefit from (as the holders of Genesis shares) under the Genesis transaction;
- Under the Non-binding, Indicative and Conditional Proposal from Silver Lake, St Barbara post-transaction would have significantly less cash to fund its obligations and capital requirements compared to the Transaction Agreement with Genesis;
- The requirement in the Non-Binding, Indicative and Conditional Proposal for an Independent Expert's Report in connection with the Silver Lake shareholder vote. St Barbara understands that this Independent Expert's Report would be commissioned to opine on whether the transaction is fair and reasonable to Silver Lake shareholders, creating significant risk to any transaction if this outcome was not confirmed; and
- The significant time risk associated with any engagement with Silver Lake given that any due diligence is, realistically, likely to extend significantly beyond the proposed 2 weeks, including the timeframe for St Barbara to undertake reverse due diligence on Silver Lake. Even if the required mutual due diligence could be completed within 2 weeks, Silver Lake has indicated that expected completion of a transaction would occur in mid/late August. This contrasts with the Genesis transaction which is expected to complete on or around 30 June 2023.

Accordingly, St Barbara will not be further engaging with Silver Lake in respect of the Non-binding, Indicative and Conditional Proposal. St Barbara notes:

- The Transaction Agreement with Genesis remains in full force and effect and the parties are proceeding in accordance with the contemplated timetable to effect the sale of Leonora under the terms of the Transaction Agreement;
- The St Barbara Board has not changed its unanimous recommendation in support of the sale of Leonora to Genesis on the terms of the Transaction Agreement; and
- St Barbara shareholders do not need to take any action in relation to the Non-binding, Indicative and Conditional Proposal.



St Barbara is advised by Macquarie Capital (Australia) Limited as financial adviser and King & Wood Mallesons as legal adviser.

Authorised by

St Barbara Board of Directors

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