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IMPROVED PROPOSAL FROM SILVER LAKE TO ACQUIRE ST BARBARA'S LEONORA ASSETS

HIGHLIGHTS

- Improved Silver Lake Proposal further addresses concerns about residual St Barbara liquidity.
- Total proposed consideration increased to A\$722 million under Improved Silver Lake Proposal, comprising 327.1 million shares (valued at A\$352 million¹) and an increased cash component of A\$370 million cash (previously A\$326 million).
- Improved Silver Lake Proposal represents a significant premium to that provided to St Barbara pursuant to the revised Genesis Transaction.
- Statement of support from St Barbara major shareholder for Silver Lake to progress the Improved Silver Lake Proposal to the binding offer stage.
- Silver Lake stands ready to complete targeted due diligence activities within a two-week period in order to progress its proposal to a binding offer.

Silver Lake Resources Limited (**Silver Lake** or the **Company**) refers to the ASX announcement by St Barbara Limited (**St Barbara**) dated 15 May 2023 regarding its response to Silver Lake's revised proposal to acquire St Barbara's Leonora assets in Western Australia (**Revised Silver Lake Proposal**) as well as the improved terms obtained by St Barbara for the sale of its Leonora assets (**Genesis Proposal**) to Genesis Minerals Ltd (**Genesis**).

Silver Lake received a response from the St Barbara board to its Revised Silver Lake Proposal after St Barbara advised the ASX to the effect that it would not be engaging further with Silver Lake in regards to the Revised Silver Lake Proposal.

Silver Lake has sought constructive engagement with the St Barbara board over the last 12 months to explore a potential transaction in the interests of both sets of shareholders, including approaching St Barbara prior to the announcement of its proposed nil premium corporate transaction with Genesis Minerals Ltd in December 2022. However, at no stage has St Barbara or its advisers meaningfully engaged with Silver Lake.

Since the announcement of the Genesis Proposal on 17 April 2023, Silver has provided two advanced and fully funded proposals to the St Barbara board, demonstrating its significant interest in, and ability to move rapidly to progress, an alternative transaction involving St Barbara's Leonora assets (**Leonora Assets**).

The Revised Silver Lake Proposal included a number of improvements to seek to address the St Barbara board's publicly aired concerns around timing and its post transaction liquidity under Silver Lake's initial proposal. At no time has St Barbara or its advisors privately discussed these concerns with Silver Lake, which has made it difficult for Silver Lake to appropriately address them in any revised proposal.

Following a review of the Genesis Proposal and St Barbara's ASX release dated 15 May 2023, Silver Lake confirms that it has now submitted to the St Barbara board an improved non-binding and indicative proposal to acquire the Leonora Assets (**Improved Silver Lake Proposal**).

The Improved Silver Lake Proposal provides equivalent cash consideration to the Genesis Proposal, in addition to continuing to provide St Barbara shareholders with immediate exposure to a larger, more liquid and diverse gold business with increased leverage to the Australian dollar gold price and a robust balance sheet with strong forecast operating cash flow following a period of significant investment in H1 FY23 to support the growth profile.

¹ Based on the market closing price of Silver Lake shares on ASX on 19 May 2023.

It is important to note that providing Silver Lake with due diligence access so as to allow the progression of the Improved Silver Lake Proposal into a binding offer only potentially impacts upon St Barbara's targeted timetable to secure shareholder approval for the Genesis Proposal prior to 30 June 2023 if Silver Lake provides a binding proposal to acquire the Leonora Assets and the St Barbara board determines that proposal (at that time) to be superior to the Genesis Proposal. Unlike the Genesis Proposal, the Improved Silver Lake Proposal does not impose a penalty on St Barbara if its shareholders do not approve the proposed transaction prior to 30 June 2023.

In this regard, Silver Lake notes that its publicly stated interest in providing a competing proposal to the Genesis Proposal appears to have been the catalyst for St Barbara being able to secure improved transaction terms from Genesis.

Increased cash component provides superior liquidity to St Barbara post transaction

Under the Improved Silver Lake Proposal, Silver Lake has determined to increase the cash component of its proposal by A\$44 million to match the upfront cash component of the Genesis Proposal of A\$370 million. This is in addition to the proposed revised transaction structure that enables St Barbara to retain 94.8 million Silver Lake shares (equating to A\$102 million²) in order to meet its future liquidity requirements (including any break fee payable to Genesis and any incremental capital gains tax liability resulting from the superior consideration offered pursuant to the Improved Silver Proposal).

The Improved Silver Lake Proposal is fully funded with cash and bullion of A\$268 million at 31 March 2023 (excluding A\$31.4 million in gold in circuit and concentrate on hand at net realisable value, with strong forecast free cash flow generation following a period of significant investment in the first half of FY23) and a US\$150 million credit approved acquisition funding facility provided by Taurus Mining Finance Fund No 2 LP (Taurus).

Consideration presents a significant premium on any measure

Total proposed consideration under the Improved Silver Lake Proposal is valued at A\$722 million, comprising A\$370 million cash and 327.1 million Silver Lake shares valued at A\$352 million³.

The Improved Silver Lake Proposal is at a significant premium to the revised Genesis Proposal on any measure. This includes a 16.9% premium based on the respective disturbed VWAPs of Silver Lake and Genesis shares since Silver Lake's original proposal to acquire the Leonora Assets became public⁴ and a 15.8% premium at last closing prices⁵.

Table 1: Implied premia of the Improved Silver Lake Proposal to the revised Genesis Proposal

Reference Silver Lake and Genesis share prices	Premium
Based on last closing prices	15.8%
1 day VWAP	15.2%
5 day VWAP	16.2%
Disturbed VWAP since Silver Lake media release on 4 May 2023	16.9%
30 day VWAP	19.5%

Timetable

The proposed timetable for the Improved Silver Lake Proposal continues to provide a path to complete the transaction in a reasonable timeframe, subject to the prompt and good faith engagement of the St Barbara board.

² Based on the market closing price of Silver Lake shares on ASX on 19 May 2023.

³ Refer to footnote 1.

⁴ Based on the respective VWAPs of Silver Lake and Genesis shares, commencing from the time that Silver Lake's media release in relation to the Silver Lake Proposal was published on 4 May 2023, up until ASX market close on 19 May 2023.

⁵ Based on the market closing prices of Silver Lake shares and Genesis shares on ASX on 19 May 2023.

As previously stated, Silver Lake is aware of a waiver obtained by St Barbara from its debt financiers in relation to an interest cover ratio on the condition that a merger review event and refinancing review event on or before 30 June 2023 were included in St Barbara's facility agreement. In relation to that waiver, Silver Lake makes the following observations;

- Both the Silver Lake and Genesis proposals provide for consideration in excess of A\$600 million, which is approximately 3.4 times the A\$175 million⁶ outstanding under the finance facilities.
- The cash component of the Improved Silver Lake Proposal is approximately 2.1 times the A\$175 million outstanding and enables St Barbara to fully retire its publicly stated debt upon completion of any transaction.
- St Barbara is able to provide Silver Lake with access to due diligence, and to negotiate with Silver Lake in relation to the Improved Silver Lake Transaction, if the St Barbara board determines (in good faith after receiving advice from its financial and external legal advisers) that the Improved Silver Lake Proposal is or would reasonably be expected to become superior to the Genesis Proposal, where failing to respond to the Improved Silver Lake Proposal would be reasonably likely to constitute a breach of the St Barbara board's fiduciary or statutory obligations. Granting Silver Lake the opportunity to conduct due diligence, and negotiating the Improved Silver Lake Proposal to the binding offer stage, should not prejudice the status of, or indicative timetable to complete, the Genesis Proposal unless and until Silver Lake provides a binding offer to acquire the Leonora Assets which is determined by the St Barbara board to be superior to the Genesis Proposal.
- Silver Lake's process for the submission of a binding offer will include discussions with St Barbara's financiers to obtain any necessary waiver to provide the St Barbara board with comfort that it can complete a transaction within an acceptable timeframe. The St Barbara board's own delay in engaging with Silver Lake on its competing proposal will unfortunately extend the likely timetable for completion of any transaction to give effect to the Improved Silver Lake Proposal until August 2023.

Shareholder support statement

L1 Capital Pty Ltd, a 9.34% shareholder in St Barbara, has advised Silver Lake that:

- it is supportive of St Barbara engaging with Silver Lake to progress the Improved Silver Lake Proposal to a binding offer stage, and to St Barbara granting Silver Lake access to conduct due diligence in order to progress the Improved Silver Lake Proposal; and
- if:
 - the St Barbara Board declines to engage with Silver Lake in relation to the Improved Silver Lake Proposal (including, without limitation, granting access to Silver Lake to conduct due diligence in order to enable Silver Lake to seek to progress the Improved Silver Lake Proposal to the binding offer stage); or
 - the St Barbara Board engages with Silver Lake (including, without limitation, providing access to Silver Lake to conduct due diligence enquiries) and Silver Lake submits a binding offer to effect the proposed transaction on materially the same terms as set out in the Improved Silver Lake Proposal, but the St Barbara Board determines that any such binding offer is not superior to the terms of the existing asset sale agreement entered into with Genesis Minerals Limited (as announced on 15 May 2023) (the Genesis Transaction),

then L1 Capital Pty Ltd intends to vote its St Barbara shareholding against the Genesis Transaction at any meeting of St Barbara shareholders convened to consider that transaction, in the absence of any superior proposal emerging from Genesis or any other party.

L1 Capital has consented to this statement being attributed to it in this ASX announcement.

⁶ Comprised of: Australian debt facilities of A\$70 million, Canadian debt facilities of C\$80 million converted at an AUD:CAD exchange rate of 0.89 and lease liabilities of A\$15 million, per St Barbara's ASX release dated 17 April 2023.

St Barbara due diligence

With respect to St Barbara's expressed concern that the proposed time period for completing any reverse due diligence enquiries on Silver Lake is unreasonable, Silver Lake highlights the following points:

- Silver Lake is an existing operator of 3 mines with expected gold production of approximately 260koz in FY23.
- Silver Lake has a market capitalisation of approximately A\$1.0 billion and is part of the ASX200, GDX and GDXJ indices (amongst others).
- Silver Lake has an 8-year history of operating profitably and meeting guidance, and a proven track record of undertaking successful gold exploration, development and production activities (refer figures 1 and 2 on page 5). Silver Lake's corporate strategy to be larger, lower cost and longer life has been consistent, and readily observable over this entire period.
- Silver Lake is under active equity research coverage by 6 publishing research analysts and broking houses, including Macquarie which had a last published "Outperform" recommendation and \$1.70 per share price target on 5 May 2023.
- Silver Lake has zero debt, approximately A\$268 million in cash and bullion (as at 31 March 2023) and a clean, transparent balance sheet and capital structure.
- Silver Lake has an active and comprehensive data room containing both summary and detailed due diligence information ready for immediate access by St Barbara, and is prepared to facilitate requisite site visits at short notice.

Silver Lake would be surprised and disappointed if St Barbara were not able to gain sufficient comfort via reciprocal confirmatory due diligence enquiries conducted over a two-week period.

Silver Lake due diligence

Silver Lake reiterates its commitment to complete its targeted due diligence enquiries within two weeks of being provided access to the relevant due diligence material.

Silver Lake has provided St Barbara with a focused due diligence information request list with all items expected to be available in the ordinary course of business. Key members of Silver Lake's management team have significant experience with the Leonora Assets, which provides Silver Lake with confidence in its ability to complete targeted due diligence enquiries within a two week period.

Silver Lake confirms that Taurus, the provider of its US\$150m credit approved debt facility, has similarly re-iterated to Silver Lake its ability to complete due diligence and finalise the full form financing documentation within this two-week period. Silver Lake has already instructed Taurus to commence preparing the full form financing documentation in anticipation of a positive response from St Barbara to the Improved Silver Lake Proposal.

To date, St Barbara has not been willing to discuss or agree a due diligence scope or timetable with Silver Lake in respect of its numerous competing proposals to acquire the Leonora Assets.

In Silver Lake's view, the St Barbara board's delay in engaging with Silver Lake on its competing proposals has contributed to the "significant timetable risk" that the St Barbara board has sought to justify its reasons (amongst others) for not engaging with Silver Lake.

Silver Lake is ready and willing to engage with the St Barbara board to deliver a compelling proposal for both sets of shareholders

Silver Lake confirms it remains ready and willing to engage with the St Barbara board to explore a transaction that has the potential to be beneficial to both sets of shareholders, create a genuine mid-tier gold producer with immediate gold production of ~400koz p.a. and is considered by Silver Lake to be a superior outcome (if completed) for St Barbara shareholders than the existing Genesis Proposal.

Like any disciplined acquirer, Silver Lake requires access to certain due diligence information in order to progress the Improved Silver Lake Proposal to a binding offer and is not able to waive this requirement.

The St Barbara board now must determine whether to allow Silver Lake access to the necessary due diligence information in order to progress the Improved Silver Lake Proposal to a binding offer stage, having regard to its existing deal protections that it has afforded to Genesis in connection with the Genesis Proposal.

Ultimately if the St Barbara board does not provide Silver Lake with such access, all St Barbara shareholders will have the opportunity to decide whether to support the Genesis Proposal or consider other available avenues to exercise their rights as shareholders so as to seek to require the St Barbara board to engage in a more robust price discovery process for the sale of St Barbara’s flagship Leonora Assets.

Figure 1: Silver Lake management have delivered sales guidance for 8 consecutive years

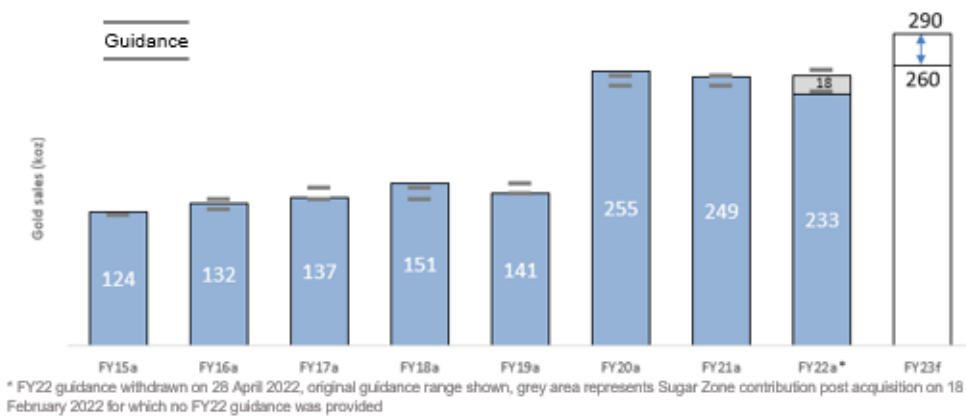
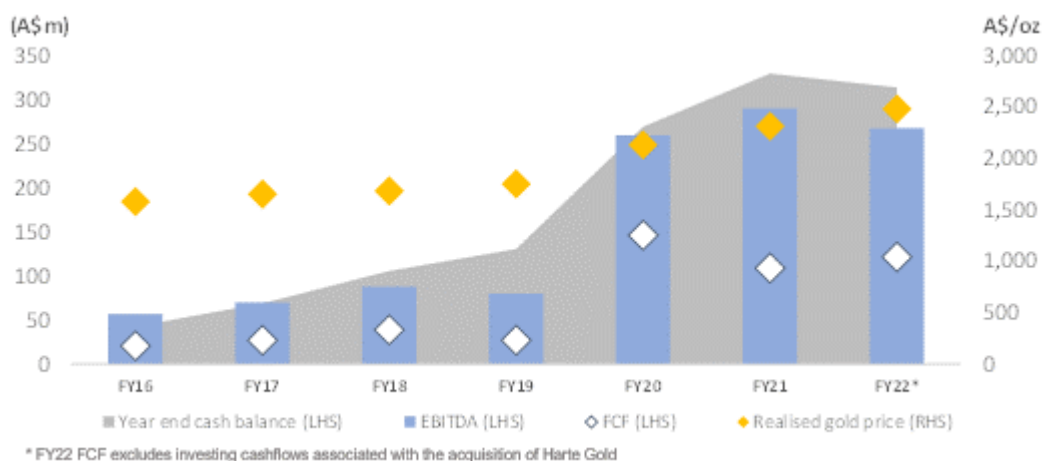


Figure 2: Silver Lake has a demonstrated track record of free cash flow generation



This announcement was authorised for release to ASX by Luke Tonkin, Managing Director. For more information about Silver Lake and its projects please visit our web site at www.silverlakeresources.com.au (including media releases issued by Silver Lake in respect of the Silver Lake Proposal).

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