

2 June 2023

No material improvement in Silver Lake proposal for Leonora

- The St Barbara Board continues to **unanimously recommend** that St Barbara shareholders **vote in favour** of the Genesis Binding Transaction, in the absence of a Superior Proposal
- No material improvement in Silver Lake proposal for Leonora, which remains highly conditional
- Silver Lake has not provided any reasonable or quantitative assumptions which would allow St Barbara to assess whether the proposed offer is supported by a genuine Gwalia business case and can be validated by due diligence
- Providing Silver Lake with access to due diligence would potentially expose St Barbara to a termination of the Binding Transaction Agreement with Genesis
- Silver Lake has provided no evidence that there would be sufficient support from its shareholders to approve a transaction
- St Barbara is not required by ASX to seek St Barbara shareholder approval for the sale of Leonora to Genesis but in the interests of strong corporate governance, the St Barbara Board is voluntarily seeking shareholder approval

St Barbara Limited (“St Barbara”) (ASX: SBM) notes the announcement by Silver Lake Resources Limited (“Silver Lake”) (ASX:SLR) on 31 May 2023 re-issuing the terms of its previously revised non-binding, indicative and conditional proposal (“Re-issued, Non-binding, Indicative and Conditional Proposal”) for St Barbara’s Leonora assets.

The Re-Issued Non-binding, Indicative and Conditional Proposal remains incapable of acceptance and indicative only of Silver Lake’s intent at the current time. Notably, it remains subject to finance leaving St Barbara to judge whether Silver Lake can obtain the finance within the specified two weeks.

The St Barbara Board reiterates that it is unable to identify a realistic pathway by which the Re-issued, Non-Binding Indicative and Conditional Proposal can reasonably be expected to become a Superior Proposal.

Allowing Silver Lake access to due diligence on the basis of the Re-issued, Non-binding Indicative and Conditional Proposal in these circumstances would expose St Barbara to a termination of the Binding Transaction Agreement with Genesis Minerals Limited (“Genesis”) (ASX: GMD) given its “no talk” and “no due diligence” obligations under that agreement.

This termination right is, in effect, also enforceable by AustralianSuper Pty Ltd and Resource Capital Fund VII under their respective equity subscription agreements with Genesis. If the Binding Transaction Agreement is terminated or if St Barbara shareholders do not approve the Resolutions at the St Barbara Extraordinary General Meeting on 20 June 2023 (“EGM”), a transaction with Genesis would not proceed which would result in St Barbara being unable to extinguish its senior debt and lease liabilities, and not receiving the cash necessary for the Atlantic Reclamation Security Bond¹. In these circumstances, St Barbara is likely to breach its debt covenants at 30 June 2023, would need to urgently source a substantial amount of capital from other sources (including potentially, a highly dilutive equity raise) or recommence an asset sale process from a weak negotiating position. There can be no assurance of success with the equity raise or asset sale process.

Since 19 May 2023², the Silver Lake Re-issued, Non-binding, Indicative and Conditional Proposal has represented an 8 – 13% premium to the Genesis transaction on a post-tax, post-break fee basis, and a 9% premium as at last close³. The St Barbara Board has determined that this premium alone does not justify the significant risk of losing the Genesis transaction.

The St Barbara Board unanimously recommends that St Barbara shareholders vote in favour of the Resolutions at the St Barbara EGM to give effect to the Leonora Sale and the Genesis Share Distribution, in the absence of a Superior Proposal.

¹ Refer to St Barbara’s announcement lodged with ASX on 31 May 2023 titled ‘Atlantic Reclamation Plan Update and Reclamation Security Update Submission’

² Date at St Barbara received the latest revision in proposal consideration from Silver Lake. Refer to Silver Lake’s announcement lodged with ASX on 19 May 2023 titled ‘Improved Proposal from Silver lake to acquire St Barbara’s Leonora assets’

³ On the basis of 327.1 million Silver Lake shares valued at its 1 June 2023 ASX closing price and cash of \$370 million, and 205 million Genesis shares valued at its 1 June 2023 ASX closing price and cash of \$370 million, on a post-estimated tax, post-break fee basis.



Inadequacies of the Silver Lake Re-issued, Non-binding, Indicative and Conditional Proposal

St Barbara highlights the following matters regarding the Re-issued, Non-binding, Indicative and Conditional Proposal which, in the St Barbara Board's view, undermine the credibility of the Silver Lake proposal:

- **Lack of tangible Silver Lake shareholder support:** St Barbara cannot enter into a binding agreement with Silver Lake without first terminating the Genesis transaction, with St Barbara shareholders at that point being entirely exposed to the outcome of Silver Lake's shareholder vote. In contrast, Genesis has canvassed shareholders from within its top 20, with shareholders representing 49% of Genesis' shares on issue having indicated support for the Genesis transaction⁴.

Silver Lake has provided no evidence that there would be sufficient support from its shareholders to approve a transaction.

- **Highly conditional:** Silver Lake's proposal continues to be non-binding, indicative and conditional, with significant conditions precedent to entering a binding agreement with St Barbara remaining. There is no material improvement over the previous proposal, with the only change being the removal of a technical due diligence requirement with respect to Silver Lake's proposed US\$150 million debt facility from Taurus Mining Finance Fund No. 2 LP ("**Acquisition Facility**"). The Acquisition Facility remains subject to legal and financial due diligence and the execution of the full form financing documentation, which remains entirely at Taurus' discretion (potentially including by reference to the outcomes of Silver Lake's own technical due diligence).
- **Lack of justification for its offer price:** On 30 April 2023, St Barbara requested that Silver Lake outline its key operating cost, production and capital assumptions in relation to Leonora in order to allow St Barbara to assess the extent to which those assumptions were realistic and could be validated by Silver Lake's proposed due diligence. To date, Silver Lake has still not provided any reasonable or quantitative assumptions which would allow St Barbara to judge whether Silver Lake's offer price is supported by a reasonable business case. This is necessary to confirm whether or not the Silver Lake offer could reasonably be expected to receive Silver Lake Board and shareholder approval, so as to become a Superior Proposal.

Since Silver Lake first approached St Barbara's advisors, Silver Lake has had almost a year to put forward a non-binding indicative offer. Instead, Silver Lake has waited until the eleventh hour to submit a proposal without providing any reasonable or quantitative support as to how that offer was derived.

- **St Barbara's balance sheet:** St Barbara is concerned about Silver Lake's statement that "*St Barbara's financiers have comfort that their debt will be repaid in full*". The St Barbara Board believes that Silver Lake has no reasonable basis on which to assert that it is confident that St Barbara's financiers will extend the interest covenant waiver for 30 June 2023. St Barbara has engaged with its lenders, who have confirmed that the teams responsible for the St Barbara facilities have not engaged with Silver Lake and have not provided any indication of support for Silver Lake's proposal. Clearly St Barbara would be required to engage with St Barbara's financiers however drawdowns are already restricted, the debt facility arrangements would enter into formal review status and St Barbara would have heavily restricted ability to manage the Atlantic Reclamation Security Bond or other unforeseen event. In that position any capital raise or asset sale process will be required from a position of significant weakness and there is no assurance of success of either.

St Barbara Board has followed robust due process

The St Barbara Board has acted, and will continue to act, firmly in the interests of the Company and its shareholders in accordance with its fiduciary duties.

The St Barbara Board has guided the Company through a careful and diligent process with respect to the sale of St Barbara's Leonora assets ("**Leonora Asset Sale**"), following on from merger discussions in 2022, and demonstrated by:

- **A St Barbara shareholder vote on the Leonora Asset Sale:** In April 2023, St Barbara received confirmation from the ASX that St Barbara shareholder approval for the Leonora Asset Sale under the ASX Listing Rules would not be required. Nevertheless, the Board of St Barbara has voluntarily provided its shareholders with the opportunity to vote on the transaction at the St Barbara EGM as a matter of good corporate governance.
- **Engagement with genuine parties in relation to a potential combination:** Prior to entering into the initial merger proposal with Genesis, the St Barbara Board engaged in corporate transaction discussions with three genuine parties, including Red 5 Limited ("**Red 5**"). In particular, St Barbara notes the announcement by Red 5 on 29 September 2022, referring to Red 5 and St Barbara being in discussions at that time. St Barbara has, and will continue, to holistically assess all corporate proposals presented to the company, acting in the best interests of the Company, and its shareholders. However, in the absence of the "fiduciary out" exception being triggered under the Binding Transaction Agreement with Genesis, the St Barbara Board will not breach the "no talk" and "no due diligence" obligations under that agreement, which would give rise to a Genesis termination right and put the Genesis transaction at risk.

⁴ Refer to Genesis' announcement lodged with ASX on 19 May 2023 titled '*Strong shareholder support for Genesis' acquisition of St Barbara's Leonora assets and growth strategy*' for further information.



- **Clarification of engagement with Silver Lake:** Silver Lake first contacted St Barbara's advisor in June 2022 to discuss potential engagement and access to due diligence, after which David Quinlivan (Silver Lake's Chair) spoke with Tim Netscher (St Barbara's Chair at the time). In those discussions Silver Lake advised that its general approach to M&A activity was not to make indicative proposals before undertaking due diligence and, as such, it would not submit a non-binding proposal or provide an indication of price until due diligence was undertaken. The St Barbara Board determined at that time that it was not willing to progress engagement with Silver Lake in the absence of a specific transaction proposal to engage on. In light of that, discussions between the parties did not progress.

David Quinlivan contacted Tim Netscher again on 18 September 2022 regarding potential engagement between the parties but, once again, Silver Lake did not submit a proposal or indication of price. As such, St Barbara declined to engage with Silver Lake, and the St Barbara management team instead focused on engagement with three genuine parties, running a strategic review and sale process for Simberi, and managing the permitting process for the Atlantic operations.

For the reasons outlined above, and other reasons outlined in St Barbara's previous announcements relating to the Silver Lake proposal⁵, St Barbara will not be engaging with Silver Lake in respect of the Re-issued, Non-binding, Indicative and Conditional Proposal. St Barbara notes:

- The Binding 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 Binding Transaction Agreement; and
- The St Barbara Board has not changed its unanimous recommendation in support of the sale of Leonora to Genesis on the terms of the Binding Transaction Agreement.

Reminder to vote

The St Barbara Board unanimously recommends that St Barbara shareholders **vote in favour** of the Resolutions at the St Barbara EGM to give effect to the Leonora Sale and the Genesis Share Distribution. This recommendation is made in the absence of a Superior Proposal.

Further information about the Board's recommendation can be found in the Explanatory Booklet. Shareholders are strongly encouraged to vote online before the meeting. Your vote is important and you are strongly encouraged to vote regardless of how many shares you hold.

MAKE YOUR VOTE COUNT

To vote online, click the link below:

www.investorvote.com.au

Proxy appointments must be received by 11:00am (AWST) on Sunday, 18 June 2023.

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

For more information

Investor Relations

David Cotterell
Manager Business Development
info@stbarbara.com.au
T: +61 3 8660 1959
M: +61 447 644 648

Media Relations

Paul Ryan / Michael Weir
Citadel-MAGNUS
0409 296 511 / 0402 347 032

Shareholder Relations

Marc Stanghieri / Justin Foord
Morrow Sodali
+1300 255 218 (within Australia)
+61 2 9066 4084 (outside Australia)

⁵ Refer to St Barbara's announcements lodged with ASX on 4 May 2023 titled 'SLR non binding indicative conditional proposal for Leonora', 15 May 2023 titled 'Improved Terms for Leonora from Genesis Minerals' and 23 May 2023 titled 'St Barbara Board determines not to engage with Silver Lake' for further information.