

23 May 2023

## St Barbara Board determines not to engage with Silver Lake Sale of Leonora Assets to Genesis Minerals Remains on Track for 30 June

St Barbara Limited (“**St Barbara**”) (ASX: SBM) notes the announcement by Silver Lake Resources Limited (“**Silver Lake**”) (ASX:SLR) on the evening of 19 May 2023 setting out the terms of a revised non-binding, indicative and conditional proposal (“**Revised Non-binding, Indicative and Conditional Proposal**”) for St Barbara’s Leonora assets.

The Revised, Non-binding, Indicative and Conditional Proposal from Silver Lake comprises:

- Cash consideration of \$370 million (previously \$326 million); and
- Scrip consideration, comprising 327.1 million new Silver Lake shares (unchanged from Silver Lake’s previous proposal).

The net after-tax value of the Revised Non-binding, Indicative and Conditional Proposal, after allowing for the \$5.4 million break fee contemplated in the fully documented and binding transaction agreement between Genesis Minerals Limited (“**Genesis**”) (ASX:GMD) and St Barbara (“**Transaction Agreement**”), is estimated to be \$650 million<sup>1</sup>, which is:

- Approximately 10% above the net after-tax value of the consideration payable<sup>2</sup> under the transaction contemplated in the Transaction Agreement (“**Binding Genesis Transaction**”); and
- Approximately 5% above the net after-tax value of the consideration payable<sup>3</sup> under the Binding Genesis Transaction before the uncertainty created by the media release of the Silver Lake approach (“**Silver Lake Media Release**”) on 4 May 2023.

No improvement in the conditionality has been proposed by Silver Lake in its Revised Non-binding, Indicative and Conditional Proposal.

### St Barbara Board determines not to engage with Silver Lake

St Barbara notes that while the Revised Non-binding, Indicative and Conditional Proposal contemplates additional cash which would support the liquidity of St Barbara going forward, the proposal remains non-binding and unacceptably conditional and contrasts to the fully documented, fully financed and shareholder-supported Binding Genesis Transaction.

This conditionality will remain even in the event that Silver Lake ultimately provides a binding proposal, as it will still be subject to Silver Lake shareholder approval. Critically, the Revised Non-binding, Indicative and Conditional Proposal requires St Barbara to terminate the Binding Genesis Transaction (and lose the associated \$400 million Genesis capital raising) at a time when Silver Lake’s proposal is conditional on, at a minimum, a Silver Lake shareholder vote. In this situation, the Silver Lake transaction would become an “option” for Silver Lake, with St Barbara shareholders entirely exposed to the outcome of the Silver Lake shareholder vote and the potential failure to satisfy any other remaining conditions precedent. No indication of Silver Lake shareholder support has been provided by Silver Lake (notwithstanding St Barbara’s written request), and St Barbara has no basis for expecting that Silver Lake can deliver a satisfactory level of certain shareholder support in the time available.

St Barbara’s concern over the level of Silver Lake’s own shareholder support is, in St Barbara’s view, evidenced by the consistent pattern of trading in Silver Lake shares on ASX since Silver Lake announced its first proposal for the Leonora assets. For example, the Silver Lake share price has fallen by an average of 5% on the trading day after each announcement of a Silver Lake proposal<sup>4</sup>, and decreased by a total of 19% since Silver Lake announced its first proposal for the Leonora assets on 4 May 2023<sup>5</sup>.

This is to be contrasted with the Binding Genesis Transaction which has received indications of support from 49% of Genesis’ shares on issue<sup>6</sup>.

<sup>1</sup> On the basis of 327.1 million Silver Lake shares valued at the 22 May 2023 closing price of \$1.035 and cash of \$370 million.

<sup>2</sup> On the basis of 205 million Genesis shares valued at the 22 May 2023 closing price of \$1.180 and cash of \$370 million. Assumes that St Barbara shareholders approve the Binding Genesis Transaction and associated resolutions on or before 30 June 2023.

<sup>3</sup> On the basis of 205 million Genesis shares valued at the 4 May 2023 2:10pm (estimated time at which the Silver Lake Media Release was broadly available to the market) intraday price of \$1.385 and cash of \$370 million.

<sup>4</sup> Average of the 4.34% intra-day (post-2:10pm) fall in share price on 4 May 2023, 5.35% fall in share price on 11 May 2023, and the 4.45% fall in share price on 22 May 2023.

<sup>5</sup> Total fall in share price since the 4 May 2023 2:10:00 PM (estimated time at which the Silver Lake Media Release was broadly available to the market) intraday price of \$1.270 per share with respect to the 22 May 2023 closing price of \$1.035.

<sup>6</sup> Genesis ASX announcement of 19 May 2023 titled “*Strong shareholder support for Genesis’ acquisition of St Barbara’s Leonora assets and growth strategy*”



Further, for St Barbara to decide to place the Binding Genesis Transaction at risk, St Barbara would need to have overwhelming confidence that Silver Lake's Revised Non-binding, Indicative and Conditional Proposal would complete on the terms proposed. Despite St Barbara's requests, Silver Lake has not provided any reasonable basis, quantitative or otherwise, to support how it has derived its offer price for the Leonora assets. This is exacerbated by the lack of synergies, and therefore value creation in the Leonora province, based on Silver Lake's portfolio. The lack of substance associated with the Revised Non-binding, Indicative and Confidential Proposal is also indicated by the fact that it is stated to express "*current intentions only and is not intended to constitute, and does not constitute, an offer capable of acceptance or otherwise give rise to a binding contract*".

St Barbara Chair Kerry Gleeson said:

*"The Binding Genesis Transaction is fully and definitively documented, fully funded by a committed \$400m capital raising, not subject to due diligence, supported by a \$25m deposit and has received indications of support from ~49% of Genesis' register.*

*Silver Lake's latest proposal would still require termination of the Binding Genesis Transaction before the satisfaction of conditions attached to the Silver Lake proposal, including a Silver Lake shareholder vote.*

*Silver Lake was given the opportunity to make a non-binding indicative offer in September last year and it did not do so. Instead Silver Lake has waited until the eleventh hour to demand that St Barbara entertain a disruptive and unrealistic two week due diligence exercise without any indication that Silver Lake shareholders would ever approve the proposal themselves."*

### **Correcting the record**

St Barbara wishes to correct the record in respect of certain statements made by Silver Lake with respect to the historical engagement between St Barbara and Silver Lake.

Silver Lake asserts that it has sought engagement with the St Barbara Board over the last 12 months to explore a potential transaction and claims that "*at no stage did St Barbara or its advisors meaningfully engage with Silver Lake*".

St Barbara confirms that Silver Lake first approached St Barbara in mid-2022 and subsequently in September 2022 regarding an acquisition of St Barbara. At that time St Barbara was engaged in merger opportunity discussions with three other companies (including Genesis and Red 5 Limited), each with logical potential synergies with St Barbara's Leonora assets. At this time Silver Lake was given the opportunity to submit a non-binding indicative offer so that St Barbara could assess the merit of the Silver Lake interest relative to the proposals being developed by others, but Silver Lake declined to do so. St Barbara proceeded to transact with Genesis following extensive reciprocal due diligence, with the initial merger announcement being made on 12 December 2022.

Silver Lake had ample opportunity between September and December 2022 and in the ensuing period to make a non-binding indicative proposal that would be capable of being considered over more realistic timeframes. Instead Silver Lake waited almost five months until 28 April 2023 to make its first non-binding, indicative and conditional proposal. The proposals have been made at a time that is least likely to allow constructive engagement with St Barbara and at a time that causes maximum disruption to St Barbara's completion of the Transaction Agreement with Genesis, including the St Barbara shareholder vote.

### **St Barbara Board conclusion**

In light of the above, the St Barbara Board reiterates that it is unable to identify a realistic pathway by which the Revised Non-binding, Indicative and Conditional Proposal can reasonably be expected to become a superior proposal and satisfy the "fiduciary out" exception, including as a result of the risks involved with terminating the Binding Genesis Transaction and the associated Genesis capital raising, in favour of a conditional arrangement.

In addition to the factors outlined above, other reasons contributing to St Barbara's conclusion include:

- The Revised Non-binding, Indicative and Conditional Proposal remains subject to significant uncertainty given it is not fully funded, with financier due diligence required to be completed;
- The Revised Non-binding, Indicative and Conditional Proposal is subject to significant timetable risk given the requirement to complete mutual due diligence in an unrealistic 2 week timeframe where St Barbara holds considerable doubts that Silver Lake and its financier would deliver a binding proposal of more than \$700 million based on the suggested limited scope "strategic assessment of the long term potential of the Leonora Assets and a fatal flaws analysis of the stated Ore Reserves and Mineral Resources" as described to St Barbara in its response to a question on this point;
- Silver Lake appears to be proposing to outlay a significant portion of its current cash balance and drawing on the proposed financing facility to provide the \$370 million cash consideration and moving into a net debt position meaning that Silver Lake will be at significant risk of requiring further funding to make the necessary investments required at the Leonora Operations to make a stand-alone Gwalia operation profitable;



- The transaction rationale and level of synergies which could be achieved by Silver Lake for the benefit of St Barbara shareholders (as incoming shareholders of the pro forma entity) is significantly weaker when compared to the synergies which St Barbara shareholders are expected to benefit from (as the holders of Genesis shares) under the Binding Genesis Transaction, including Leonora specific exposure. In particular, Silver Lake has indicated that execution of its strategy of filling the Gwalia mill post-acquisition of Leonora may include agreement of a toll treatment arrangement with Genesis in relation to Ulysses which, in St Barbara's view, appears unlikely to be achieved; and
- Any delay to the Binding Genesis Transaction beyond a 30 June 2023 St Barbara shareholder meeting will result in 52.2 million shares in Genesis (as part of the scrip consideration under the Binding Genesis Transaction) becoming contingent upon the Tower Hill Project achieving first production, rather than being accelerated and being received immediately at completion.

Accordingly, the St Barbara Board has declined to engage with Silver Lake in respect of the Revised Non-binding, Indicative and Conditional Proposal, including because it is not permitted to do so without breaching the terms of the Transaction Agreement.

Should St Barbara lose the Binding Genesis Transaction either as a result of (i) disruption to the shareholder meeting, or (ii) undue delay resulting from the distraction of St Barbara engaging with Silver Lake, then:

- The \$400 million Genesis capital raising that delivers the funding requirements to establish both the Leonora Operations and St Barbara's overseas assets will also terminate;
- St Barbara is likely to again breach debt covenants at 30 June 2023 and with the transaction uncertainty will lose the basis of the waiver of the 31 December 2022 covenant breach; and
- Workforce uncertainty can be expected to create additional operating pressures at Leonora in particular.

St Barbara also notes the statement by the hedge fund, L1 Capital, that it intends to vote against the Binding Genesis Transaction in certain circumstances. However, the St Barbara Board's fiduciary duties require it to act in the interests of St Barbara and its shareholders as a whole. The St Barbara Board is firmly acting to ensure that the compelling advantages of the Binding Genesis Transaction are not put at unwarranted risk without a superior and deliverable transaction to replace it.

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**

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