

15 May 2023

Improved Terms for Leonora from Genesis Minerals

No further engagement with Silver Lake on its Non-binding, Indicative and Conditional Proposal

St Barbara Limited (“**St Barbara**”) (ASX: SBM) refers to its announcement of 17 April 2023 outlining the terms of the 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:

- Cash of \$370 million;
- 147.8 million shares in Genesis, then valued at \$170 million¹; and
- An additional 52.2 million shares in Genesis, then valued at \$60 million¹, contingent upon the Tower Hill Project achieving first production (“**Performance Rights**”).

The consideration under the Transaction Agreement had an implied value of \$625 million based on the closing price of Genesis shares on ASX on 12 May 2023 of \$1.275 (“**Genesis Closing Price**”). On this basis, the net after-tax value to St Barbara under the Transaction Agreement is estimated to be \$599 million².

St Barbara is pleased to advise that Genesis has executed a binding agreement to amend the Transaction Agreement (“**Revised Transaction Agreement**”) to the effect that:

- Genesis will issue an additional 5 million shares upfront to St Barbara upon completion of the transaction; and
- The 52.2 million Performance Rights will be accelerated and converted into Genesis shares immediately upon completion of the transaction (rather than being contingent upon the commencement of production at Tower Hill), provided that St Barbara shareholders approve the transaction on or before 30 June 2023.

St Barbara will issue a notice of meeting to approve the transaction in the coming days so as to hold the necessary meeting of St Barbara Shareholders before 30 June 2023.

Following this amendment, in consideration for the sale of Leonora, Genesis will pay to St Barbara on completion:

- Cash of \$370 million; and
- 205 million shares in Genesis, valued at \$261 million based the Genesis Closing Price.

The consideration under this Revised Transaction Agreement had an implied value of \$631 million based on the Genesis Closing Price. On this basis, the net after-tax value to St Barbara under the Revised Transaction Agreement is estimated to be \$604 million.

The Revised Transaction Agreement will result in St Barbara shareholders collectively having increased upfront economic exposure to ~19.9% of Genesis (on a post-transaction basis). It is anticipated that St Barbara’s shareholding in Genesis will be substantially, if not fully, distributed to St Barbara shareholders via a return of capital post transaction³.

In addition, under the terms of the Revised Transaction Agreement, Genesis has agreed to pay a cash deposit of \$25 million. The deposit will be held in an escrow account and is non-refundable if Genesis shareholders do not approve the transaction at the Genesis shareholder meeting or if St Barbara validly terminates the Agreement (excluding for a St Barbara Superior Proposal⁴). The funds are otherwise repayable to Genesis. Genesis is not required to pay St Barbara a break fee if the deposit is retained by St Barbara.

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

² On the basis of 200 million Genesis shares valued at the Genesis Closing Price, plus \$370 million of upfront cash less tax, of approximately \$26 million (based on the Genesis Closing Price)

³ Subject to the Genesis share price being at or around the raising price of \$1.15 per share at the time of completion of the Transaction

⁴ Refer to Appendix A for the definition of St Barbara Superior Proposal



St Barbara notes the receipt from Silver Lake Resources Limited (“**Silver Lake**”) (ASX:SLR) of a revised non-binding, indicative and conditional proposal (**Revised Non-binding, Indicative and Conditional Proposal**) on 11 May 2023. The Revised Non-Binding Indicative and Conditional Proposal removed certain conditions but made no change to the previously proposed consideration comprising:

- Cash consideration of \$326 million; and
- 327.1 million shares in Silver Lake valued at \$332 million based on the closing price of Silver Lake shares on ASX on 12 May 2023 of \$1.015 (“**Silver Lake Closing Price**”).

For ease of comparison, the key value aspects of the binding Revised Transaction Agreement and the Revised Non-binding Indicative and Conditional Proposal are summarised in the following table:

Component		Revised Transaction Agreement with Genesis	Non-binding, Indicative and Conditional Proposal from Silver Lake
Share price date		12 May 2023 (last close price)	12 May 2023 (last close price)
Share price	\$/sh	1.275	1.015
Cash consideration	\$m	370	326
Value of scrip consideration to be distributed to St Barbara shareholders	\$m	261	236
Value of scrip consideration to be retained and subsequently sold by St Barbara	\$m	-	96 ⁵
Total Consideration	\$m	631	658
Break fee	\$m	-	5
Estimated tax payable	\$m	28	38
Total Consideration post-tax and break fee	\$m	604	614
Other Considerations			
Transaction status		Legally binding, proceeding to completion by 30 June 2023	Non-binding and indicative proposal subject to due diligence and termination of Genesis transaction
Financing		Fully funded	Subject to finance due diligence and facility documentation
St Barbara due diligence on bidder		Completed	Outstanding
Cash deposit		\$25m deposit	None
Requirement for bidder shareholder approval?		Yes	Yes
Timing to Completion		Expected completion 30 June 2023	Realistically not before August 2023

⁵ Assumes 94.8 million Silver Lake shares retained.



In light of the above comparison, the St Barbara Board has concluded that the Revised Non-binding, Indicative and Conditional Proposal by Silver Lake does not satisfy the “fiduciary out” exceptions to the “no talk” and “no due diligence” obligations under the Transaction Agreement (see Appendix A) for a number of reasons including:

- On a post-tax basis the Non-binding, Indicative and Conditional Proposal represents an immaterial premium (~2%⁶) in value to the Genesis Revised Transaction Agreement, based on the last closing share price of both Genesis and Silver Lake on 12 May 2023;
- The Silver Lake Revised Non-binding, Indicative and Conditional Proposal is subject to significant uncertainty given it is not fully funded, is conditional on completion of detailed due diligence and does not provide any up-front financial commitment by Silver Lake that it will be able to complete the transaction;
- In St Barbara’s view, Silver Lake has not provided any reasonable or quantitative assumptions to support its proposed consideration which could otherwise be confirmed via due diligence;
- The Silver Lake Revised Non-binding, Indicative and Conditional Proposal does not deliver sufficient cash to St Barbara up-front to meet St Barbara’s future liquidity requirements, likely creating a market expectation of a pending block sale of a substantial portion of the 7.5% of Silver Lake shares proposed by Silver Lake to be retained by St Barbara, thus creating a potential overhang on the Silver Lake share price and exposing St Barbara to a high level of market risk in having to divest those shares at prices below the Silver Lake Closing Price;
- The Silver Lake Revised Non-binding, Indicative and Conditional Proposal is subject to significant timetable risk given the unrealistic requirement to complete mutual due diligence in a 2 week timeframe in order to complete by Silver Lake’s suggestion of late July. St Barbara considers this timeframe is unrealistic in light of the due diligence requests made by Silver Lake and what will be required for St Barbara to gain confidence in the outlook for the Silver Lake portfolio (including a newly acquired asset in North America); and
- 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 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.

In the current circumstances and taking account of the matters outlined above (and others), St Barbara is not entitled to engage with Silver Lake in respect of the Non-binding, Indicative and Conditional Proposal. The St Barbara Board will not intentionally breach the “no talk” and “no due diligence” obligations under the Revised Transaction Agreement, which would give rise to a Genesis termination right. St Barbara has no expectation that Genesis or Genesis’ committed investors would provide a release from St Barbara’s binding exclusivity obligations.

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

- The Revised 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 Revised 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 Revised Transaction Agreement; and
- St Barbara shareholders do not need to take any action in relation to the Revised 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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⁶ Taking into account the payment of the \$5.4 million break fee to Genesis



Appendix A

The “no talk” and “no due diligence” provisions of the Transaction Agreement (and the Revised Transaction Agreement) do not apply to the extent that they restrict St Barbara or the St Barbara Board from taking or refusing to take any action with respect to a St Barbara Competing Transaction that did not result, directly or indirectly, from a material breach of the exclusivity provisions in the Transaction Agreement (or the Revised Transaction Agreement), provided that the St Barbara Board has determined, in good faith after receiving advice from its financial and external legal advisers:

- (a) that the St Barbara Competing Transaction is, or would reasonably be expected to become, a St Barbara Superior Proposal; and
- (b) that failing to respond to the St Barbara Competing Transaction would be reasonably likely to constitute a breach of the St Barbara Board’s fiduciary or statutory obligations,

provided that if St Barbara makes available to any such offeror any non-public information relating to any member of the St Barbara Group or their businesses or operations, St Barbara may only do so pursuant to a confidentiality agreement with terms no less favourable in the aggregate to St Barbara than those contained in the confidentiality agreement with Genesis (subject to limited, specific carve-outs).

“**St Barbara Superior Proposal**” means a genuine St Barbara Competing Transaction (other than a St Barbara Competing Transaction which has resulted from a material breach of St Barbara’s exclusivity obligations), which the St Barbara Board, acting in good faith, and after taking advice from its outside legal adviser and financial adviser, determines is:

- (a) reasonably likely to be completed on a reasonable timeline; and
- (b) more favourable to St Barbara Shareholders than the sale of Leonora assets to Genesis,

in each case taking into account all aspects of the St Barbara Competing Transaction, including the terms of the St Barbara Competing Transaction, the price and/or value of the St Barbara Competing Transaction, any conditions, timing considerations and any other matters affecting the probability of the St Barbara Competing Transaction being completed in accordance with its terms, the identity, expertise, reputation and financial condition of the person making the proposal, and legal, regulatory and financial matters.

“**St Barbara Competing Transaction**” means an offer, proposal, transaction or arrangement which if entered into or completed substantially in accordance with its terms, result in a person (other than Genesis or its related bodies corporate), whether alone or together with its associates:

- (a) directly or indirectly acquiring control of or merging with St Barbara; or
- (b) directly or indirectly acquiring or becoming the holder of, or having a right to acquire a legal, beneficial or economic interest in, or control of, all or a substantial part of the Leonora assets,

and which, in each case, if entered into or completed would mean St Barbara would be required to abandon, or otherwise fail to proceed with the Genesis transaction (or any part of it).