

Superior Lake to vend zinc project into TSXV listed company

Superior Lake Resources Limited (ASX: SUP) ("Superior Lake" or the "Company") is pleased to announce that it has entered into a definitive agreement to vend its interests in the Superior Lake Zinc Project ("Project") located in Ontario, Canada into the TSXV listed company CROPS Inc. (TSXV: COPS) ("CROPS") ("the Transaction").

Highlights

- Superior Lake has reached agreement to vend its interests in the Project into TSXV listed company, CROPS
- The valuation of the share and cash consideration payable on completion of the Transaction is approximately A\$16.5m¹
- On completion of the Transaction, Superior Lake's subsidiary will hold approximately a 70% interest in CROPS
- CROPS includes stakeholders affiliated with the Sprott Group, a leading global resource specialist, who are very familiar with the Superior Lake Zinc Project and are supportive of the Transaction
 - Sprott previously provided Superior Lake with an indicative debt proposal of US\$70m to fund development of the Project (ASX announcements 27th August 2019 and 1st October 2019)
- CROPS has a highly experienced board and management team based in Canada with a proven track record of developing mining projects globally
 - CROPS Chairman, Simon Ridgway, is also co-founder and Chairman of Fortuna Silver Mines Inc. (NYSE: FSM), a silver producer with a market capitalisation of ~US\$1.6 billion
- The Company continues to assess other opportunities in the resources sector, including the Premier Uranium Project which the Company has exclusivity agreement

¹ – Consideration = Share payment (Proposed CROPS Capital Raising Price (C\$0.12) x shares issued (128.9m)) + cash consideration (Initial payment (C\$25,000) + final payment (A\$200,000)); FX rate (AUD:CAD) \$0.95 . The final Capital Raising Price may slightly change depending on market conditions at the time of the raising.

Transaction Rationale

Since acquiring the Project in 2017, the Company has significantly advanced its development through multiple development studies, including a positive Bankable Feasibility Study ("BFS") released last year. The BFS outlined a highly profitable zinc operation over an initial nine-year mine life with the highlight being the low forecasted operating costs (LOM – C1 costs - US\$0.32 / lb) (ASX Announcement – 28th August 2019) which was driven by the exceptional high zinc grades at the Project (JORC 2012 resource - 2.35Mt at 17.7% Zn) (ASX Announcement – 7th March 2019).



Following the BFS, the Company received several non-binding indicative debt proposals of up to US\$70 million for project finance as well as expressions of interest from major global metal traders and smelters.

However, owing to a weakening in equity markets for junior resource companies and a sharp fall in the zinc price towards the end of 2019, securing the equity component required for a fully financed solution, could not be achieved without substantially diluting existing shareholders.

Subsequently, the impact of COVID-19 has made travel to the Project by senior management, which are all based in Australia, near impossible and it remains highly uncertain when regular international travel to the Project may resume.

As a result, the Company believes that having control of the Project in the hands of a strong and reputable management team based in Canada, is the best option available for the Company to crystallise additional value in the Project.

Under the terms of the Transaction, on completion the Company's subsidiary, Ophiolite Holdings Pty Ltd ("**Ophiolite**"), will receive approximately 128.9 million CROPS shares, which it is anticipated will represent approximately a 70% interest in the issued and outstanding CROPS' shares (see Table 1). Ophiolite has received an initial non-refundable cash payment of C\$25,000 and will also receive an A\$200,000 cash payment on completion of the Transaction.

Grant Davey, Executive Director, commented: *"In the current COVID-19 environment, this is an excellent outcome for Superior Lake shareholders in that it allows a highly reputable Canadian team with a strong track record in mine development and supported by Sprott, to continue developing this world class zinc asset. This Transaction enables our shareholders to retain exposure to the Project while management turns its focus to adding shareholder value through other development opportunities in the resources sector."*

Simon Ridgway, CEO of CROPS, noted: *"The opportunity that this transaction creates for both Superior Lake and CROPS shareholders is truly exciting. We have put together a team with vast experience in mine development and finance. In addition, and equally important, we have exploration geologists on board who know the rocks of Eastern Canada well. The exploration targets defined by the geophysical and geochemical work completed by Superior Lake represent an excellent opportunity to add years to the mine life defined by the BFS."*

Summary of Sale Agreement

The key terms of the Sale Agreement are:

Conditions Precedent

The Transaction is subject to a number of conditions precedent, which must be satisfied or waived by 30 November 2020 (or such other date as agreed between the parties), including:

- Approval of the Transaction by the shareholders of CROPS and Superior Lake – a general meeting of Superior Lake shareholders is expected to be held towards the end of October 2020;
- Completion of a capital raising by CROPS, whereby it undertakes to raise gross proceeds of CAD3 million at either CAD0.12 or CAD0.10 per CROPS share. The final capital raising price will be dependant on market conditions at the time of the raising;
- CROPS having received approval from TSXV that the CROPS shares will be listed for trading following completion of the Transaction, subject only to customary post-closing conditions;
- Conversion of outstanding CROPS debentures that will result in the issue of approximately 21 million post-consolidation CROPS shares;;
- CROPS completing a 10:1 consolidation of its share capital; and
- Other conditions that are customary for a transaction of this nature.



Consideration

On signing the Sale Agreement, Ophiolite received a non-refundable payment from CROPS of CAD25,000.

On completion of the Transaction CROPS will:

- pay Ophiolite A\$200,000 in cash; and
- Issue Ophiolite 128,920,000 common shares of CROPS on a post consolidation basis ("**Consideration Shares**").

In addition, following completion, on or before 7 December 2020, CROPS will pay C\$500,000 to the previous owner of the Pick Lake deposit, which will complete the Company's obligations regarding its acquisition of that portion of the Project.

Escrow arrangements

The Consideration Shares will be subject to the following escrow arrangements pursuant to the rules and regulations of the TSX Venture Exchange:

- 50% shall be released from escrow on the date that is 6 months from the date of the TSX-V Final Bulletin;
- 25% shall be released from escrow on the date that is 12 months from the date of the TSX-V Final Bulletin; and
- 25% shall be released from escrow on the date that is 18 months from the date of the TSX-V Final Bulletin.

Break fee

A break fee of CAD150,000 is payable by to CROPS if the Sale Agreement is terminated due to:

- the Company being in material breach of an obligation imposed on it under the Share Sale Agreement; or
- failure by the Company to satisfy a condition precedent for which it is responsible.

A break fee of CAD125,000 is payable by CROPS if the Sale Agreement is terminated due to:

- CROPS being in material breach of an obligation imposed on it under the Share Sale Agreement; or
- failure by CROPS to satisfy a condition precedent for which it is responsible.

Under the Sale Agreement the Company and Ophiolite have provided customary warranties for a transaction of this nature.

Indicative capital structure on completion

The indicative capital structure on completion of the Transaction is shown in Table 1 below.

Table 1. Indicative capital structure of CROPS post completion of the Transaction

Owner	Shares (m)	% ownership
Superior Lake Resources Group	128.9	70.9%
Financing shareholders (CAD \$3 million at CAD \$0.12 / share)	25.0	13.7%
Current shareholders + shares issued on debenture conversion	27.9	15.4%
Total Shares on issue	181.8m	100.0%

Note: this table assumes that the capital raising undertaken by CROPS is at CAD0.12 per CROPS share. Assuming the Financing is completed at CAD0.10 CROPS would issue at total of 30 millions shares as part of the Placement. This would decrease Superior Lakes Group's ownership to 69% and the Current Shareholders + shares issued to debenture conversion to 14.9%, whilst increasing Financing shareholders to 16%.



Consequences of the Transaction

The consequences of the Transaction are:

- Any subsequent transaction the Company enters into will attract the application of Listing Rule 11.1.3 and as a result will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules; and
- Subject to ASX's policy on immediately suspending an entity's securities from quotation when a recompliance transaction is announced, ASX will afford the Company a period of six months from the date the disposal is announced to demonstrate to the ASX that it is compliant with Listing Rule 12.1 (the requirement that an entity's operations are sufficient to continued quotation of the entity's securities and continued listing). If the Company does not demonstrate compliance with this rule to ASX's satisfaction by the 6 month anniversary, ASX will suspend trading in the Company's securities. Compliance with Listing Rule 12.1 will be considered in the context of any proposed recompliance transaction.

About CROPS

CROPS is a TSX Venture Exchange company whose strong Board has an exceptional mix of financing, project development and production experience. The Project will become CROPS' main undertaking on completion of the Transaction.

CROPS Board and Management team

Chairman - Simon Ridgway

Simon is a successful mining financier and most notably a co-founder of Fortuna Silver Mines Inc. a New York Stock Exchange listed company with a market capitalisation of approximately US\$1.6 billion with two operating mines, one mine under construction, and approximately 3,000 employees.

Simon is also the founder of the Gold Group of companies. Under his leadership, companies in that group have raised over CAD500 million for exploration and development and have discovered, financed and developed several mines in the Americas.

Simon started as a grass-roots prospector in Canada's Yukon Territory in the 1970s. In the mid 1980s, Simon expanded into Latin America, where he guided exploration teams to discover and develop gold deposits in Mexico, Honduras, Guatemala, and Nicaragua.

President and Director - James Walchuck

James is a mining engineer and mining executive with 40 years' experience spread over three continents while working over 13 mines. He has deep experience in all aspects of mine engineering studies, mine development, mine operations and overseeing junior mining companies. He is knowledgeable in precious metals, potash, uranium and zinc metals. In addition to his skill set with the technical, developmental and operational aspects of mining, he is also experienced in exploration.

James has held numerous engineering positions in mine operations as well as managerial roles in mining operations. He has led four feasibility studies and managed the development of several mines. After 24 years in mining operations and engineering studies he moved into the junior mining sector for the last 17 years. He was the President and CEO of three junior companies gaining experience with government issues, investment bankers, finance, corporate governance, First Nations and investor relations. He has sat on the board of over 15 junior companies over his career and is currently on the board of two junior companies.

Director - David Laing

David is a mining engineer and independent mining executive with 40 years' global experience in mining operations, projects, engineering studies, mining finance, M&A and corporate development in both precious and base metals. He was formerly Chief Operating Officer for Equinox Gold, operating gold



projects in Brazil and California, and True Gold Mining which developed a gold heap leaching operation in Burkina Faso. He was also COO and EVP of Quintana Resources Capital, a base metals streaming company. David was also one of the founding executives of Endeavour Mining, a gold producer in West Africa.

Prior to these recent roles, David held senior positions in mining investment banking and debt advisory services at Endeavour Financial, and Standard Bank in New York, provided technical consulting services at MRDI in California, and the Refugio Project of Bema Gold Corp., and held various roles at Billiton with operations in Peru, South Africa and northern Chile. David currently serves as an independent director of Fortuna Silver Mines, Northern Dynasty Minerals, Blackrock Gold, and Aton Resources. He also serves as an advisor to Endeavour Financial.

To learn more about the Company, please visit www.superiorlake.com.au, or contact:

Grant Davey Executive Director +61 8 6117 0479

Reference to previous ASX announcements

In relation to the zinc project Mineral Resource estimate previously reported on 7th March 2019, Superior Lake confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 7th March 2019 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in the announcement of 7th March 2019 continue to apply and have not materially changed.

In relation to the zinc project Ore Reserve estimate previously reported on 28th August 2019, Superior Lake confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 28th August 2019 and that all material assumptions and technical parameters underpinning the Ore Reserve estimate in the announcement of 28th August 2019 continue to apply and have not materially changed.

In relation to the zinc project Bankable Feasibility Study announced on 28th August 2019, the Company confirms that all material assumptions underpinning the production target and forecast financial information included in that announcement continue to apply and have not materially changed.