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ASX Announcement
ASX: SUP
30 October 2020
superiorlake.com.au

SUPERIOR LAKE RESOURCES

Quarterly Activities Report
Three months ended 30 September 2020

Highlights

- **The Company reached agreement to vend its interests in the Superior Lake Zinc Project into TSXV listed company, CROPS Inc. (TSXV: COPS).**
    - The Company anticipates the transaction will close in late December-early January 2021
- **The valuation of the share and cash consideration payable on completion of the Transaction is approximately A$13.8m. On completion, Superior Lake's subsidiary will hold approximately a 70% interest in CROPS**
- **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

Superior Lake Resources Limited (ASX: SUP) ("Superior Lake" or the **"Company")** is pleased to provide its quarterly activities report for the quarter ended 30 September 2020.

Superior Lake to vend zinc project into TSXV listed company - Transaction Rationale

Since acquiring the Superior lake Zinc Project ("**Project**") in 2017, the Company has advanced its development through multiple 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 with CROPS Inc. ("**CROPS**") Transaction the Company's subsidiary, Ophiolite Holdings Pty Ltd ("**Ophiolite**"), will receive approximately 128.9 million CROPS shares on

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completion, which it anticipates will represent an interest in the issued and outstanding CROPS' shares of approximately 70% (see Table 1). Ophiolite has received an initial non-refundable cash payment of C$25,000 and will also receive a A$200,000 cash payment on completion of the Transaction.

Amendments made to the Sale Agreement subsequent to initial execution have increased the cash completion payment payable by CROPS to include a further C$500,000. The Company will pay C$500,000 to the previous owner of the Pick Lake deposit on or before 7 December 2020 ("**Pick Lake Payment**"), which will complete the Company's obligations regarding its acquisition of that portion of the Project. Given the completion date has been extended as outlined below, this additional completion payment will reimburse the Company for the Pick Lake Payment.

Summary of Sale Agreement

The key terms of the Sale Agreement are summarised below:

Conditions Precedent

Subsequent to signing the Sale Agreement both parties have agreed to extend the completion date from 30 November 2020 to 15 January 2021, due to a longer than anticipated review time by the TSXV.

The Transaction is subject to a number of conditions precedent, which must be satisfied or waived by 15 January 2021 (or such other date as agreed between the parties)

- Approval of the Transaction by the shareholders of CROPS and Superior Lake – a general meeting of Superior Lake shareholders is expected to be held in December 2020;
- Completion of a capital raising by CROPS, whereby it undertakes to raise gross proceeds of C$3 million at either or C$0.10 per CROPS share. The final capital raising price will be dependent 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 C$25,000.

On completion of the Transaction CROPS will:

- Pay Ophiolite A$200,000 in cash;
- Pay Ophiolite C$500,000 in cash; and
- Issue Ophiolite 128,920,000 common shares of CROPS on a post consolidation basis ("**Consideration Shares**").

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

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- 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 C$150,000 is payable 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 C$125,000 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	69.0%
Financing shareholders (CAD $3 million at CAD $0.10 / share)	30.0	16.1%
Current shareholders + shares issued on debenture conversion	27.9	14.9%
Total Shares on issue	**181.8m**	**100.0%**

Note: this table assumes that the capital raising undertaken by CROPS is at C$0.12 per CROPS share. Assuming the Financing is completed at C$0.10 CROPS would issue at total of 30 million 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%.

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 C$500 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.

Corporate

Cash

As at 30 September 2020, the Company had cash of $1.6 million.

Share placement

During the Quarter, the Company completed a placement of 18.125 million shares at $0.12 per share to raise $2.2 million before costs ("**Placement**"). Proceeds were used to meet payments for the exclusive option over uranium assets located in the USA, conducting due diligence, costs associated with the Transaction completion costs and for general working capital purposes.

Other

Superior Lake continues to review and assess other opportunities within the resource sector that could add value to the Company

Board changes

On 1 July 2020, the Company appointed Mr Alfred Gillman and Mr Christopher Knee as directors, replacing Mr Keong Chan and Mr Peter Williams.

Mr Gillman, who is a highly experienced geologist with over 40 years' experience in senior management and Board roles across uranium, gold and base metals, has been appointed as a Non-Executive Director. His extensive uranium experience includes exploration and resource development roles in Southern Africa (Esso Eastern), Northern Australia (Anaconda Inc), the United States (Peninsula Energy Inc.) and the Czech Republic. Mr Gillman has worked on US roll front deposits for five years and was a key executive Board member of the team that explored and developed the Lance Uranium Project in Wyoming.

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Mr Knee, who is currently the Company's Chief Financial Officer and has over 15 years year of broad finance experience, including executive roles in a number of resource companies, has been appointed as an Executive Director. Mr Knee is the current Chief Financial Officer of Matador Mining Limited, Marvel Gold Limited and Lotus Resources Limited. Mr Knee brings a wealth of structuring, acquisition, taxation, accounting and compliance experience to the Board.

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 previous ASX announcements referred to in this announcement that relate to exploration results, Superior Lake confirms that it is not aware of any new information or data that materially affects the information included in those announcements.

Authorised for release by the Board of Directors.

About the Company

Superior Lake Resources Limited's main asset is the Superior Lake Zinc Project in North Western Ontario, Canada. The Project is a high-grade zinc deposit with a JORC resource of 2.35 Mt at 17.7% Zn, 0.9% Cu, 0.38 g/t Au and 34 g/t Ag (ASX announcement 7th March 2019) and a Probable Ore Reserve of 1.96Mt at 13.9% Zn, 0.6%Cu, 0.2g/t Au and 26.2g/t Ag (ASX announcement 28th August 2019).

Superior Lake Mineral Resource at 3% Zn cut-off grade					
Classification	**Tonnage Mt**	**Zn%**	**Cu%**	**Au g/t**	**Ag g/t**
Indicated	2.07	18.0	0.9	0.38	34
Inferred	0.28	16.2	1.0	0.31	37
Total	**2.35**	**17.7**	**0.9**	**0.38**	**34**
Superior Lake Ore Reserve at 5.2% Zn cut-off grade					
Classification	**Tonnage Mt**	**Zn%**	**Cu%**	**Au g/t**	**Ag g/t**
Probable	1.96	13.9	0.6	0.2	26.2
Total	**1.96**	**13.9**	**0.6**	**0.2**	**26.2**

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

Grant Davey Executive Director +61 8 6117 0479

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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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Name of entity	
Superior Lake Resources Limited	
ABN	**Quarter ended ("current quarter")**
64 139 522 553	30 September 2020

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(116)	(116)
	(b) development	-	(195)
	(c) production	-	-
	(d) staff costs	(43)	(207)
	(e) administration and corporate costs	(261)[2]	(563)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (Business development activities)	(85)	(249)
1.9	**Net cash from / (used in) operating activities**	**(505)**	**(1,326)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	(300)
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	26[1]	26[1]
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**26**	**(274)**

[1] *As announced on the Australian Stock Exchange on 10 September 2020, the Company has entered into a definitive agreement to vend its interests in the Superior Lake Zinc Project located in Ontario, Canada into the TSXV listed Company CROPS Inc. ("**CROPS**") (TSXV: COPS). On signing of the Sale Agreement, the Company received a non-refundable payment from CROPS of CAD25,000. Refer to announcement for further details of the transaction.*
(Exchange rate :1CAD:0.96AUD)

[2] *Administration and corporate costs for the September 2020 quarter included an amount of $122,000 paid for creditors relating to the June 2020 quarter.*

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	1,892	2,492
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(17)	(35)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**1,875**	**2,457**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	224	762
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(505)	(1,326)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	26	(274)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,875	2,457
4.5	Effect of movement in exchange rates on cash held	-	1
4.6	**Cash and cash equivalents at end of period**	**1,620**	**1,620**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	93	24
5.2	Call deposits	1,527	200
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,620**	**224**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	75
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Payments to all Directors for Directors' fees (September quarter: $42.5k).

Mr Grant Davey, who is a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd ("**Matador Capital**"). The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space, a working capital facility, general office costs, bookkeeping services and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis (September quarter $32.6k).

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(505)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(505)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,620
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,620
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	3.2

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020.....

Authorised by: By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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