

Superior Lake moves into the Green Energy Sector with the acquisition of an Australian solar power opportunity

Highlights

- Superior Lake has entered into a binding agreement to acquire a 100% interest in Bristol Springs Solar Pty Ltd, which is developing a 105MW solar farm located southeast of Perth in Western Australia ("Project") ("Acquisition").
- The Project is well advanced, with studies completed, a cleared site, development application submitted for approval and Western Power Access Offer in place to enable grid access.
- Initial consideration for the Acquisition of the Project is 41.7M fully paid ordinary shares in Superior Lake. An additional 25.5M fully paid ordinary shares will be issued as deferred consideration.
- The Company intends to conduct an A\$8 million capital raising (before costs) to progress development of the Project, meet transaction costs, to facilitate the recommencement of trading of the Company's securities on ASX and for working capital.
- The Acquisition is the first step towards the Company's transition into the green energy sector.
- As the Company repositions itself with a focus on the green energy sector, the Company expects to align its capability accordingly, with a proposed name change and restructure of the board and management team.
- The Company's securities will remain suspended until after shareholder approval has been obtained and the Company recompiles with Chapters 1 and 2 of the ASX Listing Rules as a green energy company. This is expected to occur during 1Q 2022.

Executive Director, Grant Davey, commented:

"After spending more than 12 months reviewing multiple projects across a range of sectors, green energy emerged as a clear standout, with the best long-term potential as countries around the world, including Australia, continue to set ambitious and progressive targets to reduce their reliance on traditional carbon emission fuels."

"Western Australia's Hydrogen Industry Minister, Alannah MacTiernan has announced a strategy to produce and export Green Hydrogen by 2030 in the same quantity as LNG gas produced today for export. In order to achieve this objective, green energy projects need to be developed in Western Australia at a rapid rate, as does hydrogen manufacturing capability."

"Bristol Springs is a highly attractive project, given its stage of development, expansion potential, and location in the heart of one of Australia's fastest growing regions, with an existing and growing consumer and industrial base."



This Acquisition is the Company's first step in its transition into green energy, with additional opportunities under consideration, including solar, wind, hydro and green hydrogen."

Transaction overview

Superior Lake Resources Limited (ASX: SUP) ("**Superior Lake**" or the "**Company**") is pleased to announce that it has entered into a binding agreement ("**Sale Agreement**") to acquire a 100% interest in Bristol Springs Solar Pty Ltd ("**BSS**"), which is developing a 105MW solar farm located southeast of Perth in Western Australia ("**the Project**") (the "**Acquisition**").

The Acquisition will result in a significant change to the nature and scale of the Company's activities. Accordingly, the Company will seek shareholder approval under ASX Listing Rule 11.1.2 at a general meeting and will also seek to re-comply with Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3.

The Company's securities will remain suspended until shareholder approval has been obtained and the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules.

Project overview

Bristol Springs is a solar farm development project located in the south-west of Western Australia, south-east of Perth. Conceptual design work was undertaken and completed in July 2019 and preliminary engineering estimates were undertaken in September 2019.

The Project presents a unique opportunity to participate in the Wholesale Electricity Market ("**WEM**"):

- It is centrally located in the South-West Interconnected System ("**SWIS**").
- It is a cleared site with no existing notable flora or fauna and low development risk.
- It is close to industrial users seeking renewable energy power purchase agreements.
- Connection is at the farmgate, with state-owned Western Power responsible for the connection into the SWIS.
- Grid connection application is in process with Western Power.
- Application for development approval has been lodged.
- Front end engineering design ("**FEED**") well progressed.

The Project is located on the Swan Coastal Plain with high solar yields and low ambient air temperatures.

The Project is consistent with the Western Australian Government's renewable energy strategy, which is designed to remove barriers to investment and facilitate access to the WEM for new low-cost and cleaner technologies.

At this point in time, neither SUP nor BSS have any approvals in place to carry out the proposed development project. Advice provided to SUP indicates development application is likely to be approved and development precedent has been set by the Joint Development Assessment Panel. BSS has lodged an application for development approval.

Figure 1 shows the location of the Project and key Western Power infrastructure.

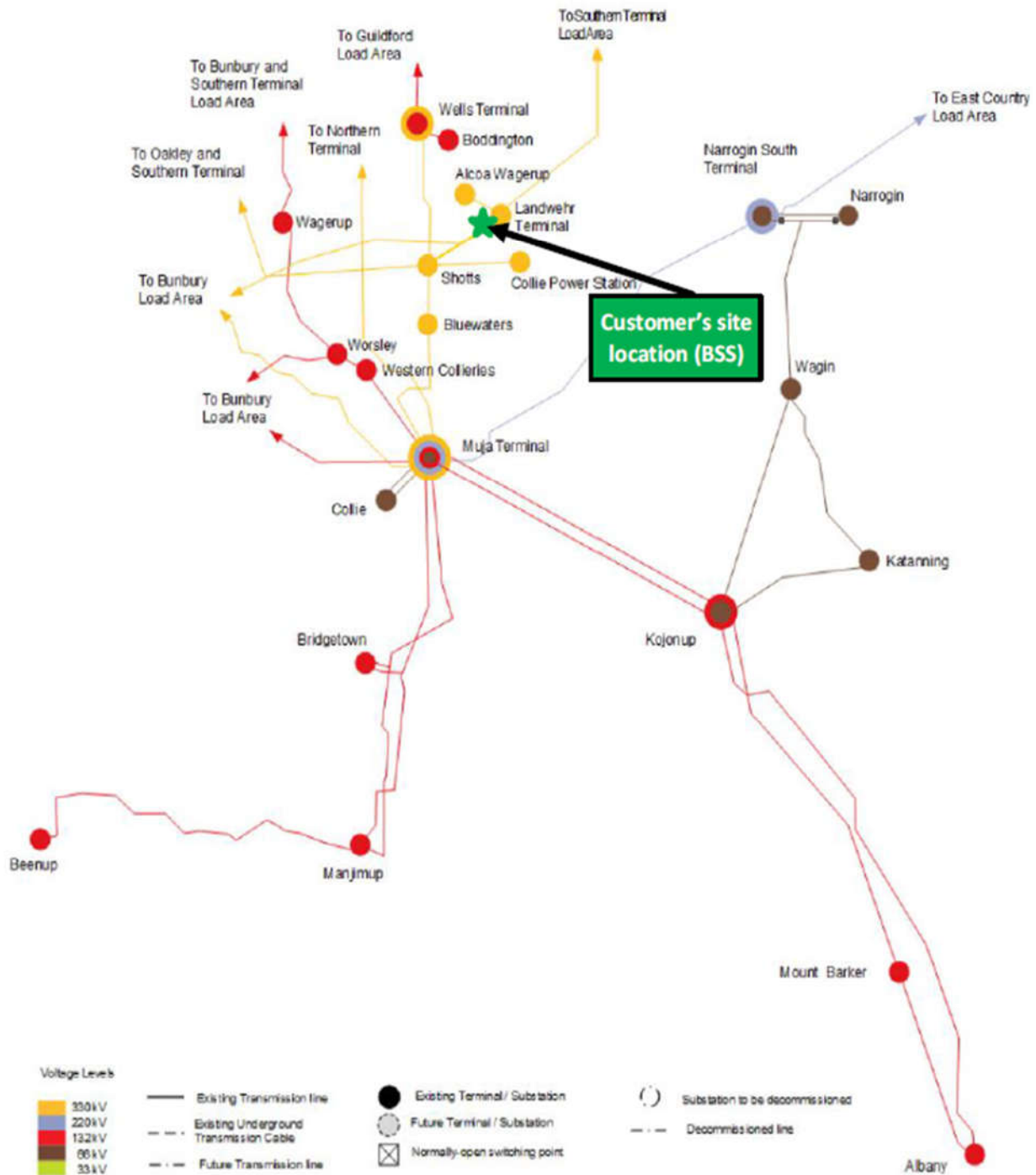


Figure 1: Project location in relation to Western Power's Muja load area

SUP or BSS currently do not have access to the Western Power infrastructure. However, in accordance with the Applications and Queuing Policy, Western Power must, acting as a reasonable and prudent person, give an access offer to Bristol Springs Solar Project as soon as practicable after completion of the connection application process. A connection application has been submitted to Western Power and the Initiation Phase has been completed.

The site is cleared, mostly flat and is considered ideal for solar power developments, with low sub-surface risks, no environmentally sensitive areas and no obstruction to the overhead transmission line route.



Figure 2: Land recently being cleared at the Project site

Studies Complete

Conceptual design work was undertaken and completed in July 2019 and preliminary engineering estimates were undertaken in September 2019. A FEED program encompassing design methodologies, various engineering parameters and equipment technologies so as to ensure optimal energy yield, HV integration, safety and financial returns has been completed. The system design was carefully considered to match all Western Power requirements covering infrastructure and access standards.

The site has been designed with high-power class bifacial panels mounted on a single axis tracking system. The uniformity of site conditions will allow a simple, modular and low-cost design. An economic assessment completed by an independent third party in February 2020 detailed the analysis, outputs, scenarios and sensitivities from the economic modelling undertaken.

Development Approval

BSS has lodged an application for development approval of the Project to the Joint Development Assessment Panel. The completion of the Acquisition and the Company's re-compliance with Chapters 1 and 2 of the Listing Rules is conditional on receiving this development approval.



Electricity Market

Wholesale Electricity Market ("WEM")

The SWIS is Western Australia's main electricity network that connects 2.3 million customers in WA. The WEM for the SWIS is operated by the Australian Energy Market Operator ("**AEMO**"). There is increasing interest from a significant number of blue-chip organisations to secure low-cost renewable energy from the WEM. For example, a power purchase agreement was finalised between Risen Energy's Merredin Solar Farm and BHP recently.

The WEM aims to facilitate competition and private investment and allows generators and wholesale purchasers of electricity (such as retailers) greater flexibility in who they transact with and how they sell or procure electricity.

AEMO is responsible for operating the WEM in accordance with the Wholesale Electricity Market Rules ("**WEM Rules**") and the related WEM Market Procedures.

The WEM Rules establish that the objectives of the WEM are to:

- Promote economically efficient, safe and reliable production and supply of electricity and electricity-related services in the SWIS.
- Encourage competition among generators and retailers and facilitate efficient entry of new competitors.
- Avoid discrimination in the market between particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions.
- Minimise the long-term cost of electricity supplied to customers from the SWIS.
- Encourage measures to manage the amount of electricity used, and when it is used.
- Ensure multiple sources of revenue for a solar generation facility in the wholesale market through bi-lateral power purchase agreements (PPAs) and by participation in the balancing market. Added to this is the capacity market and, with the addition of the battery, the ancillary services or Essential System Services (ESS) as it is now known in the WEM.

Green Energy Strategy

The Project's initial goal is to connect to the grid and secure offtake arrangements for the supply of electricity. Growth opportunities are expected to come from expanding the solar farm footprint, supplying green electrons to the network and opportunities that align with the West Australian Government vision.

The West Australian Government has a vision for the state to be a significant producer, exporter and user of renewable hydrogen, with the following specific goals:

By 2022

- A project is approved to export renewable hydrogen from Western Australia.
- Renewable hydrogen is being used in one remote location in Western Australia.
- Renewable hydrogen is distributed in a Western Australian gas network.
- A refuelling facility for hydrogen vehicles is available in Western Australia.



By 2030

- Western Australia's market share in global hydrogen exports is similar to its share in LNG today.
- Western Australia's gas pipelines and networks contain up to 10% renewable hydrogen blend.
- Renewable hydrogen is used in mining haulage vehicles.
- Renewable hydrogen is a large fuel source for transportation in regional Western Australia.

Acquisition Structure

The Company has entered into the Sale Agreement to acquire a 100% interest in BSS from Sector One Pty Ltd and Alicia Jane Goyder ("the **Vendors**"). Range Loaders Pty Ltd ("the **Landowner**"), the entity which owns the land on which the Project is proposed to be built, is also a party to the Sale Agreement. The key terms of the Sale Agreement are detailed below.

Consideration

The consideration for the Acquisition is:

- 41,666,667 fully paid ordinary shares in the Company ("**Shares**") (equal to A\$5,000,000 at 12 cents per Share) on completion of the Acquisition ("**Completion Date**") ("**Consideration Shares**"); and
- 25,500,000 performance shares which will be issued on the Completion Date ("**Performance Shares**") and convert into Shares (equal to A\$3,060,000 at 12 cents per Share) on the date that is the earlier of three years from the Completion Date or the date the board of the Company resolves to make an investment decision to build the Project. The issue of the Performance Shares is subject to approval of the Company's shareholders and ASX approving the terms of the Performance Shares pursuant to Listing Rule 6.1.

The consideration is payable to the Vendors in such proportions as advised by the Vendors.

Conditions Precedent

Completion of the Acquisition is conditional upon the satisfaction or waiver of:

- The parties having obtained all shareholder approvals, regulatory consents, NAB consent and approvals which are necessary for the Acquisition, including all approvals required by ASX.
- The ASX approving the terms of the Performance Shares pursuant to Listing Rule 6.1.
- The Company having received a conditional re-admission letter from ASX on terms acceptable to the Company.
- The Company completing a capital raising for the Project to its sole satisfaction.
- The Project receiving developmental approval from the Joint Development Assessment Panel.
- The Company and the Landowner executing a Lease (agreement detailed below).
- The Company and the Landowner executing an Option Agreement (detailed below).

The conditions are for the benefit of the Company and can only be waived by the Company.

If the conditions are not satisfied or waived on or before the later of 28 February 2022 and 60 days after receipt of development approval (or such other date as mutually agreed), the Sale Agreement will automatically terminate.

Escrow conditions

The Consideration Shares will be subject to a 12 month escrow period from the date on which they are issued.



Agreement to Lease

The Company has agreed to enter into an agreement to lease a minimum of 195 hectares of land ("**Land**") from the Landowner for 3 years commencing from the Completion Date ("**Initial Term**") at an annual fee of A\$100,000 per annum ("**Lease**"). If the Buyer has decided not to build or has not made a decision to build during the Initial Term, the Lease will expire at the end of the Initial Term. If the Buyer makes a decision to build during the Initial Term, the Initial Term will convert to 25 years with an option to renew for a further term of 5 years at the commencement rate of \$1,850 per hectare.

The Lease will also contain customary terms and conditions for such an agreement.

Option Agreement

The Company and the Landowner have agreed to enter into an option to purchase agreement on the following terms ("**Option Agreement**"):

- The Company will pay the Landowner an option fee of A\$1.5 million to secure a five-year option from the Completion Date to acquire the Land at a fixed value of A\$5 million ("**Purchase Price**");
- To preserve the option, the Company will pay the Landowner:
 - \$1.5 million on the date that is three years after the Completion Date;
 - \$1.5 million on the date that is four years after the Completion Date; and
 - \$2 million on the date that is five years after the Completion Date;
- The Company will acquire the Land on completion of the \$2 million payment;
- The option will expire if the Company fails to make any payment by the relevant due date; and
- If the Company exercises the Option during the option period, the Company may terminate the lease and must pay the Purchase Price less any amounts paid by the Company to preserve the option.

The Option Agreement will also contain customary terms and conditions for an option to purchase agreement.

Other terms

The Sale Agreement includes pre-completion obligations on BSS and the Company and customary representations and warranties. It is proposed that the Consideration Shares and Performance Shares will be issued pursuant to a separate offer contained in the Public Offer prospectus (described below).

Capital Raising

The Company intends to undertake the capital raising ("**Public Offer**") under a prospectus to raise A\$8 million. The Company does not expect that the Public Offer will be underwritten. Shareholder approval will be sought for the issue of shares pursuant to the Public Offer.

Funds from the Public Offer and existing cash reserves will be used to fund the land option fee, to progress development of the Project, meet transaction costs, to facilitate the re-quotation of the Company's securities on the ASX and for working capital.

Detailed information on the offer of securities under the Public Offer, the capital structure and an indicative timetable will be included in a prospectus that will be made available after lodgement with the Australian Securities and Investments Commission ("**ASIC**"). Investors should consider the prospectus (when available) in deciding whether to acquire securities in the Company. Applications for securities can only be made by completing the application form which will accompany the prospectus.



If the conditions of the Public Offer are not satisfied, or the Company does not receive conditional approval for re-quotation on the ASX on terms which the board of the Company reasonably believes are capable of satisfaction, then the Company will not proceed with the Public Offer and will repay all application monies received (without interest).

Pro forma Capital Structure

The pro forma capital structure of the Company assuming completion of the Acquisition and Public Offer, is shown below:

Event	Ordinary Shares	Performance Shares	Options
Existing Securities	165,061,155	-	13,322,779
Issue of Consideration Shares	41,666,667	25,500,000	-
Public Offer*	61,538,462	-	-
Total (after completion of Public Offer and Acquisition)	268,266,284	25,500,000	13,322,779

*Indicative

The Company proposes to issue options to management as part of the transaction, the details of which are yet to be confirmed.

Indicative Timetable

The anticipated timetable is detailed below:

Event	Indicative Timing
Dispatch Notice of Meeting to Superior Lake shareholders	December 2021
Lodge Prospectus with ASIC and ASX	December 2021
Public Offer opens	December 2021
General Meeting	January 2022
Public Offer closes	January 2022
Completion of the Acquisition	January 2022
Satisfaction of Chapters 1 and 2 of the Listing Rules	February 2022
Recommence trading on the ASX	February 2022

The dates in this timetable are indicative only and subject to change.

Board and Management

As the Company transitions into the green energy sector, both the board and management team will be updated with relevant skills and experience. Further updates to the market will be made in due course.



Change of Company Name

The Company intends, subject to shareholder approval, to change its name in order to better reflect the Company's new focus as a green energy company, particularly its near-term emphasis on development activities at the Project.

Re-Compliance with ASX Chapters 1 and 2

The Acquisition will result in a significant change to the nature and scale of the Company's activities. Accordingly, the Company will seek shareholder approval under ASX Listing Rule 11.1.2 at a general meeting and will also seek to re-comply with Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. ASX has absolute discretion in deciding whether or not to re-admit the Company to the official list of ASX. The Acquisition may not proceed if ASX exercises that discretion, if the requirements for re-compliance with Chapters 1 and 2 of the ASX Listing Rules are not satisfied or if shareholders do not approve the Acquisition. Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

At a proposed general meeting, the Company will need to obtain shareholder approval for, among other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. A prospectus will be issued to assist the Company to re-comply with these requirements. There is a risk that the Company may not be able to meet the requirements of re-quotation on the ASX.

ASX waivers and confirmations

The Company will likely seek the following waivers and confirmations from ASX in order to re-comply with ASX's requirements for admission and quotation:

- Listing Rule 2.1 Condition 2: a waiver to permit the Company to issue shares (including pursuant to the Public Offer) at an issue price below A\$0.20 each (provided each issue price is at least A\$0.02 per share);
- Listing Rule 1.1 Condition 12: a waiver to permit the Company to have options on issue with exercise prices below A\$0.20 (provided each exercise price is at least A\$0.02 per share);
- Listing Rule 6.1: confirmation that the terms of the Performance Shares issued as part of the consideration for the Acquisition are appropriate;
- Listing Rule 7.3.4: a waiver to permit the issue of the Performance Shares to the Vendors later than 6 months after the date on which shareholders approve the issue of the relevant securities at the general meeting;
- Listing Rule 10.13.5: a waiver to permit the issue of the shares under the Public Offer to Directors later than 1 month after the date on which shareholders approve the issue of the relevant securities at the general meeting; and
- Other such waivers and confirmations following consultation with ASX.

Other Projects

As the development of the Project progresses, the Company may consider corporate actions that could have the potential to increase shareholder value, including joint ventures, asset sales (whole or part) or strategic partnerships. The Company intends to continue identifying, evaluating and, if warranted, acquiring additional projects and assets in Australia and/or overseas, if the Board considers that they have the potential to add shareholder value, including opportunities in solar, wind, hydro and green



hydrogen. The Company will consider acquiring these additional interests by way of direct project acquisition, farm in, joint venture or direct equity in the project owners.

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

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This announcement has been authorised for release by the Board of Superior Lake Resources Limited.