

## September 2019 | Quarterly Activities Report

**Lotus Resources Limited** (LOT, Lotus or the Company) are pleased to provide the following update for the quarter ending September 2019.

### HIGHLIGHTS

- As previously announced Lotus has entered into an agreement with Paladin Energy Limited (Paladin) to **acquire a 65% interest in the Kayelekera Uranium Project in Malawi**. The details of the Acquisition including the conditions precedent are contained in the Company's announcement to the **ASX on 24 June 2019**.
- The Company continues to progress the **conditions precedent** for completion of the transaction. During the period Lotus **received shareholder approval** for the Kayelekera acquisition which satisfies a key conditions precedent. (**ASX announcement on 29 August 2019**). In addition Paladin received consent from the requisite number of its bondholders (**ASX Announcement 20<sup>th</sup> August 2019**). The remaining conditions precedent to complete the transaction include consent from the **Government of Malawi** and the **Reserve Bank of Malawi**. Details of all the conditions precedent are included in the announcement posted to the ASX platform on the 24<sup>th</sup> of June.
- Lotus has **successfully completed the first tranche of the Capital Raising to the value of \$2.5mil** intended to enable Lotus to complete the Kayelekera acquisition (**ASX announcement on 23 July 2019**).
- Lotus has **successfully completed the Non Renounceable Rights Issue** to the value of \$1.0mil (ASX Announcement 24 September 2019)

### DETAILS OF THE KAYELEKERA TRANSACTION

- Lotus has entered into an agreement with Paladin to acquire a 65% interest in the Kayelekera Uranium Project in Malawi.
- The remaining 35% is held by Lotus's joint venture partner Lily Resources (Lily) (20%) and the Government of Malawi (15%). Lotus will have an option to acquire a further 20% interest in Kayelekera from Lily.
- Kayelekera hosts a high-grade resource with an existing open pit mine and demonstrated excellent metallurgical recoveries (87.5%) having historically produced over 10.9Mlb of uranium between 2009 and 2014.
- Significant infrastructure is already in place including a 3Mlb per annum resin in pulp extraction plant

- The operation is currently on care and maintenance with all assets maintained in good standing. Assets include:
  - Over US\$200M of CAPEX spent on plant and infrastructure.
  - Process facility throughput - 1.5mtpa (3.3Mlb pa)
  - 31Mlb U3O8 Resource endowment.
- The consideration payable for the acquisition is as follows:
  - Initial Consideration - \$1.8M worth of ordinary shares in HCO (Shares).
  - Deferred Consideration - \$3M worth of shares in Hylea to be issued on the 3rd anniversary of completion.
  - Royalty - 3.5% of gross returns at the Kayelekera mine up to a maximum of \$5M; and
  - Environmental Bond – Replacement of the environmental of US\$10M to be paid over three years.
- In FY13, the open pit mine produced 1,072,000t of ore at an average grade of 1,350 ppm U3O8 with an annualised stripping ratio of 3:1.
- Large 157km<sup>2</sup> tenement package with excellent exploration potential.

### **Hylea Cobalt Project**

Lotus continues to explore funding options to progress the Tigers Creek Prospect and conduct additional work on the broader tenement package however the cobalt price continues to be significantly lower than when we purchased the project. This may include looking for a joint venture partner or farm-in arrangement.

### **CORPORATE HIGHLIGHTS**

At the end of the September Quarter the Company held a cash balance of \$2,803,086.

The Company successfully completed capital raising to the value of \$3.5 million from the rights issue and the 1<sup>st</sup> Tranche of the Placement in order to fund the Kayelekera acquisition.

The Company relinquished the final two Ashburton tenements E08/2211-I and E47/2417-I.

Simon Andrew



**Managing Director**

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### **About Lotus Resources**

Lotus Resources is a minerals exploration and development company.

The Company recently entered into an agreement with Paladin to acquire a 65% interest in the Kayelekera Uranium Project in Malawi.

Lotus's owned asset is the Hylea Cobalt Project in the Fifield District of NSW. The Project represents a significant cobalt, platinum, nickel and scandium exploration target in both scale and grade potential, as demonstrated by the Company's 2018 drilling program.

### **COMPETENT PERSONS STATEMENT**

The information in this document that relates to Exploration Results is based on information compiled by Mr. Darren Glover who is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM). Mr Glover has over 20 years' experience in the mineral and mining industry. Mr Glover is a consultant to Hylea Metals, and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glover consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

<b>Tenement ID</b>	<b>Status</b>	<b>Granted Date</b>	<b>Project</b>	<b>HCO Interest</b>	<b> Holders</b>	<b>Expiry Date</b>
E53/1891	GRANTED	13-Jan-17	TABAC	100%	Gianni, PR	12-Jan-22
E53/1895	GRANTED	01-Mar-17	TABAC	100%	Gianni, PR	28-Feb-22
EL5689	GRANTED	16/10/2018	HYLEA	100%	Providence	30 Aug-20
EL8520	GRANTED	21/02/2017	HYLEA	100%	Providence	20-Feb-20
EL8641	GRANTED	31/08/2017	HYLEA	100%	Providence	20-Feb-20