

Care and maintenance cost guidance reduced by 75% with further potential savings identified

Lotus Resources Limited (LOT, Lotus or the Company) is pleased to provide an update on its Kayelekera Uranium Project (the **Project**) in Malawi in relation to a significant reduction in care and maintenance cost guidance and with regard to advancements of certain recommencement activities for uranium production at the Project.

HIGHLIGHTS

- **Care and maintenance operating cost guidance at the Kayelekera Uranium Project reduced by 75% to an annualised cost of US\$1.2M from the original 2019 budget estimate of c.US\$5M.**
 - A safe and environmentally responsible approach has been followed that complies with all statutory regulations.
 - Number of full-time employees onsite reduced to 16 (down from 116).
 - Non-essential services performed by contractors.
 - Diesel fuel price reductions negotiated.
- **Water treatment activities have now been completed with dam levels reduced to required levels and a revised strategy for next wet season being developed that should allow further potential savings.**
 - Water treatment plant is shut down and fully decommissioned.
 - Water management will be based on a more cost-effective evaporation system.
- **Lotus is continuing to work towards a restart study with advancements in process optimisation and improvement plans which will form the basis for the study.**

Eduard Smirnov, Managing Director, commented: "Our operations and regional teams have done a great job in taking timely action to introduce cost-effective, safe and environment friendly and regulatory compliant measures at the Project site. A key focus of this plan is on preserving cash and advancing our plans to build a new uranium supplier while coping with the restrictive conditions during Covid-19 pandemic."



Figure 1 – Kayelekera process plant and site infrastructure



CARE AND MAINTENANCE

The Company has undertaken a comprehensive review of all activities and associated costs at the Project site to ensure we optimise the site care and maintenance programs and costs. The review has ensured that the primary focus for the ongoing activities are the core requirements of:

- 1) Maintaining a high level of security and safety at site;
- 2) Ensuring compliance with all regulatory requirements; and
- 3) On-going maintenance of critical equipment.

A revised budget, which has been prepared from first principles to deliver these core functions, has now been developed. Key features of the revised budget and reduced costs include:

Labour

- Voluntary retrenchment packages were offered to staff, with 99 employees having accepted the offer.
- Currently there are 16 full-time local employees and 2 expatriate employees onsite.
- Work continues to progress well on site with management plans in place to manage all activities effectively including the impact of Covid-19, for which there are no reported cases onsite to date.

Diesel

- Negotiations with a supplier has seen a price reduction in diesel of 20%, with prices to be revised on a monthly basis, subject to changes in the global petroleum market.
- A reduction in annual consumption of approximately 625,000 litres post water treatment will also be achieved.

Camp

- Only eight residents now remain in the onsite camp.

The revised care and maintenance operating cost guidance will now be approximately US\$1.2M for the year ending 30 June 2021. Additional costs associated with in-country General and Administration costs include insurance premiums, tenements fees and are approximately US\$0.14M for the year ended 30 June 2021. The Company has also identified a number of other areas that could see further cost reductions implemented. These initiatives are currently being further investigated.

CAPITAL EXPENDITURE

In order to achieve the care and maintenance operating cost guidance, certain capital projects will be undertaken to deliver the required modifications and include the following:

- The large diesel gensets that currently power the site will be turned off with a small genset set-up to power the camp and a combination of solar power and direct diesel power used to power pumps, communication towers and other infrastructure.



- To support the reduced security contingent, drones and guard dogs will be employed to enable the majority of Project site security to be managed from the control room, with a smaller reactionary team available to respond if required.
- An evaporative system to manage water in future wet seasons will be designed and implemented
- Upgrades to surface water infrastructure including drains, ponds and pumping systems.

The work packages and associated infrastructure is planned to be completed before the end of calendar year 2020. The capital expenditure guidance for the year ending 30 June 2021 is currently being reviewed by the Company's management and board.

RESTART STUDY

The Company is well advanced with the scoping of a work program that will be used to support a restart study. Key scopes of work include:

- Developing a cost estimate for refurbishment of the processing plant (crusher, mills, resin pulp tanks, dryers etc) to facilitate restart of the process.
- Developing a cost estimate for refurbishment and upgrade of the acid plant.
- Geotechnical studies of plant foundations.
- Design work around an ore upgrading facility in the front-end of the processing route to allow lower grade ores to be economically treated.
- Process improvements around acid recovery and process efficiency.
- Power studies to reduce diesel consumption.
- Updated mine design and scheduling based on the March 2020 Mineral Resource estimate (ASX announcement 26 March 2020), provided in Annexure 1.
- Production scheduling optimisation to determine the optimal throughput and production rates.
- Incorporation of all of the above into a feasibility level study to support financing and offtake arrangements.

The scope, timelines and costs associated with this work will be finalised in the September Quarter of 2020.

The restart of the Kayelekera operation is subject to a significant recovery in the uranium price to a level providing for sustainable and profitable production.

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ABOUT LOTUS RESOURCES

Lotus Resources Limited (LOT:ASX) is a minerals exploration and development company. The Company owns a 65% interest in the Kayelekera Uranium Project in Malawi. The project is held via a 76.5% holding in Lily Resources Pty Ltd. 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. The March 2020, JORC 2012 compliant Mineral Resource for Kayelekera is shown below.

For more information, visit www.lotusresources.com.au

Annexure 1. Kayelekera Mineral Resource March 2020¹ (Reported above a 300ppm U₃O₈ lower cut-off for in situ material; and a 200ppm U₃O₈ lower cut-off for the low-grade stockpiles).

	Mt	Grade (U₃O₈ ppm)	U₃O₈ (M kg)	U₃O₈ (M Lb)
Measured	0.7	1,010	0.7	1.5
Measured - RoM Stockpile ²	1.6	760	1.2	2.6
Indicated	18.7	660	12.3	27.1
Inferred	3.7	590	2.2	4.8
Total	24.6	660	16.3	36.0
Inferred - LG Stockpile ³	2.4	290	0.7	1.5
Total All Material	27.1	630	17.0	37.5

¹ The information in this announcement that relates to the Mineral Resource at Kayelekera was announced on 26 March 2020. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 26 March 2020 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in that announcement of continue to apply and have not materially changed.

² RoM stockpile has been mined and is located near mill facility.

³ Low-grade has been mined and placed on low-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this option.

Figures have been rounded. Grade has been determined from a combination of XRF and downhole logging derived eU₃O₈ grades. In situ Mineral Resources are depleted for mining to 31 December 2013, when mining ceased, with stockpiles depleted to the end of processing in June 2014. Metal content is based on contained metal in the ground and takes no account of mining or metallurgical recoveries, mining dilution or other economic parameters. An in-situ bulk density of 2.29g/cm³ was applied for Arkose material and 2.20g/cm³ for mudstone material to all blocks within the model.

