

QUARTERLY ACTIVITIES REPORT

Quarter Ended 30th June 2022

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (**Lotus** or the **Company**) is pleased to provide its quarterly activities report for the quarter ended 30th June 2022. During the quarter, the Company's activities focused on the advancement of the Restart Definitive Feasibility Study (Restart DFS) for the Kayelekera Uranium Project (**Kayelekera** or the **Project**) which is near completion as well as the delineation of the inaugural resource for the Livingstonia satellite uranium deposit in Malawi.

HIGHLIGHTS

- The Company is nearing completion of the Restart DFS, which will be ready to be released in early August 2022
- The total Mineral Resource Estimate (MRE) for the Company increased by 11% to 51.1Mlbs U₃O₈ (Table 2) incorporating the inaugural resource at the Livingstonia deposit of 4.8Mlbs U₃O₈ (Table 1)
- The inaugural MRE at Livingstonia followed a 29-hole (3,395 metre) RC drill program at the deposit that confirmed historical drilling and extending the resource footprint. Results included:
 - 3m at 733 ppm U₃O₈ from 94m (LIV003)
 - 4m at 983ppm U₃O₈ from 87m (LIV007)
 - 4m at 636ppm U₃O₈ from 74m (LIV011)
- Management visited Malawi and held meetings with senior representatives of the Malawian Government regarding the recommencement of production. The Government indicated it was supportive for production to recommence as early as possible
- The Company is also in the process of negotiating an updated Mine Development Agreement for the restart of production. The Mine Development Agreement will set the fiscal regime in which the Company will operate
- Discussions were held with ESCOM, the Malawian Electricity Utility, regarding the connection of the mine site to the national grid. Connecting to the grid will lower the operating costs and significantly reduce CO₂ emissions when compared to the historical operation, as Malawian grid power is sourced primarily from hydropower
- Positive meetings were held with numerous other key stakeholders including Karonga District Commissioner, NGO groups in Karonga and the local communities
- As at 30 June 2022, Lotus had cash of \$4.9 million (unaudited), exclusive of the restricted cash of \$14.6 million held as part of the Environmental Bond
 - The cash position decreased by \$3.6m compared to the previous quarter



INAGURAL LIVINGSTONIA RESOURCE INCREASES TOTAL RESOURCE TO 51.1MLBS U₃O₈

During the quarter, the Company announced an increase in the total MRE for the Company to **49.4Mt at 475ppm U₃O₈ for 51.1Mlbs U₃O₈ (Table 2)**. This increase was due to the inaugural MRE for the Livingstonia deposit of **6.9Mt at 320ppm U₃O₈ for 4.8Mlbs (Table 1)**.

The MRE for Livingstonia (Table 1) has been reported in accordance with the JORC Code (2012) and is based upon data derived from the recent drilling campaign undertaken by Lotus, together with historical drilling data. The MRE has been estimated using Ordinary Kriging (OK) techniques which are regarded as being reasonable for the deposit being estimated.

Table 1: Livingstonia Mineral Resource – June 2022

<i>Reported at 200ppm cut-off</i>	<i>Mt</i>	<i>Grade (U₃O₈ ppm)</i>	<i>U₃O₈ (M kg)</i>	<i>U₃O₈ (M Lb)</i>
Inferred	6.9	320	2.2	4.8
Total	6.9	320	2.2	4.8

Figures have been rounded. Grade has been determined from a combination of assay and downhole logging derived eU₃O₈ grades.
 An in-situ bulk density of 2.25g/cm³ was applied to all blocks within the model.

The MRE has been reported above a cut-off grade of 200ppm U₃O₈ reflecting estimated processing costs and recoveries as well as projected product pricing.

The resource at Livingstonia follows the increase to the Kayelekera MRE during the March quarter to 46.3Mlbs at 500ppm U₃O₈. The total MRE for the Company is highlighted in Table 2 below.

Table 2: Lotus Mineral Resource Inventory – June 2022¹

Deposit	Category	Mt	Grade (U₃O₈ ppm)	U₃O₈ (M kg)	U₃O₈ (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile ²	1.6	760	1.2	2.6
Kayelekera	Indicated	29.3	510	15.1	33.2
Kayelekera	Inferred	8.3	410	3.4	7.4
Kayelekera	Total	40.1	510	20.4	44.8
Kayelekera	Inferred – LG Stockpiles ³	2.4	290	0.7	1.5
Kayelekera	Total All Materials	42.5	500	21.1	46.3
Livingstonia	Inferred	6.9	320	2.2	4.8
Total		49.4	475	23.3	51.1

¹ See ASX announcements dated 15 February 2022 and 2 June 2022 for information on the Lotus Mineral Resource Estimate. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcements of 15 February 2022 and 2 June 2022 and that all material assumptions and technical parameters underpinning the Mineral Resource Estimate in those announcements continue to apply and have not materially changed.

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

³ Medium-grade stockpiles have been mined and placed on the medium-grade stockpile and are considered potentially feasible for blending or beneficiation, with initial studies to assess this optionality already completed.



Livingstonia is located approximately 90km from the Kayelekera mine (Figure 1) and is currently not a part of the the production strategy considered in the Restart DFS. It does however have the potential to become a satellite operation in the future, once the Kayelekera resource has been depleted.

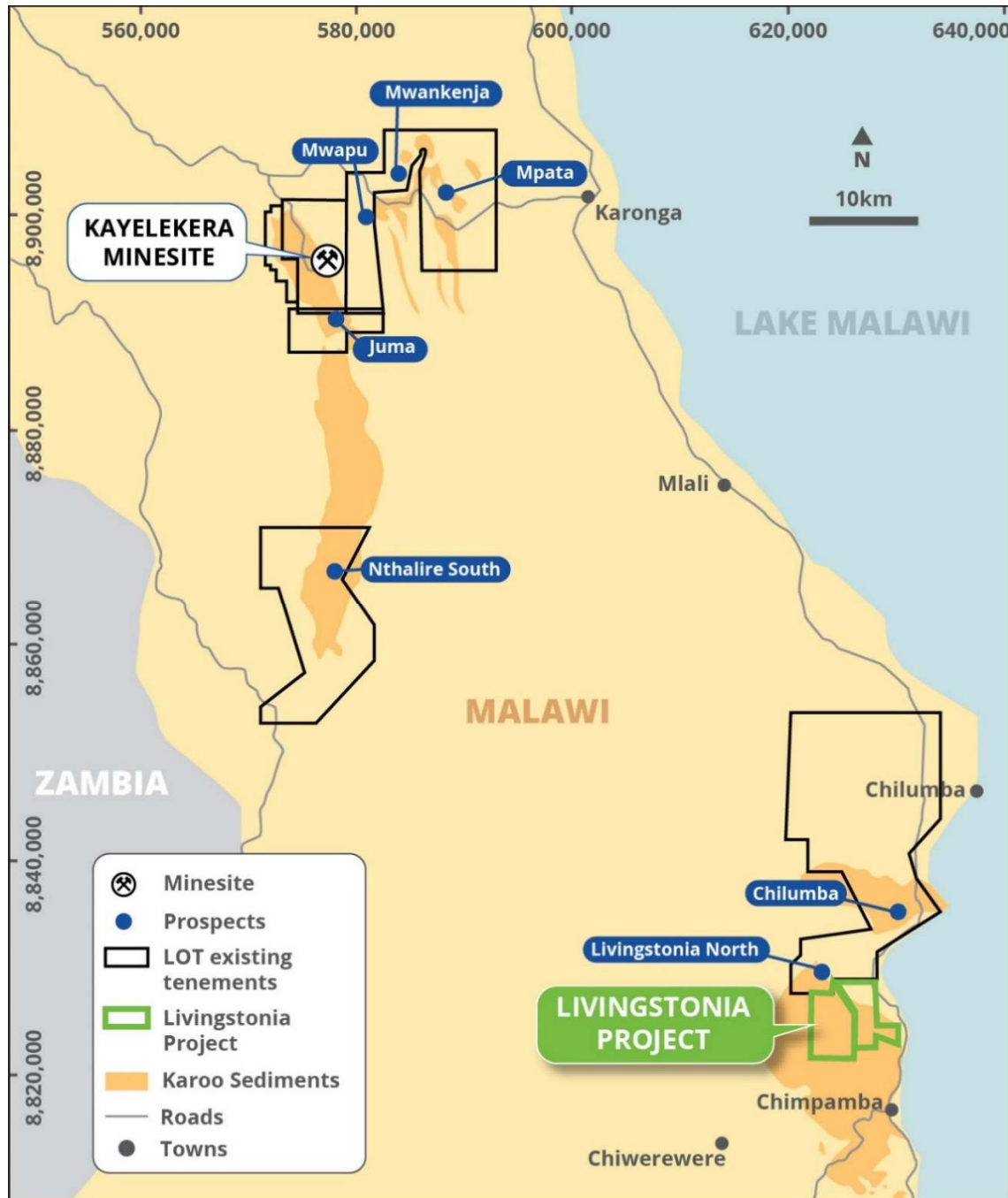


Figure 1: Project Location



RESTART DFS FOR KAYELEKERA NEARS COMPLETION

The Company made significant progress regarding the Restart DFS for the Project during the quarter, which is building on the results of the Scoping Study completed in 2020 (ASX announcement 20 October 2020). All the planned design and technical work has been completed with the cost estimation process well progressed and undergoing the final reviews. The Company anticipates releasing the results of the Restart DFS in August 2022.

MINE DEVELOPMENT AGREEMENT MOVES FORWARD

During the quarter, senior management visited Malawi, with a key objective to advance the negotiations for an updated Mine Development Agreement (MDA). The MDA will set the fiscal regime and define the operating requirements for the Company when Kayelekera restarts.

Negotiations were positive with recognition from the Malawian Government that the Project and Malawi is competing on the global stage for investment and that setting an attractive investment environment will deliver many benefits to the local economy, including the generation of significant amounts of foreign currency through future opportunities.

The previous owners of the Project, Paladin Energy, who operated the mine between 2009 to 2014, had an MDA with the Malawian government, which they negotiated in consideration for the transfer of 15% ownership of the Project to the Government. Lotus is seeking a similar set of conditions as were contained in this original agreement acknowledging that the government will retain its 15% stake in the Project. The Company is continuing to work with both the Government and the Government appointed Steering Committee to advance these negotiations.



Figure 2: Meeting with Minister of Mining



CONNECTING TO THE NATIONAL POWER GRID - ESCOM

During historical operations power at the Project was generated on site using multiple diesel gensets. For recommencement this is not only costly but also not in line with the Company's desire to minimize CO₂ emissions.

The Company has met with and is negotiating with ESCOM, the Malawian electricity utility, a permanent connection to the national grid.

ESCOM indicated ~4MW of power would be available at the Karonga substation, which when combined with the 2.5MW available from the steam turbine that is proposed to be fitted to the on-site acid plant, and a possible solar/battery energy storage system will cover the site power demand. Diesel generation will only be required for emergency power and when the grid, turbine or solar is offline.

It is important to note that approximately 90% of power on the national grid is from hydroelectric power generation and biofuels. This high percentage of "green" power is expected to significantly reduce our CO₂ footprint and aligns with our ESG commitments.

MEETINGS WITH LOCAL STAKEHOLDERS

Meetings were held with the local village chiefs and community leaders and local enterprises including schools to talk about the Project and to listen to any community concerns. In addition meetings were held with the District Commissioner (DC) for Karonga and the CEO and management of FOCUS a key local NGO(<https://www.facebook.com/Foundation-for-Community-Support-Services-FOCUS-165181670300221/>).

These discussions centred on the Community Development Agreement (CDA). Under the new Mining Act, brought into force since the Project was last in production, a company with a large-scale mining licence must contribute zero point four five (0.45) percent of its revenue for projects in the local communities and the CDA is the means to administer this. The CDA will be signed with the surrounding qualifying communities who will benefit under the scheme.

FOCUS and the DC have been working with the various communities that are involved in the CDA to ensure a consistent understanding of the potential benefits of the agreement and how the processes associated with the agreement will work. A final version of the agreement is near completion with a signed agreement expected shortly.

While at site the senior management team were also able to visit the local Kayelekera Junior School (see Figure 3) and the local Kayelekera Clinic, both of which are supported financially by Lotus. In both instances the need for further support was expressed by the staff. Lotus will look to provide further assistance for these and comparable community-based facilities as we progress closer to restarting and operating Kayelekera.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In addition to the meetings held with Government, suppliers and local communities the Company has been actively pursuing the various goals set out in the 2021 Sustainability Report. The work during the quarter has focused primarily on completion of a comprehensive stakeholder survey where over 80 stakeholders were contacted for their input into which Material Topics are important to them. The response level was very high and has provided excellent insight into the topics that concern our stakeholders. Our Material Topics have been updated to reflect these



concerns and the Company is now collating the required data in a format that will allow measurement against the possible ESG reporting frameworks that the Company is considering moving forward with. Work has also started on preparing our 2022 Sustainability Report which will be released to the market in early Q4.



Figure 3: Lotus management at the local school

CORPORATE

Cash at the end of the Quarter

As at 30 June 2022, Lotus had cash of \$4.9 million (unaudited), exclusive of restricted cash of \$14.6 million. The cash balance decreased by \$3.6 million compared to the 31 March 2022 quarter (\$8.5 million). During the quarter, the Company spent approximately \$0.4M on exploration and geotechnical drilling, \$1.5M on the Restart DFS and \$1.5M on site care and maintenance (including water treatment). No mining or development activities were carried out during the quarter.

Change in Managing Directors terms

During the quarter, Managing Director, Keith Bowes's remuneration was adjusted (effective 1 April 2022) to reflect the full-time commitment required by the Company. These updated terms comprised of the following:

- Cash remuneration of \$400,000 per year (inclusive of superannuation).
- A package of equity incentives under the Company's Employee Incentive Plan and which shall be subject to shareholder approval as follows:
 - Short-term Equity Incentive Awards of up to approximately 50% of Base Salary to vest 12 months from the date on which any such Equity Incentive Awards are granted, subject to performance against agreed KPIs.



- Long-term Equity Incentive Awards of up to approximately 95% of the Base Salary to vest 36 months from the date on which any such Equity Incentive Awards are granted subject to performance against agreed KPIs.

Payments to Related Parties

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, general office services, company secretarial services, 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 (June quarter \$86,000).

The Company's Non-Executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the March quarter, the Company paid legal fees of \$1,000 to Thomson Geer for legal services.

Payments to all directors for executive and non-executive directors' fees in the quarter were \$181,000.

TENEMENT INTERESTS

The Company's tenement interests as at 30 June 2022 are shown in Table 3.

Table 3. Tenement interests as at 30 June 2022

Tenement	Ownership	Registered Holder	Location
ML0152 - Kayelekera	85%	Lotus Africa Limited	Malawi
EL418 - Chilumba	85%	Lotus Africa Limited	Malawi
EL489 - Nthalire	85%	Lotus Africa Limited	Malawi
EL502 - Juma-Miwanga	85%	Lotus Africa Limited	Malawi
EL417 - Rukuru	85%	Lotus Africa Limited	Malawi
EL595 - Livingstonia	85%	Lotus Africa Limited	Malawi
EL583 - Livingstonia West	85%	Lotus Africa Limited	Malawi

This Quarterly Report has been authorised for release by the Lotus board of directors.

For further information, contact:

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 Business Development
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ABOUT LOTUS

Lotus Resources Limited (**ASX: LOT, OTCQB: LTSRF**) owns an 85% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 46.3Mlbs U₃O₈ (see table below), and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Study¹ which demonstrated that Kayelekera can support a viable long-term operation and has the potential to be one of the first uranium projects to recommence production in the future.

Lotus Mineral Resource Inventory – June 2022⁴

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile ⁵	1.6	760	1.2	2.6
Kayelekera	Indicated	29.3	510	15.1	33.2
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Kayelekera	Total	40.1	510	20.4	44.8
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Livingstonia	Inferred	6.9	320	2.2	4.8
Total		49.4	475	23.3	51.1

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

REFERENCE TO PREVIOUS ASX ANNOUNCEMENTS

In relation to information in this announcement that relates to previously reported exploration results, the dates of which are referenced, Lotus confirms that that it is not aware of any new information or data that materially affects the information included in that announcement.

⁴ See ASX announcement dated 15 February 2022 for information on the Kayelekera mineral resource estimate. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 15 February 2022 and that all material assumptions and technical parameters underpinning the Mineral Resource Estimate in that announcement continue to apply and have not materially changed.

⁵ RoM stockpile has been mined and is located near mill facility.

⁶ Medium-grade stockpiles have been mined and placed on the medium-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this optionality.



Appendix 5B

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

Name of entity

Lotus Resources Limited

ABN

38 119 992 175

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(1,481)	(4,014)
	(b) care & maintenance	(1,472)	(3,887)
	(c) development	-	-
	(d) production	-	-
	(e) staff costs	(239)	(666)
	(f) administration and corporate costs	(463)	(1,545)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	29	38
1.5	Interest and other costs of finance paid	(138)	(138)
1.6	Income taxes paid	-	-
1.7	Government grants and incentives	-	-
1.8	Other (Business development activities)	-	249
1.9	Net cash from / (used in) operating activities	(3,764)	(9,963)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	(2,707)
	(c) property, plant and equipment	(393)	(1,047)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	(45)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	2,196
	(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	(393)	(1,603)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	132	1,073
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	132	1,073

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,526	14,752
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,764)	(9,963)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(393)	(1,603)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	132	1,073

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	375	617
4.6	Cash and cash equivalents at end of period	4,876	4,876

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	305	110
5.2 Call deposits	4,571	8,417
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)	4,876	8,526

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
269
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to all Directors for Directors' fees (June quarter: \$181,000).

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, general office services, 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 (June quarter \$86,000).

The Company's Non-Executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the June quarter, the Company paid legal fees of \$1,000 to Thomson Geer for legal services.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(3,764)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,764)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	4,876
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	4,876
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	* 1.3

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?

*The Company spend profile for the second half of FY2022, and specifically this last quarter, has been elevated due to significant expenditure on the Restart Feasibility Study which is nearing completion and exploration activities which have now concluded (approximately \$1.8 million for the quarter). Care and maintenance costs for Kayelekera for the quarter were elevated due to seasonal water treatment. The spend profile for the next two quarters is therefore significantly lower and inline with our historical expenditure.

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?

The Company will raise funds at some point in the next 6 months to progress its objectives. The Company is confident it will be able to do so based on its previous experience in this activity and the positive sentiment around the uranium market.

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

The Company is advancing the Restart Feasibility Study for its Kayelekera Uranium Project which is due to be completed in early August. The study is expected to show robust economics, with a relatively low-cost restart and good profit margins all within a supportive uranium market that is looking for new producers.

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: 29 July 2022.....

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.