

QUARTERLY ACTIVITIES REPORT

Quarter Ended 31 March 2023

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (Lotus or the Company) is pleased to provide its quarterly activities report for the quarter ended 31 March 2023. During the period, the Company has progressed multiple areas so as to ready the Company's Kayelekera Uranium Project (**Kayelekera** or the **Project**) for a Final Investment Decision (FID) as uranium prices begin to strengthen on the back of positive market sentiment.

The main activities related to this include advancing negotiations with the Government of Malawi's for a Mine Development Agreement (MDA), ESCOM power connection discussions as well as assessing new uranium opportunities to grow a pipeline of long-term development assets.

HIGHLIGHTS

- **The Company continued to advance the Mine Development Agreement (MDA) with the Government of Malawi (GoM). This has included a benchmarking exercise undertaken with an independent expert to advise the GoM on comparable fiscal regimes in other African countries with established mining industries and /or uranium production.**
- **Advanced the discussions with the Malawi national electricity supplier (ESCOM) using an expert consultant regarding the connection of the Project site to the Malawi national grid, encompassing a Power Implementation and a Power Supply Agreement.**
- **The Company participated in a number of Request for Proposals (RFPs) from utilities in connection with their future uranium demand.**
 - Lotus continues to build the relationship with other utilities using our strong ESG credentials to access potential new customers, especially in Europe, where ESG measures are critical in the supply chain.
- **The Company has continued to review potential new exploration areas in Malawi as well as other uranium opportunities in other jurisdictions as the Company looks to grow its pipeline of development assets.**
- **The Company is progressing its alignment with ESG reporting against the Taskforce for Climate-related Financial Disclosure (TCFD) framework, an important global framework for understanding and mitigating financial implications of climate change. This framework will be used in conjunction with UN Sustainable Development Goals (SDGs) and Global Reporting Initiative (GRI) Standards.**
- **Lotus continues to exercise fiscal discipline with an operating expenditure of \$1.2 million during the quarter and a cash balance of \$17.9m (unaudited), exclusive of the restricted cash holding of \$14.7m (US\$10m) which forms collateral for the Kayelekera Environmental Bond**
 - During the quarter the final cash payment of \$4.5m was made to Paladin as part of the Kayelekera acquisition (in addition to \$3m deferred share consideration). Apart from a capped royalty (\$5m), no further cash or share payments are required.

MINE DEVELOPMENT AGREEMENT MOVES FORWARD

The Company has continued its work in negotiating with the Government of Malawi (GoM) on the Mine Development Agreement (MDA). This agreement will set the fiscal regime in which the Project will operate and is required before the Company can make its Final Investment Decision (FID).

The Company is currently engaged with the lawyers appointed by the GoM to assist it in finalising the MDA. Benchmarking studies are underway by an independent expert to provide the GoM with advice on comparable fiscal regimes, with the Company also providing feedback into that process. Once an agreed split of economic benefits from the Project based on this benchmarking has been agreed with the GoM then the draft agreement document can be finalised.

OFFTAKE DISCUSSIONS

The Company continues to engage with multiple electricity utilities regarding potential offtake agreements, including participating in formal Request for Proposals (RFPs) with a number of these utilities and other off-takers during the reporting period, an important part of our FID decision and financing discussions.

We have also noted, particularly with the European utilities, a strong focus on suppliers ESG credentials as these companies look towards net-zero carbon emissions in their supply chains and geopolitical diversity in their supply.

POWER SUPPLY AGREEMENT ADVANCES

A roadmap to achieving the necessary agreements with ESCOM (the Malawi national electricity supplier) has been prepared with our expert consultant. A Power Implementation Agreement along with the Power Supply Agreement with ESCOM will facilitate the connection of the Project site to the Malawi national grid and allow the Company access to cheaper power, a critical component of the lower operating costs reported in the Definitive Feasibility Study (DFS).

AS reported in our DFS it is also recognised that the Malawian grid power, being sourced predominantly from hydro, is considered “green” in nature and ensuring this source as a major component of our power mix fits with our low carbon strategies.

SITE ACTIVITIES

Site activities during the quarter focused on four main areas:

- Compliance with all regulatory requirements;
- Maintain the equipment on site so as to minimise restart costs;
- Ensure security of the assets on site through a dedicated security team; and
- Implementation of an effective water management strategy to control the discharge of water collected at site during the wet season to the environment, in accordance with licence conditions and world standards.

The key site activity during the March Quarter is the operation of the water treatment plant to process the contaminated water that has fallen on disturbed areas during the wet season and collected in the return water dams. This year the wet season has seen lower levels of rainfall that

has resulted in less water required for treatment. The water treatment plant ran for total of six weeks and treated ~300,000m³ of water. Both the operating time and volumes treated are lower than required during a normal season and has allowed significant savings on our care and maintenance cost for the year.

Cyclone Freddy

During the quarter, Southern Malawi was hit by a devastating tropical cyclone (Cyclone Freddy) which has caused multiple deaths, destroyed thousands of homes and caused significant damage to roads and infrastructure. Fortunately, Kayelekera was not impacted by this event, but the Company recognises the humanitarian needs, and along with other mining companies has through the Malawian Chamber of Mines made a donation to support the relief efforts. The Company continues to monitor the situation and looks for ways to provide further assistance where needed.

ESG UPDATE

Lotus' [Sustainability Report](#) delivered in November 2022 has set out the Company's ongoing approach to delivering its ESG program at both the Project site in Malawi, and at head office in Australia. The Company has focused on the UN Sustainable Development Goals and the Global Reporting Initiative (GRI) Standards to report its performance and measure its progress with respect to ESG and remains on track with its goal of becoming a recognised industry leader in ESG in the uranium sector.

It is widely anticipated that the Australian Accounting Standards Board (AASB) will use the Taskforce for Climate-Related Financial Disclosure (TCFD) framework as the basis for upcoming mandatory climate risk disclosures for Australian corporates. In order to meet these requirements, the Company initiated a process in 2022 to align with TCFD by fulfilling the Governance disclosure requirements in the FY22 Sustainability Report, reporting on its Scope 1 & 2 Greenhouse Gas (GHG) emissions and establishing a Sustainability sub-committee to the main Lotus Board. During this reporting period, the Company has further advanced its TCFD work by undertaking a climate risk assessment workshop with its employees and senior management.

The next stage of the TCFD journey is to develop various scenarios and undertake a detailed risk assessment against these scenarios with the results incorporated into the company wide risk management systems.

As part of Corporate and Social Responsibility program the Company continues to support local Malawian suppliers and labour wherever possible, in particular sponsoring teachers at the local schools, undertaking a mosquito spraying program at the local village to reduce malaria in the community and providing support to locals who were diagnosed with cholera as well as providing seedlings to the local villages to restore vegetation cover. The Company has spent ~890 million MWK (~US\$850,000) with a total of 24 local suppliers during the quarter.

NEW OPPORTUNITIES – GROWING A PIPELINE OF DEVELOPMENT ASSETS

The Company recognises the importance of putting in place strategies that will provide a level of certainty to global utility providers that Lotus has the potential to become a multi-decade supplier in the industry.

As part of this strategy, the Company aims to grow a pipeline of development assets that complement the brownfield Kayelekera Mine. This has seen the Company assess a number of opportunities both in Malawi as well as in other jurisdictions.

The in-country team has undertaken a high-level review of new exploration areas that have the potential for uranium discoveries. The review was based on available literature and the 2016 Malawi Government / World Bank airborne radiometric and magnetic surveys. Four areas were identified as priority areas with opportunities for uranium, rare earths and in three of the areas, lithium prospectivity.

The Company is continuing its review of the regional potential with a decision to made if applications for reconnaissance tenements should be made to allow on ground exploration to be undertaken.

EXPLORATION

MILENJE RARE EARTH PROJECT UPDATE

The Milenje Hills prospect is located 2km to the north of Lotus's Kayelekera deposit.

Following a review of the 2022 exploration program as noted in the last Quarterly Report (which indicated that the structures are more complex than originally anticipated), the Company is undertaking the analysis required to determine the additional programs of work needed to better define the potential of the rare earths present in the Milenje Hills prospect.

Several of the samples from the 2022 exploration returned Total Rare Earth Oxide (TREO) grades greater than 15% which are considered exceptionally high (ASX Announcement – 26 October 2022). Notwithstanding this, more detailed analysis is required to better understand the controls, formation and extent of the mineralisation prior to undertaking any new drill programs.

The Company will update the market when any decision to undertake further exploration is made.

CHILUMBA PROSPECT UPDATE

The Chilumba Prospect lies approximately 80km southeast of the Company's Kayelekera Uranium Mine. Combined with the Company's Livingstonia tenements, this area covers 300km².

As set out in the last Quarterly Report, the Company reported on the inaugural exploration program at Chilumba consisting of 1,140 metres of drilling in 7 reverse circulation (RC) holes (3 vertical and 4 angled) that were designed to test surface radiometric anomalism that had been identified by previous explorers.

The Company continues to review the opportunity to undertake additional drilling of the mineralised areas identified and to follow-up on the interpreted north-westerly trending channel that was identified.

The Company will update the market if any decision is made on further drilling programs at Chilumba.

URANIUM MARKET UPDATE

The uranium spot price has remained resilient during the quarter with the price trading in a narrow range of US\$50-51/lb in the last month and trading up ~5% for the year indicating relative strength compared to other commodities which on average have traded down by almost 6.5% over the same period.

Market fundamentals remain positive, and should continue to support prices moving forward, although uranium equities have seen falls recently due to the concerns around a potential US banking crisis unfolding as a result of several recent bank failures, and the ongoing fight against inflation including the continuation of the lifting of interest rates by Reserve Banks around the world which has impacted the cost of living.

Trade in the spot market has been quiet but there has been significant movement in the term markets with ~52Mlbs U₃O₈ traded since the start of the year and over 120Mlbs U₃O₈ traded in calendar year 2022, the largest volume traded in many years, on the back of utilities moving forward aggressively with their purchasing cycle.

The positive sentiment is being supported by governments around the world recognising the need for greater energy security. This is led by the USA where the Biden administration is offering further funding for distressed nuclear power plants. Other positive news out of the USA has been the start-up in March of the No. 3 Vogtle nuclear power plant in the state of Georgia, the first USA reactor to start-up in over 7 years.

The past year has seen large price increases in the conversion and enrichment services (as a result of the Russian invasion of Ukraine) and it is expected that these increases will cascade down to the U₃O₈ market and support uranium equities. Over the long term this increased demand should support a sustained bull market.

CORPORATE

Cash at the end of the Quarter

As at 31 March 2023, Lotus had cash of \$17.9m (unaudited), exclusive of restricted cash of \$14.7m (US\$10m) which forms cash collateral for the Kayelekera environmental bond.

The cash balance decreased by \$5.7m compared to the 31 December 2022 quarter (\$23.6m), with the majority of these expenses related to the final cash payment (\$4.5m) made to Paladin as part of the Kayelekera acquisition costs. At the same time Paladin was also issued the equivalent of \$3m in equity to complete the acquisition. The only outstanding payment is a 3% capped royalty (\$5m) when operations recommence.

During the quarter, the Company spent approximately \$0.3m on exploration and study expenses and \$0.6m on site care and maintenance.

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, bookkeeping services, company secretarial services, ESG consulting 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 (March quarter \$217,000).

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 \$7,000 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 31 March 2023 are shown in Table 1.

Table 1. Tenement interests as at 31 March 2023

Tenement	Ownership	Registered Holder	Location
ML0152 - Kayelekera	85%	Lotus Africa Limited	Malawi
EL418 - Chilumba	85%	Lotus Africa Limited	Malawi
EL489 - Nthaliire	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 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 it is not aware of any new information or data that materially affects the information included in that announcement.

For further information, contact:

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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 51.1Mlbs U₃O₈ (see table below), and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Study¹ which has determined an Ore Reserve of 23Mlbs U₃O₈ and 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 2022²

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 ³	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 ⁴	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

Lotus Ore Reserve Inventory – July 2022⁵

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Open Pit - Proved	0.6	902	0.5	1.2
Kayelekera	Open Pit - Probable	13.7	637	8.7	19.2
Kayelekera	RoM Stockpile – Proved	1.6	760	1.2	2.6
Kayelekera	Total	15.9	660	10.4	23.0

¹ See ASX announcement dated 11 August 2002 for information on the Definitive Feasibility Study

² 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.

³ RoM stockpile has been mined and is located near mill facility.

⁴ Low-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.

⁵ Ore Reserves are reported based on a dry basis. Proved Ore Reserves are inclusive of RoM stockpiles and are based on a 200ppm cut-off grade for arkose and a 390ppm cut-off grade for mudstone. Ore Reserves are based on a 100% ownership basis of which Lotus has an 85% interest. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 11 August 2022 and that all material assumptions and technical parameters underpinning the Ore Reserve Estimate in that announcement continue to apply and have not materially changed.

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")

31 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(271)	(1,530)
	(b) care & maintenance	(626)	(2,193)
	(c) development	-	-
	(d) production	-	-
	(e) staff costs	(224)	(871)
	(f) administration and corporate costs	(321)	(1,777)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	471	635
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(141)	(141)
1.7	Government grants and incentives	-	-
1.8	Other (Business development activities)	-	-
1.9	Net cash from / (used in) operating activities	(1,112)	(5,877)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	(4,518)	(4,518)
	(c) property, plant and equipment	-	(525)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(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	(4,518)	(5,043)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	25,000
3.2	Proceeds from issue of convertible debt securities	-	
3.3	Proceeds from exercise of options	90	421
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,348)
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	90	24,074

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,599	4,876
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,112)	(5,877)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,518)	(5,043)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	90	24,074

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(145)	(116)
4.6	Cash and cash equivalents at end of period	17,914	17,914

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	577	312
5.2	Call deposits	2,337	1,287
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits < 3 Months)	15,000	22,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,914	23,599

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**

405

-

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 (March 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, company secretarial services, ESG consulting 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 (March quarter \$217,000).

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 \$7,000 to Thomson Geer for legal services.

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

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>			
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)	(1,112)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,112)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	17,914
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	17,914
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	16.1

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

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: 28 April 2023.....

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 **7sound** system of risk management and internal control which is operating effectively.