

## December 2019 | Quarterly Activities Report

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

### HIGHLIGHTS

- **The Minister for Natural Resources, Energy and Mining provided Statutory Consent for the sale of the 85% stake in Paladin (Africa) Limited (PAL) owned by Paladin Energy Limited (Paladin).**
- **This consent allows for the transfer of the shares in Paladin (Africa) Limited. This represents a significant milestone for Lotus in completing the acquisition of a 65% stake in Paladin (Africa) Limited.**
- **Lotus anticipates completing the remaining conditions precedent during 1Q 2020.**
- **Non-Renounceable Entitlement Rights Issue Shortfall completed, allotting the remaining 13,286,204 shares to raise an additional \$265,724.08.**

### RECEIPT OF STATUTORY CONSENT

During the period the Minister for Natural Resources, Energy and Mining in Malawi gave Statutory Consent for Paladin Energy Limited (Paladin) to divest their 85% interest in Paladin (Africa) Limited to Lotus Resources Limited (65%) and Kayelekera Resources Pty Ltd (20%). This consent allows for the transfer of the shares in Paladin (Africa) Limited. This represents a significant milestone for Lotus in completing the acquisition of a 65% stake in Paladin (Africa) Limited.

The key remaining consent required is the Contractual Consent from the Minister for Natural Resources, Energy and Mining and the Minister of Finance, Economic Planning and Development. Once this is received, the completion of the sale remains subject to customary terms and conditions, including Reserve Bank of Malawi approval which is expected to follow. Lotus has already received shareholder approval and Paladin has received approval from the requisite number of its bond holders.

Immediately after completion of the transaction, the Lotus team will formulate a detailed operating strategy. At the core of the strategy will be reengineering certain production and mining processes in order to reduce the overall capex and opex of the operation. Lotus has assembled a highly experienced technical team with significant uranium experience. Several of the team were instrumental in restructuring and reducing costs at the Honeymoon Uranium mine in South Australia (owned by Boss Resources).

## **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. This may include looking for a joint venture partner or farm-in arrangement.

## **CORPORATE HIGHLIGHTS**

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### **NON-RENOUCEABLE ENTITLEMENT RIGHTS ISSUE**

The Company allotted the remaining 13,286,204 fully paid ordinary shares (with a free attaching option for every two shares issued at an exercise price of \$0.04 and expiring 3 years from issue), for an additional \$265,724.08, pursuant to the non-renounceable Entitlement offer, which closed on 18 September 2019.

At the end of the December Quarter the Company held a cash balance of \$2,803,457.

Simon Andrew



**Managing Director**

For further information, contact:

**Simon Andrew**

**Managing Director**

**+61 (08) 9278 2441**

### **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.

Tenement ID	Status	Granted Date	Project	HCO Interest	Holders	Expiry Date
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

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

<b>LOTUS RESOURCES LIMITED</b>
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**ABN**

38 119 992 175
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**Quarter ended ("current quarter")**

31 DECEMBER 2019
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(126)	(173)
(b) development	-	-
(c) production	-	-
(d) staff costs	(88)	(175)
(e) administration and corporate costs	(344)	(735)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(555)</b>	<b>(1,080)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(3)
(b) tenements (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(d) other non-current assets	-	(200)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(203)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	300	3603
3.2 Proceeds from issue of convertible notes	501	501
3.3 Proceeds from exercise of share options	284	288
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(200)
3.5 Proceeds from borrowings	-	501
3.6 Repayment of borrowings	(501)	(651)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>584</b>	<b>4,042</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,803	73
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(555)	(1,080)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(203)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	584	4,042

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,832</b>	<b>2,832</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,832	2,803
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,832</b>	<b>2,803</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	(71)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors' remuneration & reimbursements

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

## Mining exploration entity and oil and gas exploration entity quarterly report

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Exploration and evaluation	(1,000)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(100)
9.5 Administration and corporate costs	(400)
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>(1,500)</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				



**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.

Sign here:

  
(Company Secretary)

Date: 31 January 2020

Print name: Amanda Burgess

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.