

14 day extension granted by ASX for completion of Kayelekera uranium acquisition

HIGHLIGHTS

- ASX have granted an extension to Lotus for two weeks to 13 March 2020 to complete the Kayelekera acquisition by waiver of ASX Listing Rule 14.7.
- The extension will allow the Company to issue the Initial Consideration Shares and the Second Placement securities on or before 13 March 2020, being more than 3 months after the Meeting rather than having to convene another general meeting to re-seek the already obtained approval.
- Contractual consent from the Minister for Natural Resources, Energy and Mining and the Minister of Finance, Economic Planning and Development (Contractual Consent) is expected in coming days.
- The Company expects the remaining conditions will be satisfied and completed on or before the 13 March 2020.
- Completion and issue of the Second Placement securities will occur on or before 13 March 2020.



Figure 1 - More than \$200M was invested into infrastructure at Kayelekera uranium project, which was in production from 2009 to 2014



Lotus Resources Limited (ASX:LOT, "Lotus" or "the Company") is pleased to announce ASX have granted the Company a waiver of ASX listing rule 14.7 which provides an extension of two weeks, to 13 March 2020, for the Company to complete the Kayelekera acquisition (Extension). Further details of the Waiver are set out in the Schedule. The Extension is to enable the Company to issue the Initial Consideration Shares and the Second Placement securities on or before 13 March 2020, being more than 3 months after the shareholder meeting to approve the Acquisition (Meeting), rather than having to convene another general meeting to re-seek the already obtained approval.

Lotus announced in June 2019 that it would acquire an indirect 65% interest in the Kayelekera project, by way of Lily Resources Pty Ltd (formerly Lotus Resources Pty Ltd) (**Lily**) acquiring 85% of the shares in Paladin's subsidiary Paladin (Africa) Limited (**PAL**). Lotus holds 76.5% of the shares in Lily and Kayelekera Resources Pty Ltd holds 23.5% of the shares in Lily, giving Kayelekera Resources Pty Ltd an indirect 20% interest in the Kayelekera project, with the remaining 15% of PAL shares retained by the Malawi Government.

As announced on 20 December 2019, the Company has obtained Malawi's Minister for Natural Resources, Energy and Mining's **Statutory Consent** for the Acquisition.

As noted in the Company's Quarterly Report for the December 2019 quarter, 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 (**Contractual Consent**). The Company expects receipt of this consent in coming days.

Once the Contractual Consent has been received, Completion remains subject to:

- (a) the consent of the Malawi Reserve Bank for the transfer of certain loans and receivables; and
- (b) various other conditions precedent which are within the control of the parties and will be satisfied on the day of Completion.

The Company has been advised that the consent of the Malawi Reserve Bank will be given promptly following the giving of the Contractual Consent.

Accordingly, the Company expects that:

- (a) the remaining conditions will be satisfied; and
- (b) Completion and issue of the Second Placement securities will occur,

on or before **13 March 2020**.

The Company confirms that the Vendor (Paladin Energy Limited) has consented to the Extension.

This announcement has been authorised for release by the Company's Board of Directors.

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Figure 2: Kayelekera Process Plant and Surrounds – October 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 Kayelekera Resources Pty Ltd (20%) and the Government of Malawi (15%). Lotus will have an option to acquire a further 20% interest in the Kayelekera mine from Kayelekera Resources in the future.
- 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 - \$2M including \$200k cash deposit, \$1.8M worth of ordinary shares in Lotus (**Shares**).
 - Deferred Consideration - \$3M worth of Shares 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 – refund 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 157km² tenement package with excellent exploration potential.

About Lotus Resources

Lotus Resources Limited (LOT:ASX) 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.



Schedule

1. WAIVER DECISION

Based solely on the information provided, ASX Limited ('ASX') grants Lotus Resources Limited (the 'Company') a waiver from listing rule 14.7 to the extent necessary to permit the Company to issue:

- (a) 90,000,000 ordinary fully paid shares to be issued at a deemed price of \$0.02 to Paladin Energy Minerals Limited ("Initial Consideration Shares"); and
- (b) up to 225,000,000 ordinary fully paid shares at an issue price of \$0.02 per share to raise between \$4,000,000 and \$4,500,000, together with up to 112,500,000 attaching options exercisable at \$0.04 and expiring three years from the date of grant, to be issued to professional and sophisticated investors ("Second Placement Securities"),

later than three months following 29 August 2019, being the date of the shareholders' meeting at which the issue of the Initial Consideration Shares and Second Placement Securities were approved on the following conditions:

- (a) the issue of the Initial Consideration Shares and Second Placement Securities must be no later than 13 March 2020; and
- (b) the terms of this waiver are released to the market immediately.

ASX has considered Listing Rule 14.7 only and makes no statement as to the Company's compliance with other listing rules.

2. BASIS FOR WAIVER DECISION

2.1 Listing Rule 14.7

If a notice of meeting states that an entity will do something that the listing rules require it to do, the entity must do that thing. This supports the integrity of listing rule requirements that forbid a listed entity from taking a particular action unless it has obtained the prior approval of ordinary security holders, and require the giving to security holders of specific information about the proposed action in order for such approval to be validly obtained.

2.2 Facts/Reasons for granting the waiver

Listing rule 7.3.4 requires a notice of meeting with a resolution to approve the issue of ordinary securities under listing rule 7.1 to state that the securities will be issued no later than three months after the date of the shareholders' meeting. Listing rule 7.3.4 ensures that an issue of securities is made within a reasonably short time after the ordinary securities holders approve the issue, so that there is less possibility that the circumstances



of the entity may change by the time the issue is made in such a way that they are different from those that the ordinary security holders may reasonably have had in contemplation at the time of giving their approval. Listing rule 14.7 ensures that an issue of securities approved by security holders conforms to the terms on which security holder approval for the issue was obtained. However, ASX has generally been prepared to grant waivers where the requested extension is short, where the circumstances of the company have not materially changed, where the transactions are complex and involve longer than usual delays (whether due to regulatory approvals or otherwise) or when unforeseen complications arise.

LOT sought and received shareholder approval for the issue of the Initial Consideration Shares and Second Placement Securities at a general meeting held on 29 August 2019. In accordance with Listing Rule 7.3.4, the notice of meeting stated that LOT would issue the Initial Consideration Shares and the Second Placement Securities no later than three months after the date of the meeting. The issue of the Initial Consideration Shares and Second Placement Securities is conditional on various Malawi Government approvals and approval of the Reserve Bank of Malawi which LOT is still progressing. The delay to the receipt of the necessary Malawi Government approvals, including contractual consent, is outside the control of LOT. Shareholder approval was obtained for the issue of the Initial Consideration Shares and Second Placement Securities and in line with the notice of meeting and Listing Rule 7.3.4, the latest date that the Initial Consideration Shares and Second Placement Securities can be issued is 28 February 2020 pursuant to the terms of the ASX waiver granted to LOT (formerly Hylea Metals Limited) and announced to the market on 29 August 2019.

A waiver is therefore granted to allow the issue of the Initial Consideration Shares and Second Placement Securities up until 13 March 2020 to allow further time for the receipt of Malawi Government approvals which are pre-conditions to the issue of the Initial Consideration Shares and Second Placement Securities. The maximum number of Initial Consideration Shares and Second Placement Securities to be issued is fixed and the potential degree of dilution to existing shareholders is known. The additional time requested is not excessive. There has not been any material change to LOT's circumstances from the date of the shareholder meeting.

2.3 Conditions of waiver

The waiver is subject to certain conditions. Under Listing Rule 18.1, these conditions must be complied with for the waiver(s) to be effective

2.4 ASX's power to vary or revoke waiver

It should be noted that under ASX Listing Rule 18.3, ASX may vary or revoke the waiver(s) at any time.

