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ASX Announcement 29 October 2020

QUARTERLY ACTIVITIES REPORT
Quarter Ended 30 September 2020

Lotus Resources Limited (**ASX: LOT**) (**Lotus** or the **Company**) is pleased to provide its quarterly activities report for the quarter ended 30 September 2020.

HIGHLIGHTS

- **A Restart Scoping Study was released which confirmed the potential for the Kayelekera Project to support a viable long-term operation in the right uranium price environment**
  - Low total initial capital cost of US$50 million or Initial capital intensity of US$21 / lb of annual production, which ranks Kayelekera as one of the lowest capital cost projects to recommence uranium production in the industry
  - Life of mine production of up to 14 years or 23.8Mlbs U_3O_8
  - C1 cash costs of US$33/lb U_3O_8 based on average production of 2.4Mlbs U_3O_8 per annum.
  - Opportunities to further reduce these costs through upgrading of feed ore, improved options around power, acid recovery and optimised tailings disposal options have commenced
- **Commencement of discussions with major global utilities to re-introduce the Kayelekera uranium project, with an initial focus on groups that historically acquired Kayelekera product**
  - Kayelekera produced a quality product that was fully accepted by all three Western uranium converters
  - 10.9 Mlbs of uranium was historically produced at Kayelekera and successfully marketed and delivered to nuclear fuel market participants located in North America, Asia and Europe
  - Lotus has extensive experience in working with utilities and other nuclear fuel market participants worldwide
- **Significant progress made in reducing the care and maintenance costs of the Kayelekera asset through**
  - Reduced personnel onsite and reduced camp residents
  - Renegotiating diesel and other consumable prices and reducing overall consumption rates
- **Key areas of focus for the coming months include:**
  - Further rationalisation of Project care and maintenance costs
  - Continuing discussions with potential offtakers to position the Company for a restart of operations
  - Progressing near-mine exploration opportunities
  - Reviewing the rare earths and rutile exploration prospects at Kayelekera

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RESTART SCOPING STUDY

Post Quarter end, the Company completed a Restart Scoping Study (**Study**), which demonstrated that the Kayelekera Uranium Project (**Kayelekera** or the **Project**) has the capacity to be one of the first operations globally to recommence uranium production to meet the impending and growing shortfall in supply.

Kayelekera's existing infrastructure and mineral resources represent a considerable advantage, providing for a low restart capital expenditure and significant long-term production. The estimated C1 cash cost is on par with current term price indicators, which have been trending upwards in recent years, reaching US$33 per lb U_3O_8 in mid-2020. The Study assessed two scenarios:

- Scenario 1: 8-year life of mine, producing 16.4Mlbs U_3O_8 with average head grade of ~900ppm U_3O_8.
- Scenario 2: 14 years life of mine, producing 23.8Mlbs U_3O_8 with treatment of stockpiles from year 8 (average head grade ~680ppm U_3O_8)

The results of the Study are shown in Table 1 below – see ASX announcement dated 21 October 2020 for further information on the Study.

Table 1: Summary of production and cost data (estimated)

General	High-grade ore only LOM total / Avg.	With Medium-grade stockpiles LOM total / Avg.
Mine Life (Years)	8	14
Total Material Mined (Mt)	47.1	47.1
Strip Ratio	3.5	1.8
Total U_3O_8 Mined (Mlbs)	18.9	27.5
Production	LOM total / Avg.	LOM total / Avg.
Plant Feed (Mt)	9.6	18.4
Plant Feed Grade (ppm U_3O_8)	898	679
Plant Recovery (%)	86.7%	86.7%
Av. Annual Production (Mlbs)	2.3	1.8
Max Annual Production	3.0	3.0
LOM Production (Mlbs)	16.4	23.8
Operating costs	LOM total / Avg.	LOM total / Avg.
Mining Costs (US$ / t mined)	2.87	2.87
Processing Costs (US$ / t ore)	37.84	35.47
G&A Costs (US$M pa)	12.4	12.4
Steady-state[1] Cash costs (US$ / lb)	32.75	32.06
Steady-state[2] AISC (US$ / lb)	39.83	39.07
Capital costs	LOM total / Avg.	LOM total / Avg.
Initial Capital (US$M)	50.2	50.2
Plant Sustaining Capital (US$M)	28.0	48.0
TSF Sustaining Capital (US$M)	36.1	36.1[2]
Closure Costs (US$M)	31.5	31.5

[1] Production Years 2 to 6 after ramp-up; 2 Assumes in-pit tailings disposal will be possible otherwise this could increase to US$65.4M

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Lotus is working to identify and optimise opportunities to improve the operation and expand the resource base through targeted exploration activities to support an extension of the mine life. To this end, several opportunities that could reduce operating costs, extend the life of mine or optimise production rates have been identified.

These opportunities form the basis of a five-stage process for the restart of Kayelekera, as follows:

- Develop the programs of work to verify the activities, cost estimates and timeframe required to restart the operation;
- Investigate potential to implement new technologies in the circuit front-end, focused on upgrading the ore feed grade and/or rejecting high acid consuming gangue minerals;
- Identify further process improvements to reduce operating costs, with a focus on resin-in-pulp circuit, acid recovery options, yellow cake dryer, tailings disposal and power supply options;
- Complete a Restart Feasibility Study (**RFS**), with a revised mining schedule incorporating results from programs above; and
- Complete further detailed design work to increase the level of confidence in engineering design and cost estimates of the RFS.

This work will be undertaken while the Company continues to maintain Project asset integrity through its care and maintenance program and engages with the Government of Malawi to ensure that the permits required for a restart of operations are in place.

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DISCUSSIONS WITH OFFTAKERS

A total of 10.9 Mlbs of uranium was successfully produced, marketed and delivered from the Kayelekera Project to the nuclear fuel market globally during the period from 2009 to 2014. Charts 1-3 below show the composition of sales from Kayelekera during this production period.

Chart 1: Sales by Customer

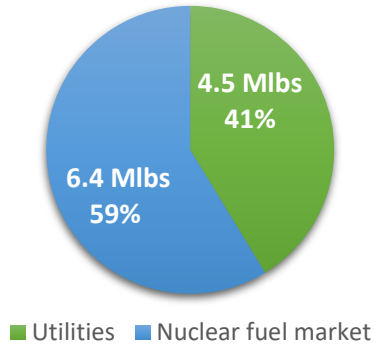


Chart 2: Sales by Utility Region

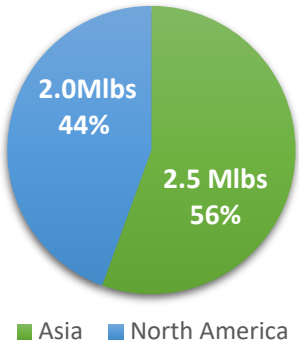
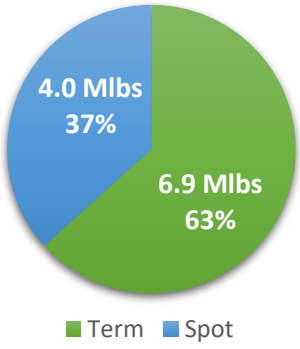


Chart 3: Sales by Contract Type



Kayelekera's product was delivered without product specification issues at all three Western conversion facilities located in the United States, Canada and France operated by Honeywell, Cameco, and Orano, respectively. This confirmed Kayelekera's yellow cake as a quality product, fully acceptable for conversion, enrichment and nuclear fuel fabrication.

Nuclear utilities cover their fuelling needs through long-term contracts, which tend to last from between three and ten or more years in duration. On average, no more than ten percent of utility requirements are left open to spot purchasing.

Given the length of these contracts, it is typical to engage in supply contracting discussions with utilities and other nuclear fuel market participants long before production at a uranium mine commences.

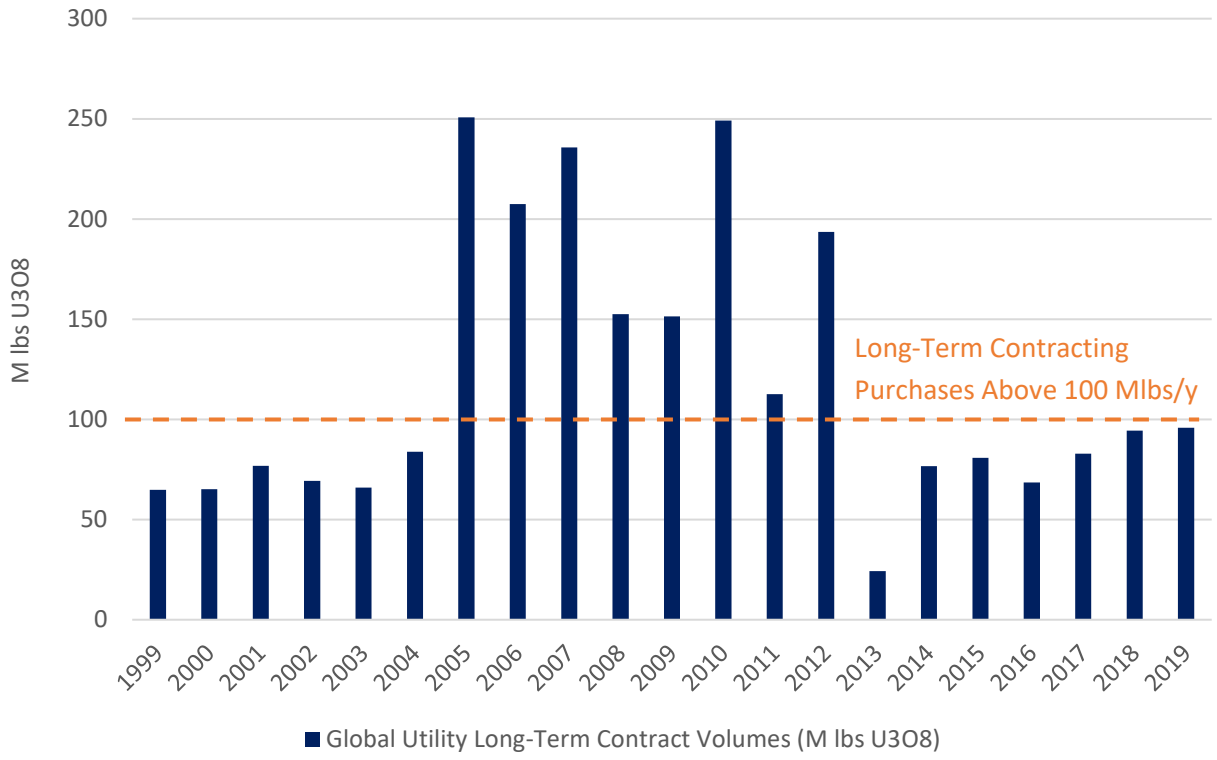
The Company's engagement with likely offtakers who understand Kayelekera product is a central element of the Company's strategy to position the Project for an efficient and cost-effective restart of operations.

Chart 4 below highlights the long-term contract volumes during the past two decades. There is an expectation that utilities will begin to return to the term contracting cycle in the coming years primarily as a result of the lack of term contracting since 2013. This is similar to what occurred prior to the contracting peak cycle during the period 2005-2010.

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***Chart 4: Global Utility Long-Term Contract Volumes** (source UxC)*



CORPORATE

Cash at the end of the Quarter

At the end of the September Quarter, Lotus held cash of $17.3 million, inclusive of both restricted and unrestricted cash.

For further information, contact:

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Managing Director
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Business Development
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This Quarterly Report has been authorised for release by the Board.

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REFERENCE TO PREVIOUS ASX ANNOUNCEMENTS

In relation to the Restart Study announced on 21 October 2020, the Company confirms that all material assumptions underpinning the production target and forecast financial information included in that announcement continue to apply and have not materially changed.

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ABOUT LOTUS RESOURCES

Lotus Resources Limited (LOT:ASX) owns a 65% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 37.5M lbs U_3O_8, and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Scoping Study that demonstrated Kayelekera support a viable long-term operation and has the potential to be one of the first uranium projects to recommence production in the future.

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

Annexure 1. Kayelekera Mineral Resource March 2020[1] (Reported above a 300ppm U_3O_8 lower cut-off for in situ material; and a 200ppm U_3O_8 lower cut-off for the low-grade stockpiles).

	Mt	Grade (U_3O_8 ppm)	U_3O_8 (M kg)	U_3O_8 (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 eU_3O_8 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/cm^3 was applied for Arkose material and 2.20g/cm^3 for mudstone material to all blocks within the model.

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Appendix 5B

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

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Name of entity	
Lotus Resources Limited	
ABN	**Quarter ended ("current quarter")**
38 119 992 175	30 September 2020

	Consolidated statement of cash flows	**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(35)	(35)
	(b) care & maintenance	(852)	(852)
	(c) development	-	-
	(d) production	-	-
	(e) staff costs	(179)	(179)
	(f) administration and corporate costs	(364)	(364)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds and other government incentives	62	62
1.8	Other (Business development activities)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,366)**	**(1,366)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2)	(2)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(2)**	**(2)**

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	2,718	2,718
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**	**2,718**	**2,718**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	16,497	16,497
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,366)	(1,366)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,718	2,718

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(550)	(550)
4.6	**Cash and cash equivalents at end of period**	**17,297**	**17,297**

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	3,299	1,883
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	13,998[1]	14,614
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**17,297**	**16,497**

[1] The Company acquired a US$10 million (AUD$14.0 million) cash backed environmental performance bond as part of the acquisition of the Kayelekera Uranium project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place. The Company is currently working with its bank and insurance company to put insurance in place that would allow the Company to access the funds currently restricted by the bond.

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	238
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 (September quarter: $179,000).

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, a working capital facility, general office costs, 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 (September quarter $58,700).

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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)	(1,366)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,366)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	17,297[1]
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	17,297[1]
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	12.7[2]

[1] The Company acquired a US$10 million (AUD$14.0 million) cash backed environmental performance bond as part of the acquisition of the Kayelekera Uranium project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place. The Company is currently working with its bank and insurance company to put insurance in place that would allow the Company to access the funds currently restricted by the bond.
[2] With the exclusion of the $10 million USD environmental performance bond (restricted cash) the Company has 2.3 estimated quarters of funding available.

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

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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 October 2020

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.

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