

Ministry Consent Secured for Lotus Resources' Kayelekera uranium acquisition

HIGHLIGHTS

- Malawi's Minister for Natural Resources, Energy and Mining provides Statutory Consent for the sale of Paladin Energy's 85% stake in Kayelekera uranium project
- Care and maintenance review of Kayelekera commenced, due for completion 1Q 2020
- Cost re-engineering study by highly experienced uranium team will commence 1Q 2020
- Lotus remains convinced of Kayelekera's near-mine and regional exploration potential for uranium and other minerals.
- Lotus anticipates completing Tranche 2 of \$4.5M Placement during week of 13 January 2020
- Lotus will work with Paladin to achieve a responsible handover of Kayelekera site by end of 1Q 2020.
- Lotus looks forward to making a positive contribution to the mining industry in Malawi.



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



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Lotus Resources Limited (ASX:LOT, "Lotus" or "the Company") is pleased to announce Malawi's Minister for Natural Resources, Energy and Mining has given Statutory Consent for Paladin Energy Limited (Paladin) to divest its 85% interest in the Kayelekera uranium project to Lotus Resources Limited (65%) and Kayelekera Resources Pty Ltd (20%).

Ministry consent follows Lotus' announcement it would acquire a 65% interest in Kayelekera, held by Paladin subsidiary Paladin (Africa) Limited, in June 2019. Kayelekera Resources will acquire 20%, with the remaining 15% retained by the Malawi Government.

Immediately after completion, Lotus plans to formulate a detailed operating strategy for the project, which produced more than 10.9Mlb of uranium between 2009 and 2014 before Paladin placed it on care and maintenance. At the core of the strategy will be reengineering certain production and mining processes 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).

Lotus Managing Director Simon Andrew said: "We believe Kayelekera is a world-class uranium asset. The mine is fully permitted and includes significant plant and infrastructure. Kayelekera hosts a high-grade uranium resource with an existing open pit mine and demonstrated excellent recoveries (87.5%) while it was in production."

Kayelekera hosts a Resource (JORC Code 2004 and NI 43-101) of 19Mt at 700ppm U₃O₈ for 28.7Mlb of contained U₃O₈.

"Lotus believes the near-mine and regional exploration potential is significant," Mr Andrew said.

"Numerous radiometric anomalies have been identified over the broader project region. Although several have been tested previously, targets remain open in the Mwankeja South, Livingstonia and Chilumba Prospects based on untested radiometric anomalies as well as structural targets in the Nthalire areas.

"Lotus has confidence that its highly experienced team via the operational review, engineering studies and resource evaluation will be able to make a positive contribution to the mining industry in Malawi for the benefit of all stakeholders. Lotus looks forward to building mutually beneficial relationships with the local community and the Government of Malawi."

Lotus has received shareholder approval for its acquisition and Paladin has received approval from the requisite number of its bond holders.



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The 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.

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Figure 2: Kayelekera Process Plant and Surrounds – October 2019



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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, \$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 – 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 Fife 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.



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