

QUARTERLY ACTIVITIES REPORT

Quarter Ended 31 December 2020

Lotus Resources Limited (ASX: LOT) (Lotus or the Company) is pleased to provide its quarterly activities report for the quarter ended 31 December 2020.

HIGHLIGHTS

- **Completion of a Restart Scoping Study which confirmed the potential for the Kayelekera Project to support a viable long-term uranium operation**
 - Low total initial capital cost of US\$50 million with initial capital intensity of US\$21 / lb of annual production. This ranks Kayelekera as one of the lowest capital cost projects positioned to recommence uranium production.
 - Life of mine production of up to 14 years or 23.8Mlbs U₃O₈.
 - C1 cash costs of US\$33/lb U₃O₈ and average production of 2.4Mlbs U₃O₈ per annum during first 5 years.
 - Significant opportunities to reduce costs through upgrading of feed ore, reducing power costs, acid recovery and optimised tailings disposal methods have commenced.
- **Identification of multiple near-mine exploration targets**
 - Exploration review identified two priority target areas within easy trucking distance of the mine.
 - No historical drilling has taken place at either of these targets.
- **Multiple updates for the upcoming quarter as project development is further advanced**
 - Commence studies into reducing power costs through heat recovery from acid plant, solar and energy storage solutions and potential grid connection.
 - Ore sorting trials on feed ore and stockpile materials.
 - Acid recovery options.
 - Exploration work to assess the rare earths and rutile potential to the north of the Kayelekera Project.
- **As of 31 December 2020, Lotus had cash of \$19.5 million (unaudited), inclusive of both restricted and unrestricted cash.**
 - The Company complete a \$5m capital raising during the quarter which was supported by both new and existing shareholders in Australia and North America.



RESTART SCOPING STUDY

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 U₃O₈ in mid-2020. The Study assessed two scenarios:

- Scenario 1: 8-year life of mine, producing 16.4Mlbs U₃O₈ with average head grade of ~900ppm U₃O₈; and
- Scenario 2: 14 years life of mine, producing 23.8Mlbs U₃O₈ with treatment of stockpiles from year 8 (average head grade ~680ppm U₃O₈).

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	Scenario 1 High-grade ore only	Scenario 2 With Medium-grade stockpiles
	LOM total / Avg.	LOM total / Avg.
Mine Life (Years)	8	14
Total Material Mined (Mt)	47.1	47.1
Strip Ratio	3.5	1.8
Total U ₃ O 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 ₃ O 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 options 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 have been identified.

These concepts 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 existing operation;
- Investigate the potential to implement operating cost-saving technologies in the front-end of the circuit, 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.

NEAR-MINE EXPLORATION TARGETS

A review of historical exploration data identified two priority target areas – Kayelekera South and Mpata. Both targets are located within trucking distance of the Kayelekera mine site (ASX announcement 16 December 2020).

Kayelekera South

The Kayelekera South Prospect is located to the south-west of the Kayelekera pit which has a combined Mineral Resource endowment of approximately 50Mlbs U₃O₈ comprising of the current resource (37.5Mlbs) and historical production (11M lbs) (ASX announcement 26 March 2020).

A total of six target areas have been identified ranging between 500m and 4km from the existing Kayelekera pit. These exploration targets were identified through a review of airborne radiometric data which clearly shows that a number of anomalous radiometric responses exist over the areas of outcrop as highlighted in Figure 1 below.



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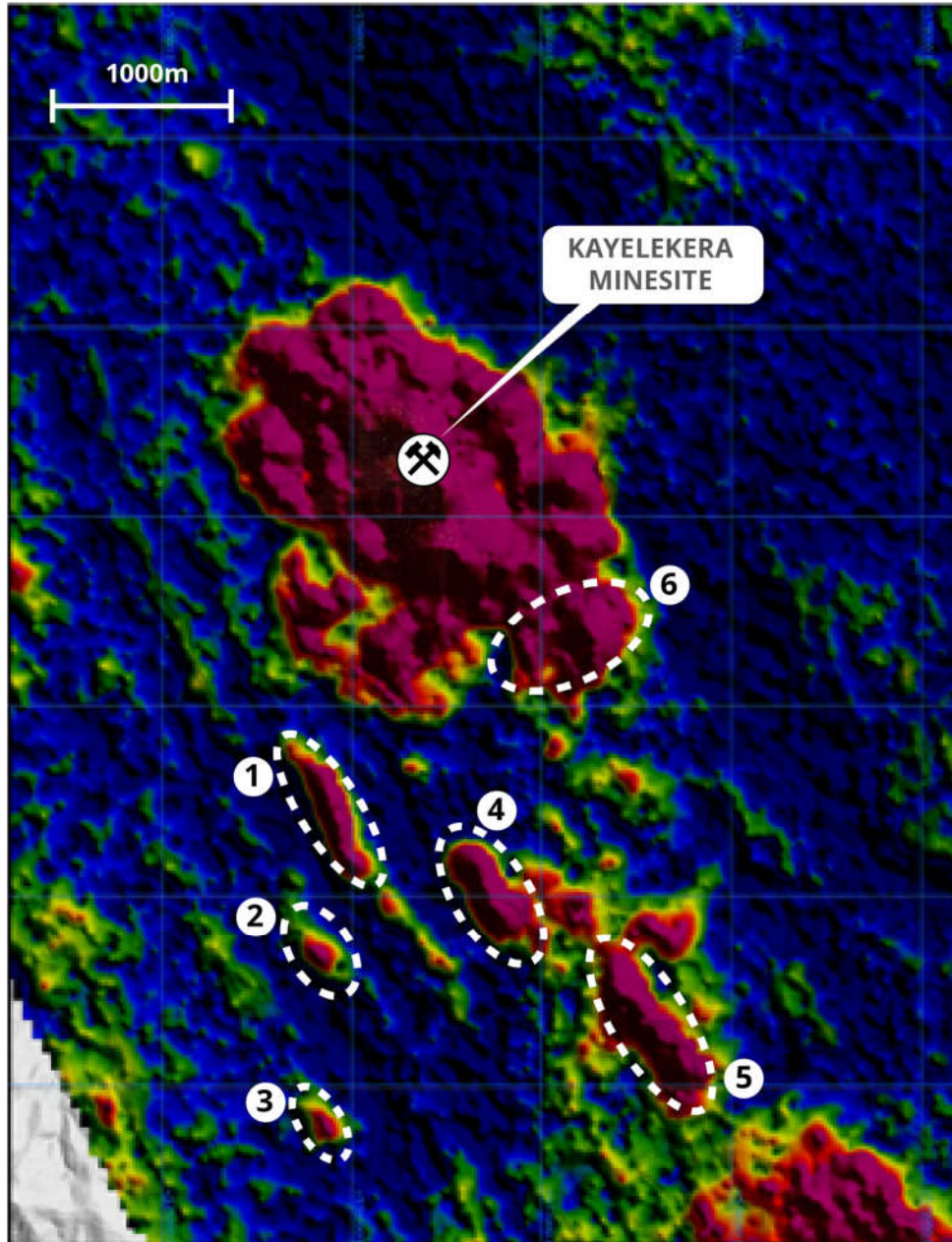


Figure 1 – Kayelekera airborne radiometrics and key targets

Each of these anomalies cover prospective arkose units that extend to surface and are preserved together with other similar lithological units. These arkose units are lower in the stratigraphic sequence associated with the uranium mineralisation seen in the Kayelekera pit and have not been drill-tested to date in this area.



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The newly identified target areas are additional to the Exploration Target announced on 2 April 2020 (2.6-4.4Mlbs of U_3O_8) which was defined on the margins of the existing Mineral Resource. The potential quantity and grade of the Kayelekera Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of mineral resources.

Detailed geological mapping and ground scintillometer surveys are planned to further define the new targets prior to drilling.

Mpata Target

The Mpata Prospect represents the largest cluster of radiometric anomalies outside of the Kayelekera Resource (Figure 2) and comprises several high priority anomalies associated with arkose units identified over a 3km strike length, all contained within Karoo sediments.

A total of 76 historic drillholes have been completed within the Mpata Prospect area for a total of 9,070m. The drilling has defined several small, narrow bodies of low to medium grade mineralisation. A total of 23 of the holes encountered grades in excess of 250ppm e U_3O_8 . Significant intercepts include 10m at 690ppm e U_3O_8 (MP017 from 19m) and 5m at 410ppm e U_3O_8 (MP031 from 23m). See ASX announcement dated 2 April 2020 for information on the results of previous exploration at the Mpata Prospect.

Mineralisation appears to be open along strike, with approximately 600m of trend untested, and is open at depth. Recent structural re-interpretations with regard to the genesis of uranium mineralisation and late-stage faulting has identified a potential focal region for higher-grade mineralised fluids.

The Exploration Target for Mpata of 2 to 9Mt at a grade of between 200 to 400ppm e U_3O_8 has a potential endowment range of between 2 to 4Mlb of contained U_3O_8 as announced on 2 April 2020. The potential quantity and grade of the Mpata Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of mineral resources.

The newly identified exploration target areas provide further confirmation of uranium resource growth potential in the underexplored near-mine areas where uranium mineralisation discoveries were made through airborne radiometric surveying. The Company is confident that there is an opportunity to extend the current life of mine.



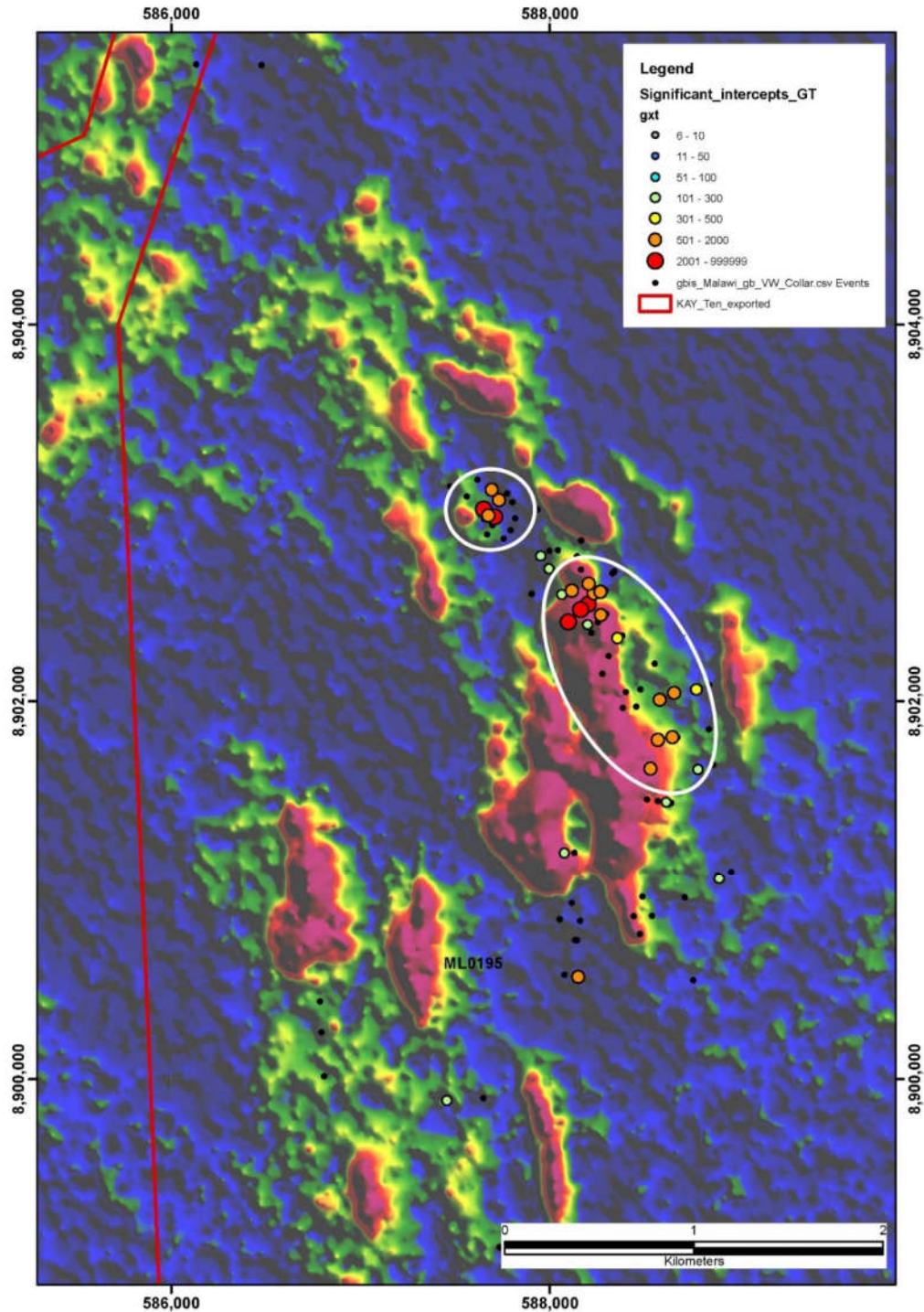


Figure 2 – Mpata airborne radiometric anomalies



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CORPORATE

Cash at the end of the Quarter

As at 31 December 2020, Lotus had cash of \$19.5 million (unaudited), inclusive of both restricted and unrestricted cash.

\$5M Capital Raising

The Company completed a \$5.0 million (before costs) placement of 62.5 million shares at \$0.08 per share during the Quarter. The Placement was supported by both new and existing shareholders in Australia and North America. Lotus directors subscribed for 1.4 million shares under the Placement, the issue of which is subject to shareholder approval.

Annual General Meeting

During the Quarter, the Company held its annual general meeting, at which all resolutions put to shareholders were approved.

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 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 and for the December Quarter were \$122,000 (unaudited).

TENEMENT INTERESTS

The Company's tenement interests are shown in Table 2.

Table 2. Tenement interests as at 31 December 2020

Tenement	Ownership	Project	Location
ML 0152/2007 - Kayelekera	100%	Kayelekera	Malawi
EPL418 - Chilumba ¹	100%	Kayelekera	Malawi
EPL489 - Nthali ¹	100%	Kayelekera	Malawi
EPL502 - Juma-Miwanga ²	100%	Kayelekera	Malawi
EPL417 - Rukuru ¹	100%	Kayelekera	Malawi
EPL225 - Mapambo ³	100%	Kayelekera	Malawi
EL 8641 - Bulbodney	100%	Hylea	NSW, Australia
EL 8801 - Hylea/Bulbodney	100%	Hylea	NSW, Australia
EL 8520 - Hylea	100%	Hylea	NSW, Australia

1. A term extension is currently being processed.
2. A term extension is currently being prepared for submission.
3. Expired 11 December 2020, currently under application.





For further information, contact:

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This Quarterly Report has been authorised for release by the Board.

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.

In relation to the exploration results included in this announcement, the dates of which are referenced, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements.



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ABOUT LOTUS RESOURCES

Lotus owns a 65% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 37.5M lbs U₃O₈, and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Scoping Study that demonstrated Kayelekera could 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 2020¹ (Reported above a 300ppm U₃O₈ lower cut-off for in situ material; and a 200ppm U₃O₈ lower cut-off for the low-grade stockpiles – ASX announcement 26 March 2020).

	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O 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 eU₃O₈ 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/cm³ was applied for Arkose material and 2.20g/cm³ 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

Name of entity

Lotus Resources Limited

ABN

38 119 992 175

Quarter ended ("current quarter")

31 December 2020

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	(57)	(92)
	(b) care & maintenance	(903)	(1,755)
	(c) development	-	-
	(d) production	-	-
	(e) staff costs	(177)	(356)
	(f) administration and corporate costs	(416)	(780)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and incentives	-	62
1.8	Other (Business development activities)	-	-
1.9	Net cash from / (used in) operating activities	(1,552)	(2,918)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(2)
	(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	58	56
	(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	58	56

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	4,823	4,823
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	2,718
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(15)	(15)
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	4,808	7,526

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,297	16,497
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,552)	(2,918)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	58	56
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,808	7,526

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	(1,035)	(1,585)
4.6	Cash and cash equivalents at end of period	19,576	19,576

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	6,592	3,299
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	12,984 ¹	13,998
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	19,576	17,297

¹ The Company acquired a \$10 million USD (AUD\$13.0 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 in discussions with its bank and insurance brokers aimed at putting insurance in place that would potentially allow the Company to access part of the funds currently restricted by the bond.

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
299
-

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 (December quarter: \$177k).

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 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 (December quarter \$122k).

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. 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)	(1,552)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(1,552)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	19,576 ¹
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	19,576 ¹
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	12.6 ²

¹ The Company acquired a \$10 million USD (AUD\$13.0 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 in discussions with its bank and insurance brokers aimed at putting insurance in place that would potentially allow the Company to access part of the funds currently restricted by the bond.

² With the exclusion of the \$10 million USD environmental performance bond (restricted cash) the Company has 4.4 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

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 January 2021

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.