
LOTUS RESOURCES LIMITED

ACN 119 992 175

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting will be held at:

TIME: 10:00 AM (WST)

DATE: 30 July 2021

PLACE: Emerald House, 1202 Hay Street, West Perth, Western Australia

The Independent Expert has determined that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to 21.47% in the Company is not fair but reasonable to non-associated Shareholders.

All Shareholders should refer to the Independent Expert's Report attached to this Notice.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9278 2441.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice.

LOTUS RESOURCES LIMITED

ACN 119 992 175

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Lotus Resources Limited (**Lotus** or **Company**) will be held at 10:00 am (WST) on Friday, 30 July 2021 at Emerald House, 1202 Hay Street, West Perth, Western Australia (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 5:00pm (WST) on Wednesday, 28 July 2021.

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. RESOLUTION 1 – APPROVAL OF THE ACQUISITION OF SHARES IN LILY RESOURCES PTY LTD

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That for the purposes of item 7 of section 611 of the Corporations Act and Listing Rule 10.1 and for all other purposes, approval is given for:

- (a) the Company to acquire all of the shares in Lily Resources Pty Ltd (**Lily**) held by Kayelekera Resources Pty Ltd (**KRPL**) in consideration for the issuance and allotment of up to 226,463,927 Shares to KRPL (**Consideration Shares**);*
- (b) the acquisition of a relevant interest in the voting shares of the Company by the KRPL Group which is otherwise prohibited by section 606(1) of the Corporations Act; and*
- (c) the acquisition by the KRPL Group of a relevant interest in the issued share capital of the Company and voting power of up to a maximum of 21.47%,*

on the terms and conditions and in the manner detailed in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion – Listing Rules

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of KRPL Group and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities) or an associate of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution that way; or
- (b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or
 - (i) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (ii) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (iii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition – Corporations Act

In accordance with the Corporations Act, no votes may be cast in favour of Resolution 1 by KRPL Group or any of their associates.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd accompanying the Explanatory Memorandum and attached in Schedule 4 to this Notice for the purposes of the Shareholder approval required under item 7 section 611 of the Corporations Act and Listing Rule 10.1.

The Independent Expert has determined that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to 21.47% in the Company is not fair but reasonable to non-associated Shareholders. Refer to Section 3.5 for further information.

2. RESOLUTION 2 – RATIFICATION OF THE PRIOR ISSUE OF SHARES UNDER LISTING RULE 7.1

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of:

- (a) 57,250,000 Shares at \$0.08 per Share, which were issued on 4 December 2020, pursuant to the share placement announced on 27 November 2020, on the terms and conditions detailed in the Explanatory Memorandum;
- (b) 3,750,000 Shares at \$0.08 per Share, which were issued on 10 December 2020, pursuant to the share placement announced on 27 November

2020, on the terms and conditions detailed in the Explanatory Memorandum;

- (c) 300,000 Shares at \$0.08 per Share, which were issued on 6 January 2021, pursuant to the share placement announced on 27 November 2020, on the terms and conditions detailed in the Explanatory Memorandum; and
- (d) 50,000,000 Shares at \$0.125 per Share, which were issued on 3 March 2021, in accordance with the Company's placement capacity under ASX Listing Rule 7.1, pursuant to the share placement announced on 24 February 2021 on the terms and conditions detailed in the Explanatory Memorandum."

(LR 7.1 Placement Shares)

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 2 by or on behalf any of the following persons:

- (a) any person who participated in the issue of the LR 7.1 Placement Shares or any of their associates; or
- (b) an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary, provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. RESOLUTION 3 – RATIFICATION OF THE PRIOR ISSUE OF SHARES UNDER LISTING RULE 7.1A

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 50,000,000 Shares at \$0.125 per Share, which were issued on 3 March 2021, in accordance with the Company's placement capacity under Listing Rule 7.1, (LR 7.1A Placement Shares) on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of any of the following persons:

- (a) any person who participated in the issue of the LR 7.1 A Placement Shares; or
- (b) an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. RESOLUTION 4 – ISSUE OF SHARES TO MARK HANLON

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 500,000 Shares to Mr Mark Hanlon (and/or his nominee(s)) at \$0.125 per Share, on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mr Mark Hanlon (and/or his nominee(s)) or any of his associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such member; and
 - (iii) the appointment does not specify the way the proxy is to vote on this Resolution.
- (b) however, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF SHARES TO GRANT DAVEY

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

*"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 1,400,000 Shares to Mr Grant Davey (and/or his nominee(s)) at \$0.08 per Share (**Davey Shares**), on the terms and conditions detailed in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Mr Grant Davey (and/or his nominee(s)) or any of his associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such member; and
 - (iii) the appointment does not specify the way the proxy is to vote on this Resolution.
- (b) however, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF OPTIONS TO MICHAEL BOWEN

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 10.11, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of 3,000,000 Options to Mr Michael Bowen (and/or his nominee(s)) and any benefits under the grant of such Options (including the issue of Shares on the exercise of those Options) that may be given to Mr Michael Bowen in connection with any future retirement from his office or employment with the Company, on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of Mr Michael Bowen (and/or his nominee(s)) or any of his associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such member; and
 - (iii) the appointment does not specify the way the proxy is to vote on this Resolution.
- (b) however, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ISSUE OF OPTIONS TO MARK HANLON

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 10.11, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of 2,000,000 Options to Mr Mark Hanlon (and/or his nominee(s)) and any benefits under the grant of such Options (including the issue of Shares on the exercise of those Options) that may be given to Mr Mark Hanlon in connection with any future retirement from his office or employment with the Company, on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of Mr Mark Hanlon (and/or his nominee(s)) or any of his associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such member; and
 - (iii) the appointment does not specify the way the proxy is to vote on this Resolution.
- (b) however, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – ISSUE OF OPTIONS TO GRANT DAVEY

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 10.11, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of 2,000,000 Options to Mr Grant Davey (and/or his nominee(s)) and any benefits under the grant of such Options (including the issue of Shares on the exercise of those Options) that may be given to Mr Grant Davey in connection with any future retirement from his office or employment with the Company, on the terms and conditions detailed in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of Mr Grant Davey (and/or his nominee(s)) or any of his associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or

- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such member; and
 - (iii) the appointment does not specify the way the proxy is to vote on this Resolution.
- (b) however, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – ISSUE OF OPTIONS TO KEITH BOWES

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the issue of 6,000,000 Options to Mr Keith Bowes (and/or his nominee(s)) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Keith Bowes (and/or his nominee(s)), or any of his associates. However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides; or
- (c) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
- (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such member; and
 - (iii) the appointment does not specify the way the proxy is to vote on this Resolution.
- (b) however, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – SECTION 195 APPROVAL

To consider and, if thought fit, to pass, with or without amendment, as an **ordinary resolution** the following:

"That, pursuant to and in accordance with subsection 195(4) of the Corporations Act and for all other purposes, Shareholders approve the transactions contemplated in Resolutions 6 to 9 (inclusive)."

Dated: 23 June 2021

By order of the Board



Stuart McKenzie
Company Secretary

LOTUS RESOURCES LIMITED

ACN 119 992 175

EXPLANATORY MEMORANDUM

1. INTRODUCTION

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 10:00 am (WST) on Friday, 30 July 2021 at Emerald House, 1202 Hay Street, West Perth, Western Australia.

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1:	Introduction
Section 2:	Action to be taken by Shareholders
Section 3:	Resolution 1 – Approval of the acquisition of shares in Lily Resources Pty Ltd
Section 4:	Resolution 2 – Ratification of prior issue of securities under Listing Rule 7.1
Section 5:	Resolution 3 – Ratification of prior issue of securities under Listing Rule 7.1A
Section 6:	Resolution 4 – Issue of Shares to Mark Hanlon
Section 7:	Resolution 5 – Issue of Shares to Grant Davey
Section 8:	Resolution 6 – Issue of Options to Michael Bowen
Section 9:	Resolution 7 – Issue of Options to Mark Hanlon
Section 10:	Resolution 8 – Issue of Options to Grant Davey
Section 11:	Resolution 9 – Issue of Options to Keith Bowes
Section 12:	Resolution 10 – Section 195 Approval
Schedule 1:	Glossary
Schedule 2:	Terms and Conditions of the Non-Executive Director Options
Schedule 3:	Terms and Conditions of the Option Plan
Schedule 4:	Independent Expert's Report

1.1 Time and place of Meeting

Notice is given that the Meeting will be held at 10:00 am (WST) on Friday, 30 July 2021 at Emerald House, 1202 Hay Street, West Perth, Western Australia.

1.2 Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

1.3 Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on Wednesday, 28 July 2021.

1.4 Defined terms

Capitalised terms in this Notice of Meeting and Explanatory Memorandum are defined either in Schedule 1 or where the relevant term is first used.

1.5 Responsibility

This Notice of Meeting and Explanatory Memorandum have been prepared by the Company under the direction and oversight of its Directors.

1.6 ASX

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this document.

1.7 No internet site is part of this document

No internet site is part of this Notice of Meeting and Explanatory Memorandum. The Company maintains an internet site (www.lotusresources.com.au). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

A shareholder that is an individual may attend and vote in person at the meeting. If you wish to attend the meeting, please bring the enclosed proxy form to the meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the Meeting to facilitate this registration process.

2.2 Voting by corporate representative

A shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the Corporations Act. The representative should bring to the meeting evidence of his

or her appointment, including any authority under which the appointment is signed. The appropriate "Appointment of Corporate Representative" form should be completed and produced prior to admission to the meeting. This form may be obtained from the Company's Share Registry.

2.3 Appointment of proxies

Each Shareholder entitled to vote at the Meeting may appoint a proxy to attend and vote at the Meeting. To vote by proxy, please complete, sign and return the enclosed Proxy Form in accordance with its instructions. A proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Share Registry.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes to be exercised, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

(a) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- (iii) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(b) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either of the following applies:
 - (A) the proxy is not recorded as attending the meeting;
 - (B) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chair intends to exercise all available proxies in favour of all Resolutions.

2.4 Lodgement of proxy documents

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at an address given below by 10:00 am (WST) on Wednesday, 28 July 2021. Any proxy form received after that time will not be valid for the scheduled meeting. Proxies should be returned as follows:

Online	At www.investorvote.com.au
By mail	Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
By fax	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
By mobile	Scan the QR Code on your proxy form and follow the prompts
Custodian voting	For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.5 Voting exclusions

Pursuant to requirements of the Corporations Act and Listing Rules, voting exclusions apply to certain Resolutions. Please refer to discussion of the relevant Resolutions in the Notice for details of the applicable voting exclusions.

3. RESOLUTION 1 – ACQUISITION OF SHARES IN LILY RESOURCES PTY LTD

3.1 Background – overview of the Acquisition

On 24 June 2019, the Company announced that it would acquire an indirect 65% interest in the Kayelekera Uranium Project located in Northern Malawi (**Kayelekera Project**). The Company's interest in the Kayelekera Project is held through Lily Resources Pty Ltd (**Lily**), which was previously named Lotus Resources Pty Ltd. Lily

is an incorporated joint venture between the Company and Kayelekera Resources Pty Ltd (**KRPL**) used as a special purpose vehicle for acquiring the interest in the Kayelekera Project. In forming this joint venture, Lily, the Company and KRPL entered into a Shareholders Agreement dated 21 June 2019 (**SHA**).

Lily acquired 85% of the shares in Paladin (Africa) Ltd (**Paladin Africa**) from Paladin Energy Limited (**Paladin**). The remaining 15% of Paladin Africa is owned by the Malawi Government. Paladin Africa wholly owns the Kayelekera Project.

Under the SHA, the Company has the right, at any time, to purchase all, but not part of, KRPL's shareholding in Lily by giving written notice of such election (**Buy-Out Notice**).

The Company issued the Buy-Out Notice to KRPL and announced on 25 March 2021 that it had reached an agreement with KRPL as to the consideration for the acquisition of KRPL's interest in Lily.

If Shareholders approve Resolution 1:

- (a) the Company will hold 100% of the issued share capital in Lily by acquiring KRPL's 23.5% interest in Lily (**Sale Interest**); and
- (b) as consideration for acquiring the Sale Interest, the Company will issue in aggregate 226,463,927 Shares (**Consideration Shares**) to KRPL,

together, the **Acquisition**.

In accordance the SHA, the completion of the Acquisition (**Completion**) is subject to all regulatory approvals and the Shareholders approving Resolution 1 at the Meeting (**Conditions**).

Refer to Section 3.2 for a summary of the material terms of the SHA.

Mr Grant Davey is a Director of the Company, and is also a director and majority shareholder of KRPL, through Davey Management (Aus) Pty Ltd and Davey Holdings (Aus) Pty Ltd (together, the **Davey Entities**). Davey Holdings (Aus) Pty Ltd holds 5% of the shares of KRPL on conditional trust for Mr Keith Bowes.

Following the Acquisition, KRPL, the Davey Entities and Mr Keith Bowes (**KRPL Group**) will collectively increase their voting power in the Company from 1.93% to up to approximately 20.73% (assuming Resolutions 1, 4 and 5 are passed and no Options are exercised or Performance Rights are vested between the date of the Notice and the issue of the Consideration Shares – if so the amount will be less).

Approval under Resolution 1 is being sought for the potential for the KRPL Group to increase their relevant interest in the issued share capital of the Company to up to a maximum of 21.47% (**Maximum Percentage**). The Maximum Percentage is based upon the issue of the Consideration Shares, the issue of the Davey Shares and the exercise of the Options to be issued to Mr Grant Davey and Mr Keith Bowes the subject of Resolutions 8 and 9 (respectively) (assuming those Resolutions are passed).

The actual level of voting power that may be obtained by the KRPL Group may be lower than the Maximum Percentage that the KRPL Group is entitled to increase their voting power to following Shareholder approval under Resolution 1, depending on the prevailing circumstances and any future exercise of Options.

The KRPL Group's interest must not exceed the Maximum Percentage (without further Shareholder approval) but how they reach the Maximum Percentage is irrelevant – it can be through Shares issued under the Acquisition, the issue of the Davey Shares, the exercise of Options or otherwise.

On completion of the Acquisition, the Company will own 85% of the Kayelekera Project and KRPL will no longer have a direct interest in Lily, making Lily a wholly-owned subsidiary of the Company. Further details of the Kayelekera Project are provided in Section 3.8.

3.2 Summary of the material terms of the SHA

On 21 June 2019, Lily, the Company and KRPL entered into the SHA.

Under the SHA:

- (a) KRPL's 23.5% interest in Lily is free carried till the later of:
 - (i) \$10 million in project expenditure being funded by the Company; or
 - (ii) the third anniversary of the date of the SHA, being 21 June 2022, (the **Free Carry Period**);
- (b) the Company has the right, at any time, to purchase all (but not part of) KRPL's shareholding in Lily (**Buy-Out Right**) by issuing a Buy-Out Notice; and
- (c) KRPL has a put option to require the Company to acquire its interest in Lily, exercisable on the earlier of:
 - (i) the end of the Free Carry Period; or
 - (ii) a change of control of the Company.

The Company has issued a Buy-Out Notice to KRPL. In exercising the Buy-Out Right, the Company is required to (amongst other things) use its best endeavours to:

- (a) ensure all regulatory requirements are satisfied, including applying for and obtaining any regulatory approvals required for the issue of the Consideration Shares; and
- (b) hold this general meeting.

In the event Resolution 1 is not approved, under the SHA KRPL will have the right to sell the remaining shares in Lily it holds to the Company for the pro rata equivalent of the Consideration Shares by giving written notice to the Company (**Put Option**), subject to any regulatory approvals. The Put Option may be exercised by KRPL multiple times for as long as it holds any shares in Lily. Should KRPL exercise the Put Option, Lotus may need to raise capital in order to acquire KRPL's shares in Lily for cash, which may result in a larger dilutionary effect on Shareholders than if the Acquisition is approved.

If Shareholder approval is required for an exercise of the Put Option by KRPL, the Company must procure that a general meeting be held within 3 months of each exercise of the Put Option. In the event that Shareholder or regulatory approval

prevents KRPL from exercising the Put Option, the Company will be required to negotiate with KRPL to implement alternative measures to achieve the same or similar economic outcome for KRPL as the issue of the Consideration Shares.

The SHA otherwise contains terms and conditions customary for an agreement of its type.

3.3 Restrictions in relation to the Consideration Shares

The acquisition of the Sale Interest by the Company will constitute the acquisition of a "classified asset" for the purposes of Listing Rule 10.7. The term "classified asset" includes an interest in an entity, the substantial portion of whose assets is an interest in a mining exploration area. Relevantly, the main interest held by Lily is the indirect interest in the Kayelekera Project.

ASX considers that related party vendors of a "classified asset" (such as the Sale Interest) should not ordinarily receive a benefit until the value of the asset has become readily apparent and is reflected in the market price of the entity's securities. In such circumstances, the relevant consideration must be "restricted securities" (i.e. securities issued subject to the restrictions detailed in Appendix 9B of the Listing Rules) for a period of 12 months from the date of issue of the securities.

Accordingly, the Consideration Shares will be escrowed for a period of 12 months from the date of issue.

3.4 Management of potential conflict issues

In order to manage any potential or perceived conflict of interest or duty, the Board of the Company appointed a sub-committee (**Committee**) comprising Mr Bowen and Mr Hanlon (**Non-Interested Directors**) to manage the Acquisition process.

Mr Davey and Mr Bowes have abstained from expressing a view on the Acquisition or making a recommendation to Shareholders in respect of Resolution 1 due to their conflicts of interest.

Accordingly, only the Non-Interested Directors have participated or been involved in the consideration and negotiation of the Acquisition on behalf of the Company and made a recommendation to Shareholders in relation to the Acquisition.

3.5 Independent Expert's Report

(a) Introduction

To assist Shareholders to assess the Acquisition and consider whether to vote in favour of Resolution 1, the Company appointed BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) to prepare the Independent Expert's Report and opine as to whether the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company are fair and reasonable to Shareholders (other than KRPL Group).

The Independent Expert has concluded that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the

Maximum Percentage in the Company are not fair but reasonable to non-associated Shareholders in the absence of an alternative offer.

Shareholders are strongly encouraged to read the Independent Expert's Report which is provided in Schedule 4.

(b) **Meaning of "fair" and "reasonable"**

According to ASIC guidance, in this context, the Acquisition will be "fair" if the value of the financial benefit being provided to KRPL Group is equal to or less than the value of the Sale Interest. This comparison should be made assuming 100% ownership of the Company and irrespective of whether the consideration is scrip or cash and is required to include the application of a minority discount.

The Acquisition is "reasonable" if it is fair. However, it might also be reasonable if, despite not being "not fair", the Independent Expert believes there are sufficient reasons for Shareholders to approve the Acquisition.

(c) **Basis of the Independent Expert's opinion**

The Independent Expert considers that the Acquisition is not fair because the value of a Share following the Acquisition on a minority basis is lower than the value of a Share prior to the Acquisition on a control basis. However, the Independent Expert considers the Acquisition to be reasonable because the advantages of the Acquisition to non-associated Shareholders are greater than the disadvantages.

(d) **Basis of the Independent Expert's valuation**

As the Acquisition would see the KRPL Group increase their voting power in the Company to greater than 20%, this is deemed a control transaction pursuant to ASIC Regulatory Guide 111, and accordingly the Independent Expert must therefore value the consideration payable to KRPL on a control basis, which is then compared with the value of the Company on a minority basis. The Independent Expert is bound to this methodology by the relevant regulations and legislation.

The valuation methodology selected by the Independent Expert, being a net asset valuation, is just one of a number of valuation methodologies that may be used to value a Share in the Company. The Directors note that the uranium price is a material consideration in determining the underlying value of a Share in the Company, and that forecast and actual future uranium prices will vary.

3.6 Considerations relevant to your vote on the Acquisition – Reasons to vote in favour of the Acquisition

- (a) **Your Non-Interested Directors unanimously recommend you vote in favour of the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company**

After carefully considering all aspects of the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company and the Independent Expert's Report, the Non-Interested Directors consider that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company is in the best interests of Shareholders and unanimously recommend that you vote in favour of Resolution 1 to approve the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company.

Mr Davey and Mr Bowes do not make any recommendation in relation to the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company.

(b) **Increases ownership of the Kayelekera Project from 65% to 85%**

The Kayelekera Project is one of only a small number of uranium projects with a demonstrated track record of operations, having operated successfully from 2009 to 2014, when it produced almost 11 million pounds of U₃O₈. Increasing its percentage ownership is an important milestone for the Company as it positions for a recommencement of operations in an improving uranium price environment.

If the Acquisition proceeds, the Company will acquire the Sale Interest and, as a result, its ownership of the Kayelekera Project will increase from 65% to 85%. This will increase the Company's indicated and inferred resource inventory and proportion of any future production and cash flow from future production.

With work on the Re-Start Feasibility Study progressing, the increase in ownership comes at a time when the uranium price and sentiment in the industry is improving. The Company is well placed for this as a proven uranium producer.

Prior to Completion, the Company's 65% interest in the Kayelekera Project provided the Company with an attributable estimated resource inventory of 24.4Mlb. After Completion, the Company's ownership of the Kayelekera Project, will increase from 65% to 85%, increasing the Company's estimated resource inventory to 31.9Mlb.

(c) **85% ownership of any future discoveries made within the Kayelekera Project**

The Non-Interested Directors consider that exploration potential remains within the Kayelekera Project.

Following the Acquisition, any future discoveries made within the Kayelekera Project will be 85% owned by the Company, which has the potential to deliver significant additional value to Shareholders.

(d) **Free carry benefit and increased exposure to the Kayelekera Project**

In accordance with the SHA, KRPL's 23.5% interest in Lily is free carried until the later of 21 June 2022 and the date that the aggregate group

expenditure under the SHA solely funded by the Company reaches \$10 million or more.

If the Acquisition is approved by Shareholders, the Company will acquire the remaining 23.5% interest, and KRPL will no longer have any right to the remaining 23.5% interest in the Kayelekera Project or the right to be free carried under the SHA.

(e) **Potential significant future cost savings**

The Acquisition has the potential to deliver a range of cost savings to the Company, through the development phase and the mining phase of the Kayelekera Project. Cost savings are expected to result from:

- (i) the Company (as opposed to Lily) having enough power to control the outcomes of any special or ordinary resolutions required for the development of the Kayelekera Project; and
- (ii) not being required to operate a production joint venture with KRPL.

(f) **Strengthened position when negotiating raising debt or equity**

Owning 85% of the Kayelekera Project is expected to significantly strengthen the Company's position when seeking to raise additional debt or equity to provide the Company with finance to re-commence production at the Kayelekera Project. This has the potential to result in:

- (i) the process for structuring production re-commencement being quicker and more straightforward; and
- (ii) in respect of debt funding, the terms of any secured finance being on more favourable terms to the Company by, for example, imposing fewer restrictive covenants on the Company.

The Acquisition will also remove the risk that KRPL is unable to secure finance to fund its share of the costs to re-commence production at the Kayelekera Project or that there are significant delays in securing this finance.

(g) **Strengthened position when negotiating production offtake**

The Acquisition will increase the scale of the Company's production profile and, as such, the Company's attractiveness to potential customers. The Company expects that this increased scale of production, together with the fact that customers will no longer be able to source production from the Kayelekera Project from KRPL. This will strengthen the Company's negotiating position and has the potential to improve the terms on which the Company sells its product to customers.

(h) **Implications of Shareholders not approving Resolution 1**

In the event Resolution 1 is not approved by Shareholders, under the SHA KRPL will have the right to exercise the Put Option, subject to any regulatory approvals. The Put Option may be exercised by KRPL multiple times for as long as it holds any shares in Lily. Should KRPL exercise the Put

Option, Lotus may need to raise capital in order to acquire KRPL's shares in Lily for cash, which may result in a larger dilutionary effect on Shareholders than if the Acquisition is approved.

Refer to Section 3.2 for further details of the Put Option.

- (i) **The Independent Expert has concluded that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company is not fair but reasonable**

The Independent Expert has concluded that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company is not fair but reasonable.

The Independent Expert's Report is detailed in full in Schedule 4.

3.7 Reasons why you may choose to vote against the Acquisition

- (a) **Dilution of the existing interests of Shareholders on issue of the Consideration Shares**

There will be a dilution of the percentage interest of Shareholders (other than KRPL Group and its associates) as following the proposed issue of the Consideration Shares on Completion.

Following the issue of the Consideration Shares, the voting power of KRPL Group will increase from 1.93% to approximately 20.73% (assuming Resolutions 1, 4 and 5 are passed and no Options are exercised or Performance Rights are vested between the date of the Notice and the issue of the Consideration Shares – if so the amount will be less).

The voting power of other Shareholders will be diluted from holding in aggregate approximately 98.1% (before Completion) to approximately 79.1% (after Completion).

Further details of the potential change to the Company's capital structure following the Acquisition is detailed in Section 3.10.

- (b) **You may prefer the current ownership structure and not want KRPL to have significant influence over the Company**

On Completion, the KRPL Group will have an approximate 20.73% interest in the Company, and would have significant control over the Company.

The KRPL Group has provided its intentions to the Company, which are detailed in Section 3.11.

- (c) **Potential impact on Share Price**

Pursuant to the Acquisition, the KRPL Group will increase their voting power in the Company to an aggregate of approximately 20.73% (assuming Resolutions 1, 4 and 5 are passed and no Options are exercised or Performance Rights are vested between the date of the Notice and the issue of the Consideration Shares – if so the amount will be less). The KRPL Group's increased shareholding may dissuade potential acquirers of the Company from making a takeover offer in the future. This may

adversely affect the Company's share price and reduce the opportunity for Shareholders to receive a takeover premium in the future.

However, at the date of the Explanatory Memorandum, the Company has not received, nor does it expect to receive, any potential takeover bid proposals.

Further, the Company will have a lower free float (on a proportional basis) which may reduce liquidity and adversely affect the market value of Shares.

(d) **The Independent Expert has concluded that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company is not fair but reasonable**

The Independent Expert has concluded that the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company is not fair but reasonable to non-associated Shareholders in the absence of an alternative offer.

Refer to Section 3.5 for further details of the Independent Expert's opinion.

The Independent Expert's Report is detailed in full in Schedule 4.

3.8 Overview of the Company

(a) **Background**

The Company was incorporated and listed on ASX in 2006 under its former name, Dragon Energy Limited. Following incorporation, the Company changed its name from Dragon Energy Limited to Riva Resources Limited in 2016, subsequently from Riva Resources Limited to Hylea Metals Limited in 2018, and most recently from Hylea Metals Limited to Lotus Resources Limited in 2019.

The Company is an Australian-based minerals exploration and development company. In April 2021, the Company announced that it had reached agreement to divest the Hylea Cobalt Project (**Hylea Project**), located in New South Wales, to Sunrise Energy Metals Limited for total consideration of \$2.5 million, comprised of cash and shares (**Hylea Transaction**). The Hylea Transaction is anticipated to close following Ministerial Approval for the transfer of the exploration licences that comprise the Hylea Project.

Once the Hylea Project is divested, the Company's main asset and only project will be its interest in the Kayelekera Project.

(b) **Overview of operations – Kayelekera Project**

The Kayelekera Project is a large 157km² tenement package with excellent exploration potential and hosts a high-grade resource with an existing open pit mine and demonstrated excellent metallurgical recoveries. It is located in northern Malawi, 52km west (by road) of the provincial town of Karonga and 12km south of the main road that connects Karonga with the township of Chitipa to the west.

The Kayelekera Mine was officially opened in April 2009 and produced 10.9Mlb between 2007 and 2014. The mine is currently in care and maintenance since 2014 due to the sustained low uranium spot price and to preserve resource and Shareholder value. It is expected that production will recommence once the uranium price provides a sufficient incentive.

(c) **Directors**

At the date of this Explanatory Memorandum, the Board comprises:

Director	Position
Mr Michael Bowen	Non-Executive Chairman
Mr Keith Bowes	Managing Director
Mr Grant Davey	Non-Executive Director
Mr Mark Hanlon	Non-Executive Director

(d) **Capital structure**

At the date of this Explanatory Memorandum, the Company has 952,641,704 Shares on issue.

At the date of this Explanatory Memorandum, the Company has a total of 2,232,144 performance rights on issue, as detailed below:

Number	Terms
1,116,072	Class A Performance Shares
1,116,072	Class B Performance Shares

At the date of this Explanatory Memorandum, the Company has 45,012,430 options on issue as detailed below:

Number	Exercise Price	Expiry Date
10,323,227	\$0.04	12/09/2022
5,845,375	\$0.04	25/09/2022
1,393,102	\$0.04	04/10/2022
17,450,726	\$0.04	13/03/2023
5,000,000	\$0.04	23/10/2023
2,500,000	\$0.06	23/10/2023
2,500,000	\$0.08	23/10/2023

(e) **Substantial Shareholders**

At the date of this Explanatory Memorandum, the Company has the following substantial Shareholders in accordance with section 671B of the Corporations Act:

	Name	Number of Shares	%
1	Paladin Energy Limited	90,000,000	9.43%
2	HSBC Custody Nominees (Australia) Limited	63,039,023	6.62%
3	Sachem Cove Special Opportunities Fund LP	59,860,001	6.27%
4	J P Morgan Nominees Australia Pty Limited	50,486,383	5.29%

(f) **Top 20 Shareholders**

At the date of this Explanatory Memorandum, the twenty largest shareholders in the Company are as follows:

	Name	Number of Shares	%
1	PALADIN ENERGY LTD	90,000,000	9.43
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	69,039,023	7.23
3	SACHEM COVE SPECIAL OPPORTUNITIES FUND LP	59,860,001	6.27
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	50,486,383	5.29
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	40,315,277	4.22
6	TR NOMINEES PTY LTD	40,000,000	4.19
7	NATIONAL NOMINEES LIMITED	36,563,526	3.83
8	CITICORP NOMINEES PTY LIMITED	28,693,898	3.01
9	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	22,960,186	2.41
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	20,408,398	2.14
11	MCNEIL NOMINEES PTY LIMITED	14,556,906	1.52
12	SANDHURST TRUSTEES LTD <COLLINS ST VALUE FUND A/C>	14,105,598	1.48
13	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	12,411,241	1.30
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	12,340,587	1.29
15	PRECISION OPPORTUNITIES FUND LIMITED <INVESTMENT A/C>	12,000,000	1.26
16	MR DARREN CRAIG GLOVER	11,904,762	1.25
16	MR BENJAMIN LEIGH HARPER	11,904,762	1.25
18	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	11,631,943	1.22
19	MRS PAMELA JULIAN SARGOOD	11,250,000	1.18
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	10,252,071	1.07
TOTAL		580,684,562	60.83

3.9 Impact on the Company's financial position

(a) Introduction

The pro forma financial information detailed below has been provided for illustrative purposes and is intended to provide Shareholders with an indication of the Company's financial position should the Acquisition be implemented.

(b) Basis of Preparation

The pro forma consolidated statement of financial position detailed below is based on the Company's consolidated statement of financial position as at 31 December 2020.

(c) Pro forma Statement of Financial Position

	31 December 2020	\$	Issue of shares to KRPL	\$	Transaction costs	\$	Issue of shares to M Hanlon	\$	Issue of shares to G Davey	\$	Issue of options to Directors	\$	Pro-forma \$
ASSETS													
Current Assets													
Cash and cash equivalents	19,577,029	-	-	-	-	-	62,500	-	112,000	-	-	-	19,751,529
Other assets	370,196	-	-	-	-	-	-	-	-	-	-	-	370,196
Total current assets	19,947,225	-	-	-	-	-	62,500	-	112,000	-	-	-	20,121,725
Non-current assets													
Plant and equipment	1,741	-	-	-	-	-	-	-	-	-	-	-	1,741
Exploration and evaluation asset	58,353,320	-	-	-	-	-	-	-	-	-	-	-	58,353,320
Total non-current assets	58,355,061	-	-	-	-	-	-	-	-	-	-	-	58,355,061
Total assets	78,302,286	-	-	-	-	-	62,500	-	112,000	-	-	-	78,476,786
LIABILITIES													
Current liabilities													
Trade and other payables	(430,282)	-	-	-	-	-	-	-	-	-	-	-	(430,282)
Other liabilities	(1,298,364)	-	-	-	-	-	-	-	-	-	-	-	(1,298,364)
Total non-current liabilities	(1,728,646)	-	-	-	-	-	-	-	-	-	-	-	(1,728,646)
Non-current liabilities													
Other liabilities	(9,491,823)	-	-	-	-	-	-	-	-	-	-	-	(9,491,823)
Provisions	(54,771,948)	-	-	-	-	-	-	-	-	-	-	-	(54,771,948)
Total non-current liabilities	(64,263,771)	-	-	-	-	-	-	-	-	-	-	-	(64,263,771)
Total liabilities	(65,992,417)	-	-	-	-	-	-	-	-	-	-	-	(65,992,417)
NET ASSETS													
	12,309,869	-	-	-	-	-	62,500	-	112,000	-	-	-	12,484,368

	31 December 2020	Issue of shares to KRPL	Transaction costs	Issue of shares to M Hanlon	Issue of shares to G Davey	Issue of options to Directors	Pro-forma
	\$	\$	\$	\$	\$	\$	\$
EQUITY							
Share capital	64,744,515	28,307,991	-	62,500	112,000	-	93,227,006
Reserves	498,110	(27,591,904)	-	-	-	875,000	(26,218,794)
Accumulated losses	(53,648,843)	-	-	-	-	(875,000)	(54,523,843)
Total equity attributable to owners of the Company	11,593,782	716,087	-	62,500	112,000	-	12,484,369
Non-controlling interest	716,087	(716,087)	-	-	-	-	-
Total equity	12,309,869	-	-	62,500	112,000	-	12,484,368

(d) **Pro Forma Adjustments**

The following pro forma and historic adjustments have been made to the consolidated statement of financial position as at 31 December 2020 in order to present the pro forma consolidated statement for financial position:

- (i) The issue of the Consideration Shares for the acquisition of KRPL's interest in Lily, as outlined in section 3.1 (a). A share price of \$0.125 has been assumed, which is the last price at which the Company raised capital.
- (ii) Transaction costs of \$60,000 – see section 3.12(e).
- (iii) The issue of shares to Director Mark Hanlon see section 6.
- (iv) The issue of shares to Director Grant Davey see section 7.
- (v) The issue of options to Directors as set out in sections 8 to 11 (inclusive).

3.10 Impact on the Acquisition on the Company's Capital Structure and Control

(a) **If Resolution 1 is not approved**

In the event Resolution 1 is not approved, under the SHA KRPL will have the right to exercise the Put Option, subject to any regulatory approvals. The Put Option may be exercised by the KRPL multiple times for as long as it holds any shares in Lily.

Refer to Section 3.2 for further details of the Put Option.

(b) **If Resolution 1 is approved**

If Resolution 1 is approved, subject to the satisfaction of the remaining Conditions, the Acquisition will proceed and:

- (i) the Company will acquire the Sale Interest and derive the anticipated benefits associated with owning 85% of the Kayelekera Project detailed in Section (b); and
- (ii) the Company will continue to progress the Re-Start Feasibility Study currently underway in relation to the Kayelekera Project; and
- (iii) the Consideration Shares will be issued to KRPL and the KRPL Group's collective voting power in the Company will increase in aggregate from 1.93% to approximately 20.73% (assuming Resolutions 1, 4 and 5 are passed and no Options are exercised or Performance Rights are vested between the date of the Notice and the issue of the Consideration Shares – if so the amount will be less).

(c) **Capital structure following the Acquisition**

If Resolution 1 is approved and the Acquisition completes following the issue of the Consideration Shares, based on the Company's current issued capital at the date of this Explanatory Memorandum, the capital structure of the Company will be as follows:

	Number of Shares	Number of Options	Number of Performance Rights
At the date of this Explanatory Memorandum	954,560,825	45,012,430	2,232,144
Consideration Shares	226,463,927	-	-
TOTAL	1,181,024,752	45,012,430	2,232,144

(d) **Impact on control of the Company**

As at the date of this Explanatory Memorandum, the KRPL Group has a relevant interest in 18,398,626 Shares and a voting power of approximately 1.93% in the Company.

If the Acquisition is approved then in aggregate 226,463,927 Consideration Shares will be issued to KRPL. The voting power of the KRPL Group in the Company will increase to approximately 20.73% (assuming Resolutions 1, 4 and 5 are passed and no Options are exercised or Performance Rights are vested between the date of the Notice and the issue of the Consideration Shares – if so the amount will be less).

On a fully diluted basis, the voting power of the KRPL Group in the Company will increase to approximately 20.2%.

The effect that the issue of the Consideration Shares will have on the voting power of KRPL Group after Completion, based on the Company's current issued capital at the date of this Explanatory Memorandum, is summarised in the table below:

	Shareholders (other than KRPL Group)	%	KRPL Group	%	Total	%
Existing shares	936,162,199	98.07	18,398,626	1.93	954,560,825	100
On Completion	936,662,199	79.2	246,262,553	20.73	1,182,924,752	100
On a fully diluted basis	987,156,773	79.31	256,012,553	20.2	1,243,169,326	100

(e) **Impact of Acquisition on Options and Performance Rights**

If the Acquisition proceeds, there will be no direct or immediate effect on options or performance rights currently on issue.

3.11 Intentions of the KRPL Group in relation to the Company

Following Completion, the KRPL Group will have a collective relevant interest in 246,262,553 Shares, equating to a voting power of approximately 20.73% (assuming Resolutions 1, 4 and 5 are passed and no Options are exercised or Performance Rights are vested between the date of the Notice and the issue of the Consideration Shares – if so the amount will be less) and will be the Company's major Shareholder.

At the date of this Explanatory Memorandum, the KRPL Group has informed the Company that:

- (a) they have no intention of appointing any additional person as a Director following Completion;
- (b) they have no intention to change the business of the Company;
- (c) they have no intention to inject further capital into the Company or change its financial or dividend policies;
- (d) they have no intention to alter the future employment of the present employees of the Company; and
- (e) they have no intention to otherwise redeploy the fixed assets of the Company.

3.12 Additional information

(a) Interests of Directors in securities

At the date of this Explanatory Memorandum, the number of securities held by or on behalf of each Director are as follows:

Director	Number of Shares	Percentage Interest (%)	Number of Options	Number of Performance Rights
Mr Michael Bowen	2,250,000	0.24	-	-
Mr Keith Bowes ⁽¹⁾	2,250,000	0.24	1,750,000	-
Mr Mark Hanlon	3,175,946	0.33	824,054	-
Mr Grant Davey ⁽²⁾	16,148,626	1.69	-	-
Total	23,324,572	2.50	2,574,054	-

Notes:

- 1. Mr Bowes holds 2,250,000 Shares directly and indirectly. On Completion, Mr Bowes will hold (directly or indirectly) 13,573,196 Shares.
- 2. Mr Davey holds 16,148,626 Shares directly and indirectly. On Completion, Mr Davey will hold (directly or indirectly) 231,289,356 Shares.

(b) **Benefits to Directors**

No Non-Interested Director will obtain any benefit from the Acquisition, other than in their capacity as a holder of securities.

KRPL will be issued the Consideration Shares pursuant to the Acquisition and as a result Mr Grant Davey, as controller and shareholder of KRPL, will receive an indirect benefit. Mr Keith Bowes will receive an indirect benefit as the beneficial holder of shares in KRPL (as Davey Holdings (Aus) Pty Ltd holds 5% of the shares of KRPL on conditional trust for Mr Keith Bowes).

(c) **Other agreements conditional on the Acquisition**

None of the Non-Interested Directors, KRPL, Mr Bowes and Mr Davey are aware of, other than the Agreement, any agreement or proposed agreement between KRPL and the Company (or any of their respective associates) that is conditional upon, or directly or indirectly dependent on, Shareholder approval of the Acquisition.

(d) **Formal disclosures and consents**

Each of the KRPL Group and BDO Corporate Finance (WA) Pty Ltd have each given and have not, before the date of this Notice, withdrawn their consent:

- (i) to be named in the Notice in the form and context in which they are named; and
- (ii) if applicable, to the inclusion of each statement it has made (if any) in the form and context in which the statement appears in the Notice.

More specifically:

- (i) Mr Davey, Mr Bowes and KRPL have given, and not withdrawn before the date of this Notice, their written consent to the inclusion of all information concerning the relevant details in the form and context in which they appear, including but not limited to, company overviews, operational details, shareholder details and voting power; and
- (ii) BDO Corporate Finance (WA) Pty Ltd has given, and not withdrawn before the date of this Notice its written consent to the inclusion of references to Independent Experts Report in the form and context in which those references appear in the Notice.

(e) **Fees and expenses**

The aggregate amount of fees and expenses to be incurred (or expected to be incurred) by the Company in connection with the Acquisition is estimated to be approximately \$60,000 (exclusive of GST). This includes:

- (i) fees payable to financial and legal advisers, the Independent Expert and the Share Registry; and

(ii) costs relating to printing and dispatch of this Notice.

(f) **Other material information**

The Directors are not aware of any information material to the making of a decision by a Shareholder in relation to the Acquisition which is not detailed in this Explanatory Memorandum or which has not been previously disclosed to Shareholders.

3.13 Regulatory approvals

(a) **Background**

Resolution 1 seeks approval for the acquisition of the Sale Interest in exchange for the Consideration Shares for the purposes of Listing Rules 10.1 and item 7 of section 611 of the Corporations Act.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form or lodging the Proxy Form via the online portal, you are giving your express authorisation to allow the Chairman to vote the proxy in accordance with the Chairman's intention.

(b) **Directors' Recommendation**

The Non-Interested Directors support the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of up to the Maximum Percentage in the Company and recommend that Shareholders vote in favour of Resolution 1.

(c) **Approval for the purposes of Listing Rule 10.1**

Listing Rule 10.1 prohibits (among other things) the acquisition of a "substantial asset" from a "related party" (or an associate of a related party) without the approval of shareholders. For the purposes of Listing Rule 10.1:

- (i) a substantial asset is an asset valued at more than 5% of the equity interests of the Company as detailed in the latest accounts given to ASX; and
- (ii) a related party includes a person who is a Director or any entity that is controlled by the related party.

The Acquisition requires the approval of Shareholders for the purposes of Listing Rule 10.1 because the Sale Interest is valued at more than 5% of the Company's equity interests and KRPL is a related party as it is controlled by Mr Davey, who is a Director.

In accordance with Listing Rule 10.10, the Notice contains a voting exclusion statement to the effect that the votes of KRPL Group and their

respective associates will be disregarded and an independent expert's report has been prepared by BDO Corporate Finance (WA) Pty Ltd (refer to Schedule 4).

(d) **Specific information required by Listing Rule 10.5**

Information must be provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- (i) the Company is acquiring the Sale Interest from Kayelekera Resources Pty Ltd.
- (ii) KRPL is an associate of Mr Grant Davey, who is a director and therefore a related party of the Company.
- (iii) the Sale Interest acquired by the Company is valued at more than 5% of the Company's equity interests and is therefore a substantial asset for the Company. Refer to Section 3.1 for details of the Sale Interest;
- (iv) the Consideration Shares will be as consideration for the Acquisition;
- (v) no funds will be raised for the Acquisition as the Consideration Shares being issued are for nil cash consideration and the Consideration Shares will rank equally in all respects with the existing Shares on issue;
- (vi) if Resolution 1 is passed, the Company will acquire Sale Interest and the Consideration Shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow);
- (vii) refer to Section 3.2 for a summary of the material terms of the SHA;
- (viii) a voting exclusion statement is included in the Notice for Resolution 1; and
- (ix) Refer to Schedule 4 for the Independent Expert's Report.

(e) **Approval for the purposes of item 7, section 611 of the Corporations Act**

(i) General

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:

- 20% or below to more than 20%; or
- a starting point that is above 20% and below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition detailed above if a company

obtains the approval of its shareholders for the acquisition at a general meeting of its shareholders. The detail of what constitutes a 'relevant interest' is extensively defined in the Corporations Act. It includes holding voting shares, being able to exercise control over voting shares and having the power to dispose of, or control the disposal of, voting shares. It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise one of these powers, each of them is taken to have that power.

The KRPL Group will hold 20.73% of the issued share capital of the Company if the Acquisition completes and no further Shares are issued by the Company.

Approval under Resolution 1 is being sought for the potential for the KRPL Group to increase their relevant interest in the issued share capital of the Company to up to the Maximum Percentage as detailed in Section 3.1.

(ii) Voting prohibition statement

In accordance section 611 of the Corporations Act, none of KRPL and any of its associates are permitted to vote in favour of Resolution 1.

(iii) Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- For the purposes of the Corporations Act, KRPL Group are associates of one another in relation to the Company. KRPL and Mr Davey have confirmed that there are no other associates in relation to the Company.
- If Resolution 1 is passed, Completion occurs and the Resolutions the subject of this Notice are passed (and the Options to be issued to Mr Grant Davey and Mr Keith Bowes the subject of Resolutions 8 and 9 (respectively) are exercised), the maximum extent of the increase in the KRPL Group's voting power is the Maximum Percentage.
- If Resolution 1 is passed, Completion occurs and the Resolutions the subject of this Notice are passed (and the Options to be issued to Mr Grant Davey and Mr Keith Bowes the subject of Resolutions 8 and 9 (respectively) are exercised), the KRPL Group's voting power in the Company will be the Maximum Percentage.
- The Acquisition is being undertaken to increase the Company's interest and exposure in the Kayelekera Project which is expected to bring greater value to the

Company and its Shareholders. For further information about the advantages and disadvantages of the Acquisition, refer to Sections 3.6 and 3.7 respectively.

- Completion is expected to occur 5 business days after shareholder approval.
- A summary of the material terms of the proposed Acquisition is detailed in Section 3.2.
- Except for the SHA there are no other relevant agreements between the Company and KRPL Group that are conditional on (or directly or indirectly depend on) Shareholders approving the Acquisition.
- The KRPL Group's intentions regarding the future of the Company are detailed in Section 3.11.
- None of the Company or the KRPL Group intend to change their existing policies in relation to financial matters or dividends.
- Other than the interest Non-Interested Directors have in the Acquisition by reason of their ownership of securities of the Company, no Non-Interested Director has an interest in the SHA. KRPL (an entity controlled by Mr Davey) is a party to the SHA.
- Neither the KRPL Group nor the Company intend to nominate any new director to the Board in connection with the Acquisition.

3.14 Listing Rule 10.11

Listing Rule 10.11 prohibits (amongst other things) an entity from issuing shares to a related party (as defined in the Listing Rules) without the approval of its shareholders.

Shareholder approval under Listing Rule 10.11 is not required for the proposed issue of the Consideration Shares as exception 6 under Listing Rule 10.12 provides that shareholder approval is not required under Listing Rule 10.11 when the issue of shares has been approved for the purposes of item 7 of section 611 of the Corporations Act.

3.15 Section 208 of Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Non-Interested Directors have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of the Consideration Shares as the exception in section 210 of the Corporations Act applies. The Consideration Shares are being issued as consideration for the

Acquisition and are considered to be on arm's length terms for the purposes of section 210 of the Corporations Act.

4. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES UNDER LISTING RULE 7.1

4.1 Background to the issue of the LR 7.1 Placement Shares

Resolution 2 seeks Shareholder approval for the ratification of the issue of the LR 7.1 Placement Shares, as follows:

- (a) 61,300,000 Shares at \$0.08 per Share, which were issued in accordance with the Company's placement capacity under ASX Listing Rule 7.1, pursuant to the share placement announced on 27 November 2020, on the terms and conditions detailed in the Explanatory Memorandum, as follows:
 - (i) 57,250,000 issued on 4 December 2020;
 - (ii) 3,750,000 issued on 10 December 2020;
 - (iii) 300,000 issued on 6 January 2021; and
- (b) 50,000,000 Shares at \$0.125 per Share, which were issued on 3 March 2021, in accordance with the Company's placement capacity under ASX Listing Rule 7.1, pursuant to the share placement announced on 24 February 2021, on the terms and conditions detailed in the Explanatory Memorandum.

Pursuant to its announcement on 27 November 2020, on 6 January 2021, the Company completed the placement of 61,300,000 Shares at \$0.08 cents per Share to sophisticated and professional investors to raise \$4.9 million (before costs).

Pursuant to its announcement on 24 February 2021, the Company completed the placement of 50,000,000 Shares at \$0.125 cents per Share to sophisticated and professional investors to raise \$6.25 million (before costs).

The LR7.1 Placement Shares were issued in accordance with the Company's placement capacity under ASX Listing Rule 7.1

None of the parties who participated in the issue of the LR7.1 Placement Shares were related parties of the Company.

Resolution 2 is an ordinary resolution.

4.2 ASX Listing Rules 7.1 and 7.4

In accordance with ASX Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of Equity Securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those

securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1. To this end, Resolution 2 seeks Shareholder approval for the ratification of the issue of the LR 7.1 Placement Shares for the purposes of ASX Listing Rule 7.4.

If Resolution 2 is passed, the issue of the LR 7.1 Placement Shares will be excluded in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the issue.

If Resolution 2 is not approved, the issue of the LR 7.1 Placement Shares will be included in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the issue.

4.3 Specific information required by ASX Listing Rule 7.5

In accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue of the LR 7.1 Placement Shares:

- (a) The LR 7.1 Placement Shares were issued to sophisticated and professional investors familiar with undertaking investment in resources projects in developing economies, who were clients of Canaccord Genuity (Australia) Limited (**Canaccord**) and BW Equities Pty Ltd (**BW Equities**) (together **Joint Lead Managers**) and to sophisticated investors introduced by the Board, none of whom were related parties of the Company. None of the participants in the issue of the LR 7.1 Placement Shares were investors that are required to be disclosed under Guidance Note 21.
- (b) The Company executed a mandate agreement with the Joint Lead Managers (**JLM Mandate**). The JLM Mandate provides for the Joint Lead Managers to provide corporate advice to the Company and to place the LR7.1 Placement Shares to persons to whom a disclosure document is not required to be provided under Part 6D.2 of the Corporations Act.

In addition, the JLM Mandate stipulates that fees to be charged to the Joint Lead Managers comprise a management fee of 1% and a capital raising fee of 5% in connection with the issue of the LR7.1 Placement Shares.
- (c) The LR 7.1 Placement Shares consist of 111,300,000 fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares.
- (d) The LR 7.1 Placement Shares were issued on 4 December 2020, 10 December 2020, 6 January 2021 and 3 March 2021.
- (e) Of the LR 7.1 Placement Shares, 61,300,000,000 were issued at a price of \$0.08 per Share and 50,000,000 were issued at a price of \$0.125 per Share.

- (f) The purpose of the issue of the LR 7.1 Placement Shares was to provide proceeds to support the Company in preparation of a restart study for its Kayelekera Uranium Project in Malawi, which is on care and maintenance, for near-mine uranium exploration, to assess rare earths and rutile exploration opportunities at Kayelekera, for general corporate purposes and working capital.
- (g) A voting exclusion statement is included in the Notice for Resolution 2.

4.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

5. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES UNDER LISTING RULE 7.1A

5.1 Background to the issue of the LR 7.1 Placement Shares

Resolution 3 seeks Shareholder approval for the ratification of the issue of the LR 7.1A Placement Shares.

Pursuant to its announcement on 24 February 2021, on 3 March 2021, the Company completed the placement of the LR7.1A Placement Shares – 50,000,000 Shares at \$0.125 cents per Share to sophisticated and professional investors – to raise \$12.5 million (before costs). The LR7.1A Placement Shares were issued in accordance with the Company's placement capacity under ASX Listing Rule 7.1A.

None of the parties who participated in the issue of the LR7.1A Placement Shares are related parties of the Company. Refer to the Company's ASX announcement of 24 February 2021 for further details of the issue of the LR 7.1A Placement Shares.

Resolution 3 is an ordinary resolution.

5.2 ASX Listing Rules 7.1 and 7.4

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

On 30 November 2020, Shareholders approved the Company having the additional capacity to issue Equity Securities in an amount up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1A (and provided that the previous issue did not breach ASX Listing Rule 7.1A) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1A.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities into the future without having to obtain Shareholder approval for

such issues under ASX Listing Rule 7.1A. To this end, Resolution 3 seeks Shareholder approval for the ratification of the issue of the LR 7.1A Placement Shares for purposes of ASX Listing Rule 7.4.

If Resolution 3 is passed, the issue of the LR 7.1A Placement Shares will be excluded in calculating the Company's 10% limit in ASX Listing Rule 7.1A, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the issue.

If Resolution 3 is not passed, the issue of the LR 7.1A Placement Shares will be included in calculating the Company's 10% limit in ASX Listing Rule 7.1A, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the issue.

5.3 Specific information required by ASX Listing Rule 7.5

In accordance with ASX Listing Rule 7.5, the following information is provided in relation to the issue of the LR 7.1A Placement Shares:

- (a) The LR 7.1A Placement Shares were issued to sophisticated and professional investors familiar with undertaking investment in resources projects in developing economies, who were clients of Canaccord and BW Equities (as Joint Lead Managers) and to sophisticated investors introduced by the Board, none of whom were related parties of the Company. None of the participants in the issue of the LR 7.1A Placement Shares were investors that are required to be disclosed under Guidance Note 21. A summary of the key terms of the JLM Mandate is included in section 9.3(b).
- (b) The LR 7.1A Placement Shares consist of 50,000,000 fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares.
- (c) The LR 7.1A Placement Shares were issued on 3 March 2021.
- (d) The LR 7.1A Placement Shares were issued at a price of \$0.125 per Share.
- (e) The purpose of the issue of the LR 7.1A Placement Shares was to provide proceeds to support the Company in preparation of a restart study for its Kayelekera Uranium Project in Malawi, which is on care and maintenance, for near-mine uranium exploration, to assess the rare earths and rutile exploitation opportunity at Kayelekera, for general corporate purposes and working capital.
- (f) A voting exclusion statement is included in the Notice for Resolution 3.

5.4 Board recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

6. RESOLUTION 4 – ISSUE OF SHARES TO MARK HANLON

6.1 General

Resolution 4 seeks Shareholder approval in accordance with ASX Listing Rule 10.11 for the issue of 500,000 Shares to Director Mark Hanlon (and/or his nominee(s)) on the same terms as the placement of Shares that was completed on 3 March 2021 (**Hanlon Shares**).

On 3 March 2021, the Company completed the placement of 100,000,000 Shares at \$0.125 cents per Share to sophisticated and professional investors to raise \$12.5 million (before costs).

In addition, Mr Mark Hanlon, a director of the Company, agreed to subscribe for a further 500,000 Shares, the issue of which is subject to approval of Shareholders.

Resolution 4 is an ordinary resolution.

6.2 Section 208 of Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

A total of 500,000 Shares are proposed to be issued to Mr Hanlon on the same terms as Shares issued under the share placement completed on 3 March 2021. Accordingly, the issue of the Hanlon Shares represents a financial benefit that is on arm's length terms.

6.3 ASX Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listing company must not issue or agree to issue equity securities to:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of a person referred to in ASX Listing Rules 10.11.1 to 10.11.2; or
- (e) a person whose relationship with the company or a person referred to in ASX Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders.

The proposed issue of the Hanlon Shares falls within ASX Listing Rule 10.11.1 and does not fall within any of the exceptions in ASX Listing Rule 10.12. Mr Hanlon is a related party of the Company as he is a Director. Therefore, the issue of the Hanlon

Shares requires the approval of the Company's shareholders under ASX Listing Rule 10.11.

Resolution 4 seeks Shareholder approval for the purposes of ASX Listing Rule 10.11.

If Resolution 4 is passed, the Company will issue 500,000 Shares to Mark Hanlon (and/or his nominee(s)) and pursuant to ASX Listing Rule 7.2, exception 14, the issue of the Hanlon Shares will be excluded in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the issue. If Resolution 4 is not passed, the Company will not issue the Hanlon Shares and the proceeds that would have been received from the issue of those Shares will not be realised.

6.4 Specific information required by ASX Listing Rule 10.13

In accordance with ASX Listing Rule 10.13, information regarding the issue of the Hanlon Shares to Mr Hanlon (and/or his nominee(s)) is provided as follows:

- (a) The Hanlon Shares will be issued to Mr Mark Hanlon (and/or his nominees).
- (b) Mr Hanlon falls within ASX Listing Rule 10.11.1 – Mr Hanlon is a related party of the Company because he is a Director.
- (c) The maximum number of Shares to be issued to Mr Hanlon is 500,000.
- (d) The Hanlon Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
- (e) Subject to Shareholders approving Resolution 4, the Company will issue the Hanlon Shares to Mr Hanlon on a date to be determined, and no later than one month after the date of the Meeting.
- (f) The Hanlon Shares will be issued at a price of \$0.125 per Share.
- (g) Proceeds from the Hanlon Shares will be used in the preparation of a restart study for its Kayelekera Uranium Project in Malawi, for near-mine uranium exploration, to assess the rare earths and rutile exploitation opportunity at Kayelekera, for general corporate purposes and working capital.
- (h) The issue is not intended to incentivise the director.
- (i) A voting exclusion statement is included in the Notice for Resolution 4.

6.5 Board recommendation

The Directors (excluding Mr Hanlon) recommend that Shareholders vote in favour of Resolution 4.

Mr Hanlon does not make a recommendation in relation to Resolution 4 as he has an interest in the outcome of the Resolution.

7. RESOLUTION 5 – ISSUE OF SHARES TO GRANT DAVEY

7.1 General

Resolution 5 seeks Shareholder approval in accordance with ASX Listing Rule 10.11 for the issue of 1,400,000 Shares to Director Grant Davey (and/or his nominee(s)) on the same terms as the placement of Shares that was completed on 6 January 2021.

On 6 January 2021, the Company completed the placement of 61,300,000 Shares at \$0.08 cents per Share to sophisticated and professional investors.

In addition, Mr Grant Davey, a director of the Company, subscribed for 1,400,000 Shares, the issue of which is subject to approval of Shareholders.

Resolution 5 is an ordinary resolution.

7.2 Section 208 of Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

A total of 1,400,000 Shares are proposed to be issued to Mr Davey on the same terms as Shares issued under the share placement completed on 6 January 2021. Accordingly, the issue of the Davey Shares represents a financial benefit that is on arm's length terms.

7.3 ASX Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in ASX Listing Rule 10.12 applies, a listing company must not issue or agree to issue equity securities to:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an associate of a person referred to in ASX Listing Rules 10.11.1 to 10.11.2; or
- (e) a person whose relationship with the company or a person referred to in ASX Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders.

The proposed issue of the Davey Shares falls within ASX Listing Rule 10.11.1 and does not fall within any of the exceptions in ASX Listing Rule 10.12. Mr Davey is a related party of the Company as he is a Director. Therefore, the issue of the Davey

Shares requires the approval of the Company's shareholders under ASX Listing Rule 10.11.

Resolution 5 seeks Shareholder approval for the purposes of ASX Listing Rule 10.11.

If Resolution 5 is passed, the Company will issue 1,400,000 Shares to Grant Davey (and/or his nominee(s)) and pursuant to ASX Listing Rule 7.2, exception 14, the issue of the Davey Shares will be excluded in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the issue. If Resolution 5 is not passed, the Company will not issue the Davey Shares and the proceeds that would have been received from the issue of those Shares will not be realised.

7.4 Specific information required by ASX Listing Rule 10.13

In accordance with ASX Listing Rule 10.13, information regarding the issue of the Davey Shares to Mr Davey (and/or his nominee(s)) is provided as follows:

- (a) The Davey Shares will be issued to Mr Grant Davey (and/or his nominees).
- (b) Mr Davey falls within ASX Listing Rule 10.11.1 – Mr Davey is a related party of the Company because he is a Director.
- (c) The maximum number of Shares to be issued to Mr Davey is 1,400,000.
- (d) The Davey Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
- (e) Subject to Shareholders approving Resolution 5, the Company will issue the Davey Shares to Mr Davey on a date to be determined, and no later than one month after the date of the Meeting.
- (f) The Davey Shares will be issued at a price of \$0.08 per Share.
- (g) Proceeds from the Davey Shares will be used in the preparation of a restart study for its Kayelekera Uranium Project in Malawi, for near-mine uranium exploration, to assess the rare earths and rutile exploitation opportunity at Kayelekera, for general corporate purposes and working capital.
- (h) The issue is not intended to remunerate or incentivise the director.
- (i) A voting exclusion statement is included in the Notice for Resolution 5.

7.5 Board recommendation

The Directors (excluding Mr Davey) recommend that Shareholders vote in favour of Resolution 5.

Mr Davey does not make a recommendation in relation to Resolution 5 as he has an interest in the outcome of the Resolution.

8. RESOLUTION 6 – ISSUE OF OPTIONS TO MICHAEL BOWEN

8.1 General

The Company is proposing to issue Options under the Option Plan, to Mr Michael Bowen (Non-Executive Chairman) (or his nominee(s)) as a component of his remuneration, in order to keep cash payments to a minimum.

The Board has agreed, subject to obtaining Shareholder approval, to issue a total of 3,000,000 Options, to Mr Bowen (or his nominee(s)) on the terms and conditions detailed below and in Schedule 2 (**Bowen Options**).

Under Section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner detailed in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception detailed in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Bowen Options to Mr Bowen, a Director, constitutes giving a financial benefit to a related party of the Company.

Given the Board is unable to form a quorum as to whether the grant of the Bowen Options falls within an exception detailed in Sections 210 to 216 of the Corporations Act (e.g. such as reasonable remuneration), the proposed issue of the Bowen Options requires the Company to obtain Shareholder approval pursuant to Chapter 2E and Section 195(4) of the Corporations Act. The Company will not issue the Bowen Options unless Shareholder approval is granted.

The offer of Options to Mr Bowen forms part of the Company's efforts to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The number of Options to be issued to Directors is determined based on factors such as length of service, the contribution to the Company's success and providing recognition for the advancement of the Company and its assets. Furthermore, the grant of Options to Directors, is viewed as a cost effective and efficient reward as opposed to alternative forms of reward, such as the payment of additional cash compensation to Directors.

In the Company's present circumstances, the Board considers that the grant of the Bowen Options is a cost effective and efficient reward for the Company to appropriately align the performance of Mr Bowen as the Chairman, with the strategic goals and targets of the Company.

If the grant of the Bowen Options is approved, the Company as soon as reasonably practicable after the Meeting, and in any event within one month after the Meeting will issue the options to Mr Bowen (or his nominee(s)). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Bowen Options (because Shareholder approval is being obtained), the issue of the Bowen Options will not utilise any of the Company's 15% annual placement capacity. If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Bowen Options and may need to consider alternative forms of remuneration for Michael Bowen.

Resolution 6 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 6.

8.2 Shareholder Approval – Chapter 2E of the Corporations Act and Listing Rule 10.11

The following information is provided pursuant to and in accordance with section 219 of the Corporations Act and Listing Rule 10.13.

- (a) Mr Bowen falls within Listing Rule 10.11 – Mr Bowen is a related party of the Company because he is a Director.
- (b) The maximum number of Options that may be issued to Mr Bowen is 3,000,000.
- (c) The Company will issue the Bowen Options as soon as reasonably practicable after the Meeting, and in any event within one month after the Meeting.
- (d) The Bowen Options will expire on 22 February 2024, being three years from 22 February 2021, the date on which Mr Bowen was appointed (**Bowen Appointment Date**).
- (e) The Bowen Options will be granted for nil cash consideration; accordingly, no funds will be raised.
- (f) The Bowen Options will be unquoted, have a zero exercise price and vest upon 18 months of continuous service by Mr Bowen from the Bowen Appointment Date. Mr Bowen is deemed to have served 18 months of continuous service unless, prior to the end of the 18 month period, he:
 - (i) resigns as a Director; or
 - (ii) is up for re-election as a Director and does not seek re-election as a Director.

For the avoidance of doubt, if during the period that is 18 months from the Bowen Appointment Date, Mr Bowen seeks election or re-election as a Director, and Shareholders not approve such election or re-election, the vesting criteria with respect to the Bowen Options will be satisfied. The terms and conditions of the Bowen Options are included in Schedule 2.

- (g) Assuming all of the Bowen Options vest, the Bowen Options have a value of \$525,000, based on a Share price of \$0.175, the price at which Shares closed on 22 June 2021.

A Black & Scholes valuation of the Bowen Options is not possible due to the zero-exercise price. Applying an exercise price of \$0.000001, the Black & Scholes valuation model generates a value per Bowen Option equal to the share price at the time of issue.

The table below shows the value of the Bowen Options under different vesting scenarios:

No. Options Vested	25%	50%	75%	100%
Value of Options (\$)	131,250	262,500	393,750	525,000

- (h) Mr Bowen has a relevant interest in securities of the Company – he indirectly holds 2,250,000 Shares.
- (i) Mr Bowen was appointed on 22 February 2021. His current remuneration package, inclusive of superannuation (not including the Bowen Options) is \$75,000 per year. Including the Bowen Options, Mr Bowen's total remuneration in the year the Bowen Options vest is \$600,000, assuming all of the Bowen Options vest.
- (j) If the Bowen Options issued to Mr Bowen are exercised, a total of 3,000,000 Shares would be issued. This will increase the number of Shares on issue from 954,560,825 to 957,560,825 (assuming that no other Options are exercised, and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.33%
- (k) The trading history of the Shares on the ASX in the 12 months before the date of this Notice is detailed below:

	Price	Date(s)
Highest	0.240	3 June 2021
Lowest	0.054	15 June 2020
Last	0.240	3 June 2021

- (l) The primary purpose of the grant of the Bowen Options is to:
 - (i) provide a cost-effective form of remuneration for the ongoing commitment and contribution of Directors to the Company;
 - (ii) to align the interests of the Chairman with those of Shareholders;
 - (iii) the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its Kayelekera Project than it could if cash forms of remuneration were given to Mr Bowen; and
 - (iv) the Board does not consider that there are any significant opportunity costs to the Company, or benefits foregone by the Company, in issuing the Options to Mr Bowen upon the terms proposed.
- (m) Mr Bowen declines to make a recommendation to Shareholders in relation to Resolution 6 due to his personal interest in the outcome of the

Resolution, on the basis that he is to be granted Options in the Company should Resolution 6 be passed.

- (n) A voting exclusion statement is included with Resolution 6 in the Notice.

8.3 Information required for Sections 200B and 200E of the Corporations Act

Under Sections 200B and 200E of the Corporations Act, the Company can only give a benefit to a member of Key Management Personnel in connection with retirement from office or employment in the Company with prior Shareholder approval or if any of a number of exceptions apply. Accelerated vesting or automatic vesting of share-based payments may in some cases be a benefit of this kind.

Mr Bowen may become entitled to accelerated vesting or automatic vesting of Options if there is a change in control of the Company or if the Board exercises a discretion upon cessation of service. Approval is sought for Mr Bowen to be given any such benefit in connection with his retirement from office with the Company.

The value of the benefit that might be given to Mr Bowen in such circumstances will depend on a number of factors. Accordingly, the precise value of the benefit cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (a) The number of Options held by Mr Bowen prior to the cessation of his holding office;
- (b) Reasons for the cessation of service and Mr Bowen's length of service;
- (c) The term of the Options remaining;
- (d) The extent to which any vesting conditions or other performance or exercise hurdles have been satisfied; and
- (e) The exercise of the Board's discretion at the relevant time.

8.4 Directors' recommendation

The Directors (excluding Mr Bowen) believe that the issue of the Bowen Options to Mr Bowen, and the issue of Shares to settle such Options, is in the best interests of the Company, and unanimously recommends that Shareholders vote in favour of Resolution 6. Mr Bowen does not make a recommendation in relation to Resolution 6 as he has an interest in the outcome of the resolution.

9. RESOLUTION 7 – ISSUE OF OPTIONS TO MARK HANLON

9.1 General

The Company is proposing to issue Options under the Option Plan, to Mr Mark Hanlon as a component of his remuneration, in order to keep cash payments to a minimum.

The Board has agreed, subject to obtaining Shareholder approval, to issue a total of 2,000,000 Options, to Mr Hanlon on the terms and conditions detailed below and in Schedule 2 (**Hanlon Options**).

Under Section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner detailed in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception detailed in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Given the Board is unable to form a quorum as to whether the grant of the Hanlon Options falls within an exception detailed in Sections 210 to 216 of the Corporations Act (e.g. such as reasonable remuneration), the proposed issue of the Hanlon Options requires the Company to obtain Shareholder approval pursuant to Chapter 2E and Section 195(4) of the Corporations Act. The Company will not issue the Hanlon Options unless Shareholder approval is granted.

The offer of Options to Mr Hanlon forms part of the Company's efforts to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The number of Options to be issued to Directors is determined based on factors such as length of service, the significant contribution to the Company's success and providing recognition for the advancement of the Company and its assets. Furthermore, the grant of Options to Directors, is viewed as a cost effective and efficient reward as opposed to alternative forms of reward, such as the payment of additional cash compensation to Directors.

In the Company's present circumstances, the Board considers that the grant of the Hanlon Options is a cost effective and efficient reward for the Company to make to appropriately align the performance of Mr Hanlon with the strategic goals and targets of the Company.

If the grant of the Hanlon Options is approved, the Company as soon as reasonably practicable after the Meeting, and in any event within one month after the Meeting will issue the options to Mr Hanlon (or his nominee). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Options (because Shareholder approval is being obtained), the issue of the Hanlon Options will not use up any of the Company's 15% annual placement capacity. If Resolution 7 is not passed, the Company will not be able to proceed with the issue of the Hanlon Options and may need to consider alternative forms of remuneration for Mark Hanlon.

Resolution 7 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 7.

9.2 Shareholder Approval – Chapter 2E of the Corporations Act and Listing Rule 10.11

The following information is provided pursuant to and in accordance with section 219 of the Corporations Act and Listing Rule 10.13.

- (a) Mr Hanlon falls within Listing Rule 10.11 – Mr Hanlon is a related party of the Company because he is a Director.
- (b) The maximum number of Options that may be issued to Mr Hanlon is 2,000,000.
- (c) The Company will issue the Hanlon Options as soon as reasonably practicable after the Meeting, and in any event within one month after the Meeting.
- (d) The Hanlon Options will expire on 22 February 2024, being three years from 22 February 2021, the date on which Mr Hanlon was appointed (**Hanlon Appointment Date**).
- (e) The Hanlon Options will be granted for nil cash consideration; accordingly, no funds will be raised.
- (f) The Hanlon Options will be unquoted, have a zero exercise price and vest upon 18 months of continuous service by Mr Hanlon from the Hanlon Appointment Date. Mr Hanlon is deemed to have served 18 months of continuous service unless, prior to the end of the 18 month period, he:
 - (i) resigns as a Director; or
 - (ii) is up for re-election as a Director and does not seek re-election as a Director.

For the avoidance of doubt, if during the period that is 18 months from the Hanlon Appointment Date, Mr Hanlon seeks election or re-election as a Director, and Shareholders not approve such election or re-election, the vesting criteria with respect to the Hanlon Options will be satisfied. The terms and conditions of the Hanlon Options are included in Schedule 2.

- (g) Assuming all of the Hanlon Options vest, the Hanlon Options have a value of \$250,000, based on a Share price of \$0.175, the price at which Shares closed on 22 June 2021.

A Black & Scholes valuation of the Hanlon Options is not possible due to the zero-exercise price. Applying an exercise price of \$0.000001, the Black & Scholes valuation model generates a value per Hanlon Option equal to the share price at the time of issue.

The table below shows the value of the Hanlon Options under different vesting scenarios:

No. Options Vested	25%	50%	75%	100%
Value of Options (\$)	87,500	175,000	262,500	350,000

- (h) Mr Hanlon has the following relevant interests in securities of the Company:
- (i) 3,175,946 ordinary shares;
 - (ii) 223,215 Options, exercisable at \$0.04, expiring 12/9/22;
 - (iii) 199,053 Options, exercisable at \$0.04, expiring 25/9/22; and
 - (iv) 401,786 Options, exercisable at \$0.04, expiring 13/3/23.
- (i) Mr Hanlon was appointed on 22 February 2021. His current remuneration package, inclusive of superannuation (not including the Hanlon Options) is \$50,000 per year. Including the Hanlon Options, Mr Hanlon's total remuneration in the year the Hanlon Options vest is \$400,000, assuming all of the Hanlon Options vest.
- (j) If the Options issued to Mr Hanlon are exercised, a total of 2,000,000 Shares would be issued. This will increase the number of Shares on issue from 954,560,825 to 956,560,825 (assuming that no other Options are exercised, and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.22%
- (k) The trading history of the Shares on the ASX in the 12 months before the date of this Notice is detailed below:

	Price	Date(s)
Highest	0.240	3 June 2021
Lowest	0.054	15 June 2020
Last	0.240	3 June 2021

- (l) The primary purpose of the grant of the Hanlon Options is to:
- (i) provide a cost-effective form of remuneration for the ongoing commitment and contribution of Directors to the Company;
 - (ii) to align the interests of the Chairman with those of Shareholders;
 - (iii) the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its Kayelekera Project and exploration initiatives than it could if cash forms of remuneration were given to Mr Hanlon; and
 - (iv) the Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options to Mr Hanlon upon the terms proposed.
- (m) Mr Hanlon declines to make a recommendation to Shareholders in relation to Resolution 7 due to his personal interest in the outcome of the Resolution, on the basis that he is to be granted Options in the Company should Resolution 7 be passed.
- (n) A voting exclusion statement is included with Resolution 7 in the Notice.

9.3 Information required for Sections 200B and 200E of the Corporations Act

Under Sections 200B and 200E of the Corporations Act, the Company can only give a benefit to a member of Key Management Personnel in connection with retirement from office or employment in the Company with prior Shareholder approval or if any of a number of exceptions apply. Accelerated vesting or automatic vesting of share-based payments may in some cases be a benefit of this kind.

Mr Hanlon may become entitled to accelerated vesting or automatic vesting of Options if there is a change in control of the Company or if the Board exercises a discretion upon cessation of service. Approval is sought for Mr Hanlon to be given any such benefit in connection with his retirement from office with the Company.

The value of the benefit that might be given to Mr Hanlon in such circumstances will depend on a number of factors. Accordingly, the precise value of the benefit cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (a) The number of Options held by Mr Hanlon prior to the cessation of his holding office;
- (b) Reasons for the cessation of service and Mr Hanlon's length of service;
- (c) The term of the Options remaining;
- (d) The extent to which any vesting conditions or other performance or exercise hurdles have been satisfied; and
- (e) The exercise of the Board's discretion at the relevant time.

9.4 Directors' recommendation

The Directors (excluding Mr Hanlon) believe that the issue of the Hanlon Options to Mr Hanlon, and the issue of Shares to settle such Options, is in the best interests of the Company, and unanimously recommends that Shareholders vote in favour of Resolution 7. Mr Hanlon does not make a recommendation in relation to Resolution 7 as he has an interest in the outcome of the resolution.

10. RESOLUTION 8 – ISSUE OF OPTIONS TO GRANT DAVEY

10.1 General

The Company is proposing to issue Options under the Option Plan, to Mr Grant Davey as a component of his remuneration, in order to keep cash payments to a minimum.

The Board has agreed, subject to obtaining Shareholder approval, to issue a total of 2,000,000 Options, to Mr Davey on the terms and conditions detailed below and in Schedule 2 (**Davey Options**).

Under Section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner detailed in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception detailed in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained, where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Given the Board is unable to form a quorum as to whether the grant of the Davey Options falls within an exception detailed in Sections 210 to 216 of the Corporations Act (e.g. such as reasonable remuneration), the proposed issue of the Davey Options requires the Company to obtain Shareholder approval pursuant to Chapter 2E and Section 195(4) of the Corporations Act. The Company will not issue the Davey Options unless Shareholder approval is granted.

The offer of Options to Mr Davey forms part of the Company's efforts to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The number of Options to be issued to Directors is determined based on factors such as length of service, the contribution to the Company's success and providing recognition for the advancement of the Company and its assets. Furthermore, the grant of Options to Directors, is viewed as a cost effective and efficient reward as opposed to alternative forms of reward, such as the payment of additional cash compensation to Directors.

In the Company's present circumstances, the Board considers that the grant of the Davey Options is a cost effective and efficient reward for the Company to make to appropriately align the performance of Mr Davey with the strategic goals and targets of the Company.

If the grant of the Davey Options is approved, the Company as soon as reasonably practicable after the Meeting, and in any event within one month after the Meeting will issue the options to Mr Davey (or his nominee). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Options (because Shareholder approval is being obtained), the issue of the Davey Options will not use up any of the Company's 15% annual placement capacity. If Resolution 8 is not passed, the Company will not be able to proceed with the issue of the Davey Options and may need to consider alternative forms of remuneration for Grant Davey.

Resolution 8 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 8.

10.2 Shareholder Approval – Chapter 2E of the Corporations Act and Listing Rule 10.11

The following information is provided pursuant to and in accordance with section 219 of the Corporations Act and Listing Rule 10.13.

- (a) Mr Davey falls within Listing Rule 10.11 – Mr Davey is a related party of the Company because he is a Director.
- (b) The maximum number of Options that may be issued to Mr Davey is 2,000,000.
- (c) The Company will issue the Davey Options as soon as reasonably practicable after the Meeting, and in any event within one month after the Meeting.
- (d) The Davey Options will expire on 22 February 2024, being three years from 22 February 2021, the date on which Mr Bowen and Mr Hanlon were appointed and a restructure of the Company's board of directors was completed.
- (e) The Davey Options will be granted for nil cash consideration; accordingly, no funds will be raised.
- (f) The Davey Options will be unquoted, have a zero exercise price and vest upon 18 months of continuous service from 22 February 2021. Mr Davey is deemed to have served 18 months of continuous service unless, prior to the end of the 18 month period, he:
 - (i) resigns as a Director; or
 - (ii) is up for re-election as a Director and does not seek re-election as a Director.

For the avoidance of doubt, if during the period that is 18 months from 22 February 2021, Mr Davey seeks election or re-election as a Director, and Shareholders not approve such election or re-election, the vesting criteria with respect to the Davey Options will be satisfied. The terms and conditions of the Davey Options are included in Schedule 2.

- (g) Assuming all of the Davey Options vest, the Davey Options have a value of \$350,000, based on a Share price of \$0.175, the price at which Shares closed on 22 June 2021.

A Black & Scholes valuation of the Davey Options is not possible due to the zero-exercise price. Applying an exercise price of \$0.000001, the Black & Scholes valuation model generates a value per Davey Option equal to the share price at the time of issue.

The table below shows the value of the Davey Options under different vesting scenarios:

No. Options Vested	25%	50%	75%	100%
Value of Options (\$)	87,500	175,000	262,500	350,000

- (h) Mr Davey has the following relevant interest in securities of the Company – he indirectly holds 16,148,626 Shares.

If Resolutions 1, 5 and 8 are passed, Mr Davey will have the following relevant interests in securities of the Company:

- (i) 242,612,553 Shares; and
 - (ii) 2,000,000 Options.
- (i) Mr Davey was appointed on 22 June 2020. His current remuneration package, inclusive of superannuation (not including the Davey Options) is \$50,000 per year. Including the Davey Options, Mr Davey's total remuneration in the year the Davey Options vest is \$350,000, assuming all of the Davey Options vest.
- (j) If the Options issued to Mr Davey are exercised, a total of 2,000,000 Shares would be issued. This will increase the number of Shares on issue from 954,560,825 to 956,560,825 (assuming that no other Options are exercised, and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.22%.

Assuming Resolution 1 is passed (and that no other Options are exercised, and no other Shares are issued) and the Options issued to Mr Davey are exercised, the number of Shares on issue will increase from 1,181,024,752 to 1,183,024,752 with the effect that the shareholding of existing Shareholders would be diluted by 0.17%.

- (k) The trading history of the Shares on the ASX in the 12 months before the date of this Notice is detailed below:

	Price	Date(s)
Highest	0.240	3 June 2021
Lowest	0.054	15 June 2020
Last	0.240	3 June 2021

- (l) The primary purpose of the grant of the Davey Options is to:
- (i) provide a cost-effective form of remuneration for the ongoing commitment and contribution to the Company;
 - (ii) to align the interests of the Chairman with those of Shareholders;
 - (iii) the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its Kayelekera Project and exploration initiatives than it could if cash forms of remuneration were given to Mr Davey; and
 - (iv) the Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options to Mr Davey upon the terms proposed.
- (m) Mr Davey declines to make a recommendation to Shareholders in relation to Resolution 8 due to his personal interest in the outcome of the Resolution, on the basis that he is to be granted Options in the Company should the Resolution be passed.
- (n) A voting exclusion statement is included with Resolution 8 in the Notice.

10.3 Information required for Sections 200B and 200E of the Corporations Act

Under Sections 200B and 200E of the Corporations Act, the Company can only give a benefit to a member of Key Management Personnel in connection with retirement from office or employment in the Company with prior Shareholder approval or if any of a number of exceptions apply. Accelerated vesting or automatic vesting of share-based payments may in some cases be a benefit of this kind.

Mr Davey may become entitled to accelerated vesting or automatic vesting of Options if there is a change in control of the Company or if the Board exercises a discretion upon cessation of service. Approval is sought for Mr Davey to be given any such benefit in connection with his retirement from office with the Company.

The value of the benefit that might be given to Mr Davey in such circumstances will depend on a number of factors. Accordingly, the precise value of the benefit cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (a) The number of Options held by Mr Davey prior to the cessation of his holding office;
- (b) Reasons for the cessation of service and Mr Davey's length of service;
- (c) The term of the Options remaining;
- (d) The extent to which any vesting conditions or other performance or exercise hurdles have been satisfied; and
- (e) The exercise of the Board's discretion at the relevant time.

10.4 Directors' recommendation

The Directors (excluding Mr Davey) believe that the issue of the Davey Options to Mr Davey and the issue of Shares to settle such Options is in the best interests of the Company, and unanimously recommends that Shareholders vote in favour of Resolution 8. Mr Davey does not make a recommendation in relation to Resolution 8 as he has an interest in the outcome of the resolution.

11. RESOLUTION 9 – ISSUE OF OPTIONS TO KEITH BOWES

11.1 General

The Company is proposing to issue Options under the Option Plan, to Mr Keith Bowes (Managing Director) as a component of his remuneration, in order to keep cash payments to a minimum and to provide incentives linked to the performance of the Company.

The Board has resolved, subject to obtaining Shareholder approval, to issue a total of 6,000,000 Options under the Option Plan, to Mr Bowes on the terms and conditions detailed below and in Schedule 3 (**Bowes Options**).

Under Section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner detailed in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception detailed in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. The Company is seeking Shareholder approval to issue the Bowes Options pursuant to ASX Listing Rule 10.14, therefore the exception to ASX Listing Rule 10.11 in ASX Listing Rule 10.12, Exception 8 applies.

Given the Board is unable to form a quorum as to whether the grant of the Bowes Options falls within an exception detailed in Sections 210 to 216 of the Corporations Act (e.g. such as reasonable remuneration), the proposed issue of the Bowes Options requires the Company to obtain Shareholder approval pursuant to Chapter 2E and Section 195(4) of the Corporations Act. The Company will not issue the Bowes Options unless Shareholder approval is granted.

The offer of the Bowes Options to Mr Bowes forms part of the Company's efforts to provide an appropriate incentive to the Managing Director in relation to the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The number of Options to be issued to the Managing Director is determined based on factors such as length of service, continuity of executive management, significant contribution to the Company's success and to provide ongoing equity incentives to advance the Company and its assets. Furthermore, the grant of Options to the Managing Director, is viewed as a cost effective and efficient reward and incentive of the Company as opposed to alternative forms of incentive, such as the payment of additional cash compensation to Directors.

In the Company's present circumstances, the Board considers that the grant of the Bowes Options to Mr Bowes is a cost effective and efficient reward for the Company to make to appropriately incentivise the performance of Mr Bowes as the Managing Director and is consistent with the strategic goals and targets of the Company.

If the grant of the Bowes Options is approved, the Company as soon as reasonably practicable after the Meeting, and in any event within 15 months after the Meeting, will issue the Bowes Options to Mr Bowes. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Bowes Options (because Shareholder approval is being obtained), the issue of the Bowes Options will not use up any of the Company's 15% annual placement capacity. If Resolution 9 is not passed, the Company will not be able to proceed with the issue of the Bowes Options and may need to consider alternative forms of remuneration for Keith Bowes.

Resolution 9 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 9.

11.2 Listing Rule 10.14

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of a director, or a person whose relationship with the entity, a director or an associate of a director is, in ASX's opinion, such that approval should be obtained. Shareholder approval is required under Listing Rule 10.14 to issue the Bowes Options to Mr Bowes because Mr Bowes is a Director. Furthermore, if Shareholders approve Resolution 9, Listing Rule 7.2 (Exception 14) provides that an issue of Shares upon conversion of the Bowes Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1 and separate approval under this Resolution 9 is not required for the purposes of Listing Rule 7.1.

11.3 Information required pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.15

The following information is provided as required by Listing Rule 10.15:

- (a) Mr Bowes falls within Listing Rule 10.14.1 – Mr Bowes is a related party of the Company because he is a Director.
- (b) The maximum number of Bowes Options that may be issued to Mr Bowes is 6,000,000.
- (c) The Bowes Options will be granted for nil cash consideration; accordingly, no funds will be raised.
- (d) The Bowes Options will expire three years from the date on which Mr Bowes was appointed as Managing Director, being 10 February 2021 (**Bowes Appointment Date**).
- (e) The Bowes Options will be unquoted and shall vest as follows:
 - (i) 3,000,000 vest on 12 months of continuous service by Mr Bowes from the Bowes Appointment Date and the Share price recording a closing price of not less than \$0.25 for 5 consecutive days during the term of the Bowes Options; and
 - (ii) 3,000,000 vest on 24 months of continuous service by Mr Bowes from the Bowes Appointment Date and the Share price recording a closing price of not less than \$0.35 for 5 consecutive days during the term of the Bowes Options. The terms and conditions of the Bowes Options are included in Schedule 3.

For the avoidance of doubt, Mr Bowes is deemed to have served continuous service if he ceases employment or office with the Company but is determined by the Board at its discretion to be a "good leaver."

- (f) Mr Bowes's current remuneration package, inclusive of superannuation (not including the Bowes Options) is \$220,000 per year. Including the Bowes Options, Mr Bowes's remuneration is \$970,000, assuming that all of the Bowes Options vest.
- (g) Mr Bowes has not been issued securities under the Option Plan since it was implemented.

- (h) The Company will issue the Bowes Options to Mr Bowes as soon as reasonably practicable after the Meeting, and in any event within 15 months after the Meeting.
- (i) The Bowes Options have an exercise price of zero and an expiry date that is three years from the date of grant. The Bowes Options will be granted to Mr Bowes (and/or his nominee) under the Option Plan, a summary of the terms of which is included in Schedule 3.
- (j) The Company has established an employee securities incentive plan – the Option Plan – which may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Option Plan is detailed in Schedule 3.
- (k) Assuming all of the Bowes Options vest, the Bowes Options have a value of \$750,000, based on a Share price of \$0.175, the price at which Shares closed on 22 June 2021.
- (l) A Black & Scholes valuation of the Bowes Options is not possible due to the zero-exercise price. Applying an exercise price of \$0.000001, the Black & Scholes valuation model generates a value per Bowes Option equal to the share price at the time of issue.
- (m) The table below shows the value of the Bowes Options under different vesting scenarios:

No. Options Vested	25%	50%	75%	100%
Value of Options (\$)	262,500	525,000	787,500	1,050,000

- (n) Mr Bowes has the following relevant interests in securities of the Company:
 - (i) 625,000 Unquoted Options, exercisable at \$0.04, expiring 12/09/22;
 - (ii) 1,125,000 Unquoted Options, exercisable at \$0.04, expiring 13/03/23; and
 - (iii) 2,250,000 Ordinary Shares.

If Resolutions 1 and 9 are passed, Mr Bowes will have the following relevant interests in securities of the Company:

- (i) 228,713,927 Shares; and
 - (ii) 7,750,000 Options.
- (o) If the Bowes Options issued to Mr Bowes are exercised, a total of 6,000,000 Shares would be issued. This will increase the number of Shares on issue from 954,560,825 to 960,560,825 (assuming that no other Options are exercised, and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.71%.

Assuming Resolution 1 is passed (and that no other Options are exercised, and no other Shares are issued) and the Options issued to Mr Bowes are exercised, the number of Shares on issue will increase from 1,181,024,752

to 1,187,024,752 with the effect that the shareholding of existing Shareholders would be diluted by 0.51%.

- (p) The trading history of the Shares on the ASX in the 12 months before the date of this Notice is detailed below:

	Price	Date(s)
Highest	0.240	3 June 2021
Lowest	0.054	15 June 2020
Last	0.240	3 June 2021

- (q) No loan is made in relation to the issue of the Bowes Options to Mr Bowes.
- (r) The persons referred to in Listing Rule 10.14, being Mr Michael Bowen, Mr Grant Davey, Mr Mark Hanlon and Mr Keith Bowes, each a Director.
- (s) The persons referred to in Listing Rule 10.14 entitled to participate in the Option Plan are Mr Michael Bowen, Mr Grant Davey, Mr Mark Hanlon and Mr Keith Bowes.
- (t) Details of any securities issued under the Option Plan will be published in each annual report relating to a period in which securities have been issued under the Option Plan, with a statement that approval for the issue of the securities was obtained under Listing Rule 10.14.
- (u) Any additional persons (to whom Listing Rule 10.14 applies) who become entitled to participate in the Option Plan after approval of Resolution 9 and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.
- (v) The primary purpose of the grant of the Bowes Options to Mr Bowes is to provide cost effective consideration to the Managing Director for ongoing commitment and contribution to the Company in his respective role as Managing Director. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Bowes Options to Mr Bowes upon the terms proposed.
- (w) Mr Bowes declines to make a recommendation to Shareholders in relation to Resolution 9 due to his personal interest in the outcome of the Resolution, on the basis that he is to be granted the Bowes Options should the Resolution be passed.
- (x) A voting exclusion statement is included with Resolution 9 in the Notice.

11.4 Directors' recommendation

With respect to Resolution 9 the Directors, other than Mr Bowes who has a personal interest in the matter, recommend that Shareholders vote in favour of that Resolution for the following reasons:

- (a) the grant of the Bowes Options to Mr Bowes will align the interests of Mr Bowes with those of Shareholders;

- (b) the grant of the Bowes Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- (c) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Bowes Options upon the terms proposed.

12. RESOLUTION 10 – SECTION 195 APPROVAL

In accordance with section 195(1) of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

The Directors have a material personal interest in the outcome of each of their respective Resolutions under Resolutions 6 to 9 (inclusive). In the absence of this Resolution 10, the Directors may not be able to form a quorum at directors meetings necessary to carry out the terms of Resolutions 6 to 9 (inclusive).

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Schedule 1 – Glossary

\$ means Australian dollars.

General Meeting or **Meeting** means the meeting convened by the Notice.

Acquisition has the meaning detailed in Section 3.1 of the Notice.

Agenda means the agenda at the front of this Notice.

ASIC means the Australian Securities & Investments Commission.

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Board means the board of Directors.

Buy-Out Notice has the meaning given in Section 3.1.

Buy-Out Right has the meaning given in Section 3.2.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Committee has the meaning given in Section 3.4.

Company means Lotus Resources Limited (ACN 119 992 175).

Completion has the meaning given in Section 3.1.

Conditions has the meaning given in Section 3.1.

Consideration Shares means the 226,463,927 Shares to be issued pursuant to the Agreement.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Davey Shares has the meaning given in the Agenda.

Director means a director of the Company.

Equity Securities has the meaning detailed in the ASX Listing Rules and includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice.

Free Carry Period has the meaning given in Section 3.2.

Hylea Project has the meaning given in Section 3.7.

Hylea Transaction has the meaning given in Section 3.7.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert detailed in Schedule 4.

Kayelekera Project has the meaning given in Section 3.1.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

KRPL has the meaning given in Section 3.1.

KRPL Group has the meaning given in Section 3.1.

Lily has the meaning given in Section 3.1.

Listing Rules means the listing rules of ASX.

LR 7.1 Placement Shares has the meaning detailed in the Agenda.

LR 7.1A Placement Shares has the meaning detailed in the Agenda.

Maximum Percentage has the meaning detailed in Section 3.1 of the Notice.

Meeting has the meaning in the introductory paragraph of the Notice.

Non-Interested Directors means Mr. Mark Hanlon and Mr. Michael Philip Bowen.

Non-Executive Director Options means those Options that are the subject of Resolutions 6, 7 and 8.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Option means an unquoted option to acquire a Share.

Optionholder means a holder of an Option.

Option Plan means the Lotus Resources Limited Incentive Option Plan most recently approved by Shareholders on 28 November 2019, as summarised in Schedule 3.

Paladin has the meaning given in Section 3.1.

Paladin Africa has the meaning given in Section 3.1.

Performance Share means a performance share in the capital of the Company.

Proxy Form means the proxy form accompanying the Notice.

Put Option has the meaning given in Section 3.2.

Resolution means a Resolution contained in the Notice.

Remuneration Report means the remuneration report detailed in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.

Resolutions means the resolutions detailed in the Notice, or any one of them, as the context requires.

Sale Interest has the meaning given in Section 3.1.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

SHA has the meaning given in Section 3.1.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Share Registry means Computershare Investor Services Pty Limited.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

WST means Western Standard Time as observed in Perth, Western Australia.

Schedule 2 – Terms and Conditions of the Non-Executive Director Options

1. **(Entitlement)** Each Non-Executive Director Option entitles the holder to subscribe for one fully paid ordinary share (**Share**) upon exercise of the Non-Executive Director Option.
2. **(Exercise price and vesting conditions)** The Non-Executive Director Options will have a zero exercise price and vest upon 18 months of continuous service from 22 February 2021 (**Appointment Date**). The holder is deemed to have served 18 months of continuous service unless, prior to the end of the 18 month period, the holder:
 - (a) resigns as a Director; or
 - (b) is up for re-election as a Director and does not seek re-election as a Director.

For the avoidance of doubt, if during the period that is 18 months from the Appointment Date, the holder seeks election or re-election as a Director, and Shareholders not approve such election or re-election, the vesting criteria with respect to the Non-Executive Director Options will be satisfied.

In addition, all Non-Executive Director Options will vest upon a Change in Control Event occurring. For the purposes of this paragraph, a **Change in Control Event** means:

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of all Shares announcing that it has acquired voting power of 50.1% or more in the company; and
 - (ii) that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Non-Executive Director Options); or
 - (b) the announcement by the Company that:
 - (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement; or
 - (c) the disposal of the Kayelekera mine located in northern Malawi (**Mine**), such that a person acquires a majority interest in the Mine.
3. **(Issue price)** The Non-Executive Director Options shall be issued to you for zero consideration, or should you elect, an issue price of \$0.001 per option.
 4. **(Not Quoted)** The Non-Executive Director Options are unquoted Options.

5. **(Expiry Date)** Each Non-Executive Director Option will expire at 5.00pm (WST) on the date which is three years from the date on which the Non-Executive Director is deemed to have been appointed **(Expiry Date)**. A Non-Executive Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
6. **(Exercise Period)** The Non-Executive Director Options, once vested, are exercisable at any time on or prior to the Expiry Date.
7. **(Notice of Exercise)** The Non-Executive Director Options, once vested, may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Non-Executive Director Option exercise notice and payment of the Exercise Price for each Non-Executive Director Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
8. **(Exercise Date)** A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Non-Executive Director Option being exercised in cleared funds.
9. **(Timing of issue of Shares on exercise):** Within 5 Business Days after the Exercise Date, the Company will:
 - (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Non-Executive Director Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - (b) if required, and if the Company is admitted to the official list of ASX at the time, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (c) if admitted to the official list of ASX at the time, subject to any restriction or escrow arrangements imposed by ASX, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Non-Executive Director Options.

If a notice delivered under 9(a) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
10. **(Shares issued on exercise)** Shares issued on exercise of the Non-Executive Director Options rank equally with the then issued ordinary shares of the Company.
11. **(Reconstruction of capital)** In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of

the Company prior to the expiry date of the Non-Executive Director Options, all rights of the Non-Executive Director Option holder will be varied in accordance with the ASX listing rules. This provision applies even if the Company is not admitted to the official list of ASX as at the time of the reconstruction.

12. **(Participation in new issues)** There are no participation rights or entitlements inherent in the Non-Executive Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Non-Executive Director Options without exercising the Non-Executive Director Options. However, the Company will give the holders of Non-Executive Director Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.
13. **(Change in exercise price)** There will be no change to the exercise price of the Non-Executive Director Options or the number of Shares over which the Non-Executive Director Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).
14. **(Forfeiture)** Circumstances that may give rise to forfeiture of Non-Executive Director Options include fraudulent or dishonest actions, the Participant becoming insolvent and the application of Part 2D.2 Division 2 of the Corporations Act.
15. **(Adjustment for bonus issues)** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of a Non-Executive Director Option will be increased by the number of Shares which the holder would have received if the holder of the Non-Executive Director Options had exercised the Non-Executive Director Option before the record date for the bonus issue; and
 - (b) no change will be made to the Non-Executive Director Option exercise price.
16. **(Transferability)** The Non-Executive Director Options are transferable with prior written consent of the Board.

Schedule 3 – Terms and Conditions of the Option Plan

The principle terms of the Option Plan are summarised below:

- (a) **Eligibility:** Eligible participants in the Option Plan means a person that:
- (i) is an “eligible participant” (as that term is defined in ASIC Class Order 14/1000) (**Class Order**) in relation to the Company or an Associated Body Corporate; and
 - (ii) has been determined by the Board to be eligible to participate in the Plan from time to time,
- (Eligible Participant).**
- (b) **Invitation:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for up to a specified number of Options, upon the terms detailed in the Option Plan and upon such additional terms and conditions as the Board determines.
- (c) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Options offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (d) **Vesting Conditions:** An Option may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Option (**Vesting Conditions**).
- (e) **Vesting:** The Board may in its absolute discretion by written notice to a Participant (being an Eligible Participant to whom Options have been granted under the Option Plan or their nominee where the Options have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Options due to:
- (i) special circumstances arising in relation to a Relevant Person in respect of those Options, being:
 - (A) a Relevant Person ceasing to be an Eligible Participant due to:
 - (I) death or total or permanent disability of a Relevant Person; or
 - (II) retirement or redundancy of a Relevant Person;
 - (B) a Relevant Person suffering severe financial hardship;
 - (C) any other circumstance stated to constitute “special circumstances” in the terms of the relevant offer made to and accepted by the Participant; or
 - (D) any other circumstances determined by the Board at any time

(whether before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,

(Special Circumstances), or

- (ii) a change of control occurring; or
 - (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (f) **Lapse of an Option:** An Option will lapse upon the earlier to occur of:
- (i) an unauthorised dealing in, or hedging of, the Option occurring;
 - (ii) a Vesting Condition in relation to the Option is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waive the Vesting Conditions and vest the Option in the circumstances detailed in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iii) in respect of unvested Option only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Option in the circumstances detailed in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (iv) in respect of vested Options only, a Relevant Person ceases to be an Eligible Participant and the Options granted in respect of that Relevant Person are not exercised within one (1) month (or such later date as the Board determines) of the date that Relevant Person ceases to be an Eligible Participant;
 - (v) the Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (vi) the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Option; and
 - (vii) the expiry date of the Option.
- (g) **Not transferrable:** Subject to the ASX Listing Rules, Options are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (h) **Shares:** Shares resulting from the exercise of the Options shall, subject to any Sale Restrictions (refer to paragraph (i)), from the date of issue, rank on equal terms with all other Shares on issue.

- (i) **Sale Restrictions:** The Board may, in its discretion, determine at any time up until exercise of Options, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Options (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- (j) **Quotation of Shares:** If Shares of the same class as those issued upon exercise of Options issued under the Option Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within the time required by the ASX Listing Rules. The Company will not apply for quotation of any Options on the ASX.
- (k) **No Participation Rights:** There are no participation rights or entitlements inherent in the Options and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (l) **Change in exercise price or number of underlying securities:** An Option does not confer the right to a change in exercise price or in the number of underlying Shares over which the Option can be exercised.
- (m) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), the terms of the Options will be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (n) **Amendments:** Subject to express restrictions detailed in the Option Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Option Plan, or the terms or conditions of any Option granted under the Option Plan including giving any amendment retrospective effect.

LOTUS RESOURCES LIMITED
Independent Expert's Report

OPINION: NOT FAIR BUT REASONABLE

24 June 2021



Financial Services Guide

24 June 2021

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Lotus Resources Limited ('**Lotus Resources**') to provide an independent expert's report on the proposal for Lotus Resources to exercise its right to acquire all the shares that Kayelekera Resources Pty Ltd ('**KRPL**') holds in Lily Resources Pty Ltd ('**Lily Resources**'). You are being provided with a copy of our report because you are a shareholder of Lotus Resources and this Financial Services Guide ('**FSG**') is included in the event you are also classified under the Corporations Act 2001 ('**the Act**') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Lotus Resources to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$30,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Lotus Resources.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Lotus Resources for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

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Appendix 4 - Independent Valuation Report prepared by Valuation & Resource Management

24 June 2021

The Independent Directors
Lotus Resources Limited
Emerald House
1202 Hay Street
West Perth, WA, 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 22 February 2021, Lotus Resources Limited (**'Lotus Resources'** or **'the Company'**) announced its intention to exercise its right to acquire all the shares that Kayelekera Resources Pty Ltd (**'KRPL'**) holds in Lily Resources Pty Ltd (**'Lily Resources'**) (**'the Acquisition'**). The Kayelekera Uranium Project (**'the Kayelekera Project'** or **'the Project'**) is held by Paladin Africa Limited (**'Paladin Africa'**), which in turn is 15% owned by the Government of Malawi, and 85% owned by Lily Resources, an incorporated joint venture between the Company and KRPL (76.5% and 23.5% owned, respectively). KRPL is an entity controlled by Lotus Resources director Grant Davey (**'Mr Davey'**), through Davey Management (Aus) Pty Ltd and Davey Holdings (Aus) Pty Ltd. Additionally, Davey Holdings (Aus) Pty Ltd holds 5% of the issued shares of KRPL on conditional trust for Keith Bowes (**'Mr Bowes'**), a director of Lotus Resources. KRPL, Mr Davey, Davey Management (Aus) Pty Ltd, Davey Holdings (Aus) Pty Ltd, and Mr Bowes are collectively referred to as **'the KRPL Group'**.

On 25 March 2021, Lotus Resources announced that it had reached agreement with KRPL in relation to the terms for the exercise of its right to acquire KRPL's shares in Lily Resources, with the consideration payable comprising 226,463,927 shares in Lotus Resources being issued to KRPL (**'the Consideration Shares'**).

The issue of shares to KRPL will increase the KRPL Group's voting power in Lotus Resources from 1.93% to 20.73% on an undiluted basis. We note that, subject to Shareholder approval, should a subsequent issue of shares and options also be approved, the KRPL Group will have the capacity to hold a maximum interest of 21.47%, on the basis that only the KRPL Group exercises its options.

Prior to the Acquisition, the Company has 954,560,825 ordinary shares on issue, 45,012,430 unlisted options, exercisable at various dates following 12 September 2022, and 2,232,144 performance shares expiring on 8 December 2021. Each option and performance share entitles the holder to subscribe for one ordinary share of Lotus Resources upon exercise or vesting.

As the Acquisition will result in the KRPL Group's interest in Lotus Resources increasing from below 20% to more than 20%, and the Acquisition is to be entered into with a related party for an amount in excess of 5% of the reported net assets of the Company, approval from Lotus Resources shareholders not associated with the KRPL Group (**'the Shareholders'**) is required for the Company to enter into the Acquisition.

Further details of the Acquisition are outlined in Section 4 of our Report. All figures are quoted in Australian dollars ('A\$' or 'AUD') unless otherwise stated.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Lotus Resources have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Acquisition is fair and reasonable to Shareholders.

Our Report is prepared pursuant to ASX listing rule 10.1 and 10.5, and item 7 of section 611 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and is to be included in the Explanatory Memorandum and Notice of Meeting for Lotus Resources in order to assist Shareholders in their decision whether to approve the Acquisition.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guides Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 76 'Related party transactions' ('RG 76'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Acquisition as outlined in the body of this report. We have considered:

- How the value of a Lotus Resources share prior to the Acquisition on a control basis compares to the value of a Lotus Resources share following the Acquisition on a minority basis;
- The likelihood of an alternative offer being made to Lotus Resources;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Acquisition; and
- The position of Shareholders should the Acquisition not proceed.

2.3 Opinion

We have considered the terms of the Acquisition as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of 21.47% in Lotus Resources, is not fair but reasonable to Shareholders.

In our opinion, the Acquisition is not fair because the value of a Lotus Resources share following the Acquisition on a minority basis is lower than the value of a Lotus Resources share prior to the Acquisition on a control basis. However, we consider the Acquisition to be reasonable because the advantages of the Acquisition to Shareholders are greater than the disadvantages.

In particular, the Company will increase its ownership of the Kayelekera Project from 65% to 85%, thereby increasing Lotus Resources' existing resource inventory, forecasts and cash flows from production. In addition, the Acquisition will further align the interests of Shareholders with Lotus Resources directors, Mr Davey and Mr Bowes, by increasing the capacity of the KRPL Group to hold a maximum interest of 21.47% in the Company, and may simplify future potential funding or offtake agreements, should the Company

choose to enter into them. If the Acquisition is not approved, the Company's ownership in the Kayelekera Project will remain at 65%.

Further, we note that if the Acquisition is not approved by Shareholders, should the Company still seek to acquire KRPL's shares in Lily Resources, or should KRPL exercise its Put Option, Lotus Resources may need to raise capital in order to acquire KRPL's shares in Lily Resources for cash, which may result in a larger dilutionary effect on Shareholders than under the Acquisition.

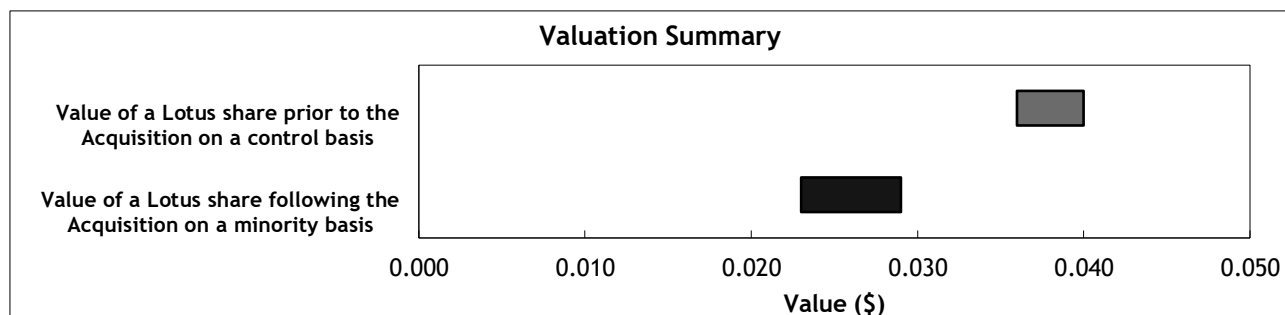
2.4 Fairness

In section 12 we determined that the value of a Lotus Resources share prior to the Acquisition on a control basis compares to the value of a Lotus Resources share following the Acquisition on a minority basis, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a Lotus Resources share prior to the Acquisition on a control basis	10.3	0.036	0.038	0.040
Value of a Lotus Resources share following the Acquisition on a minority basis	11.3	0.023	0.026	0.029

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, and an alternative offer, the Acquisition is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Acquisition; and
- other considerations, including the position of Shareholders if the Acquisition does not proceed and the consequences of not approving the Acquisition.

In our opinion, the position of Shareholders if the Acquisition is approved is more advantageous than the position if the Acquisition is not approved. Accordingly, in the absence of any other relevant information and/or an alternative proposal we believe that the Acquisition is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	Lotus Resources will obtain 85% ownership of the Kayelekera Project	13.5	Dilution of existing Shareholders' interests
13.4	No cash element		
13.4	Project finance may be less complex to negotiate and more likely to be obtained with 85% ownership.		
13.4	Future off-take agreements may be simpler to negotiate		
13.4	Alignment of the interests of the KRPL Group and Lotus Resources Shareholders		
13.4	Potential future cost savings		

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposal
13.2	Practical Level of Control
13.3	Consequences of not approving the Acquisition

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes, or agrees to acquire or dispose of, a substantial asset when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity as set out in the latest accounts given to the ASX under its Listing Rules. Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party or person of influence of the listed entity as defined under the ASX Listing Rules.

Based on the reviewed accounts as at 31 December 2020, 5% of the equity interest of Lotus Resources is approximately \$615,500. The value of assets and consideration in the Acquisition is in excess of this figure.

Listing Rule 10.5.10 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Mr Davey, the controller of KRPL, is a director of Lotus Resources and is therefore considered to be a related party. Mr Bowes is also a director of Lotus Resources, and is considered to be a related party through his beneficial interest of 5% in KRPL.

Section 606 of the Corporations Act ('**Section 606**') expressly prohibits the acquisition of further shares if the party acquiring the interest does so through a transaction and because of the transaction the party's (or someone else's) voting power in the company increases from 20% or below to more than 20%. The issue of the Consideration Shares to the KRPL Group will increase their voting power from below 20% to approximately 20.73% on an undiluted basis. In addition, subject to Shareholder approval of subsequent resolutions at the general meeting, the KRPL Group will be issued 1,400,000 shares at an issue price of \$0.080 per share, and 8,000,000 options with a nil exercise price, which will increase the maximum voting power of the KRPL Group to approximately 21.47% on the basis where only the KRPL Group exercises its options. A breakdown of the voting power of the KRPL Group under various scenarios is outlined in Section 4.

Section 611 of the Corporations Act ('**Section 611**') provides exceptions to the Section 606 prohibition and item 7 Section 611 ('**item 7 s611**') permits such an acquisition if the shareholders of the company have agreed to the acquisition. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by the party to the acquisition or any party who is associated with the acquiring party. As such, neither Mr Davey nor Mr Bowes will be permitted to express a view on the Acquisition at the general meeting.

Item 7 Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that to satisfy the obligation to provide all material information on how to vote on the item 7 resolution the company may commission an Independent Expert's Report.

The directors of Lotus Resources have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of ‘fair and reasonable’. In determining whether the Acquisition is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Acquisition is a control transaction as defined by RG 111 and we have therefore assessed the Acquisition as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. When considering the value of the securities which are the subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest. Consequently the expert should consider this value inclusive of a control premium. RG 111 also states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Lotus Resources share prior to the Acquisition on a control basis and the value of a Lotus Resources share following the Acquisition on a minority basis (fairness - see Section 12 ‘Is the Acquisition Fair?’); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Acquisition, after reference to the value derived above (reasonableness - see Section 13 ‘Is the Acquisition Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (**‘APES 225’**).

A Valuation Engagement is defined by APES 225 as follows:

‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

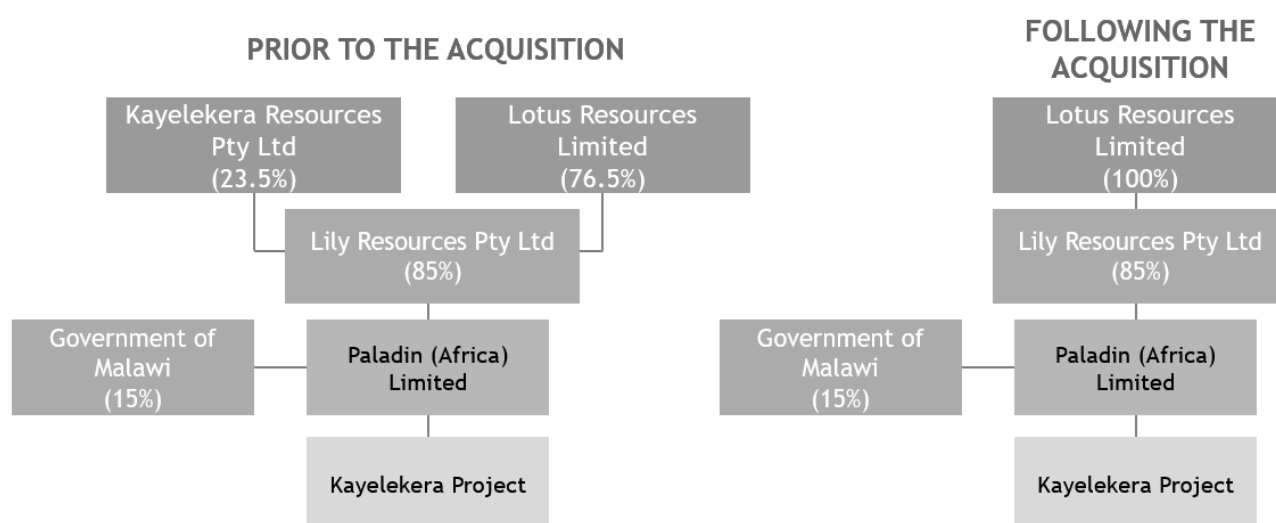
This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Acquisition

On 24 June 2019, Lotus Resources announced that it would acquire a 65% interest in the Kayelekera Project, indirectly through the Company's 76.5% owned subsidiary Lily Resources acquiring an 85% interest in Paladin Africa. Lily Resources is an incorporated joint venture between Lotus Resources and KRPL, where KRPL owns the remaining 23.5% interest in Lily Resources. Prior to the Acquisition, the Kayelekera Project is indirectly 65% owned by Lotus Resources, 15% owned by the Government of Malawi and 20% owned by KRPL. As part of the Shareholders' Agreement dated 21 June 2019, Lotus Resources has the right, at any time, to purchase all, but not part of, KRPL's shareholding in Lily Resources.

On 22 February 2021, Lotus Resources announced its intention to exercise its right to acquire all of the shares that KRPL holds in Lily Resources. On 25 March 2021, Lotus Resources announced that it had reached an agreement with KRPL to exercise its right to acquire all of KRPL's shares in Lily Resources for the consideration of 226,463,927 shares in Lotus Resources. The issue of the Consideration Shares will increase the voting power of the KRPL Group from below 20% to 20.73% on an undiluted basis.

If the Acquisition is approved by Shareholders, Lotus Resources' ownership of the Kayelekera Project will increase from 65% to 85%, thereby increasing Lotus Resources' existing resource inventory, forecast production and cash flow from production. We have outlined below the change in the ownership structure of the Kayelekera Project prior to, and following the Acquisition.



Source: Lotus Resources announcement dated 22 February 2021

Completion of the Acquisition is conditional upon the satisfaction of all regulatory approvals, and Shareholder approval at the general meeting. Additionally, as part of the Acquisition, the Consideration Shares will be escrowed for a period of 12 months from the date of issue.

As at the date of our Report, the KRPL Group holds a relevant interest of 18,398,626 shares in the Company, representing a 1.93% interest on an undiluted basis. The table below shows the change in holding in Lotus Resources by the KRPL Group on an undiluted basis before and after the issue of the Consideration Shares. We note that this does not include the issue of shares under subsequent resolutions, as outlined in the Notice of Meeting.

	The KRPL Group	Other Shareholders	Total
Issued shares at the date of our report	18,398,626	936,162,199	954,560,825
% holding at the date of our Report	1.93%	98.07%	100.00%
Consideration Shares to be issued	226,463,927	-	226,463,927
Issued shares after completion of the Acquisition	244,862,553	936,162,199	1,181,024,752
% holding after completion of the Acquisition	20.73%	79.27%	100.00%

Source: Management and BDO analysis

As at the date of our Report, there are a total of 45,012,430 unlisted options exercisable at various dates following 12 September 2022, and 2,232,144 performance shares expiring on 8 December 2021. Each option and performance share entitles the holder to subscribe for one ordinary share of Lotus Resources upon exercise or vesting. The table below shows the change in holding in Lotus Resources by the KRPL Group on a fully diluted basis (exercise/conversion of all options and performance shares) before and after the issue of the Consideration Shares.

	The KRPL Group	Other Shareholders	Total
Issued shares at the date of our Report	18,398,626	936,162,199	954,560,825
Shares to be issued upon exercise of all outstanding options	1,750,000	43,262,430	45,012,430
Shares to be issued upon conversion of all outstanding performance shares	-	2,232,144	2,232,144
Fully diluted shares on issue as at the date of our Report	20,148,626	981,656,773	1,001,805,399
% holding at the date of our Report	2.01%	97.99%	100.00%
Consideration Shares to be issued	226,463,927	-	226,463,927
Issued shares after completion of the Acquisition	246,612,553	981,656,773	1,228,269,326
% holding after completion of the Acquisition	20.08%	79.92%	100.00%

Source: Management and BDO analysis

Subsequent Resolutions

As per the Notice of Meeting, Lotus Resources shares and options are to be issued (subject to Shareholder approval) to Directors of the Company. Shareholder approval is required for the issue of 1,400,000 shares at an issue price of \$0.080, and 8,000,000 options to the KRPL Group, as well as 500,000 shares at an issue price of \$0.125, and 5,000,000 options to directors of the Company not included in the KRPL Group. All options are to be issued with a nil exercise price and an expiry date that is three years from the date of issue.

Management have advised that the subsequent issue of shares and options to Directors at the general meeting is not contingent on the approval of the Acquisition, and as such, the below table is for illustrative purposes only. We have outlined in the table below the change in holding in Lotus Resources by the KRPL Group on a diluted and an undiluted basis, following the issue of options and shares that are subject to Shareholder approval at the general meeting.

	Undiluted Number	Diluted Number
Total number of Lotus Resources shares following the Acquisition	1,181,024,752	1,228,269,326
Shares to be issued to the KRPL Group	1,400,000	1,400,000
Options to be issued to the KRPL Group	-	8,000,000
Remaining shares to be issued	500,000	500,000
Remaining options to be issued	-	5,000,000
Total number of Lotus Resources shares following the subsequent issue of shares and options	1,182,924,752	1,243,169,326
Shares held by the KRPL Group at date of our Report	18,398,626	20,148,626
% holding at the date of our Report	1.93%	2.01%
Shares held by the KRPL Group following the subsequent issue	246,262,553	256,012,553
% holding following the subsequent issue of shares and options	20.82%	20.59%

Source: Management and BDO analysis

We note that, following the subsequent issue of shares and options, in a scenario where only the KRPL Group exercise their options, the KRPL Group will have the capacity to hold a maximum interest in Lotus Resources of approximately 21.47%.

5. Profile of Lotus Resources

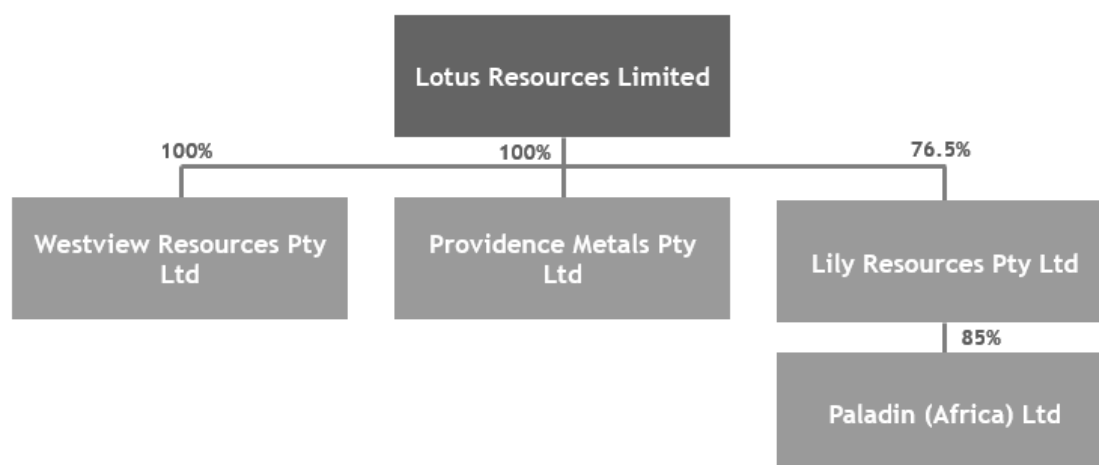
5.1 History

Lotus Resources (formerly Hylea Metals Limited) is an ASX-listed mineral exploration company. The Company's flagship asset is the 65% owned Kayelekera Project, located in northern Malawi, approximately 52 kilometres ('kms') west of Karonga. The Company has recently agreed to divest its Hylea Cobalt Project ('Hylea Project') located in the Fifield District of New South Wales ('NSW'). The Company's head office is located in Perth, Western Australia.

The Company's board of directors and key management personnel are:

- Michael Bowen - Non-Executive Chairman;
- Grant Davey - Non-Executive Director;
- Mark Hanlon - Non-Executive Director;
- Keith Bowes - Managing Director;
- Stuart McKenzie - Company Secretary; and
- Chris Knee - Chief Financial Officer.

Lotus Resources has a number of subsidiaries as outlined below:



5.2 Projects

Kayelekera Project

The Kayelekera Project is located in northern Malawi, approximately 52km west of the regional town of Karonga. The Kayelekera Project is situated close to a major tectonic boundary between the Ubendian and the Irumide domains, and is held by Paladin Africa under a joint venture agreement between Lotus Resources (65% interest), KRPL (20% interest), and the Government of Malawi (15% interest). The project was previously operational between 2009 and 2014, in which the previous operators produced over 10.9 million pounds ('Mlb') of uranium. Paladin Africa holds the Mining License, covering approximately 55.5 square kilometres ('km²'), which allows for the mining and processing of uranium ore from the Kayelekera Project. Paladin Africa also holds five exclusive prospecting licenses in Malawi, covering an additional 674.8km².

The Central Electricity Generating Board of Great Britain ('CEGB') discovered the Kayelekera sandstone uranium deposit in the early 1980s. Over an eight-year period, CEGB operated and spent approximately US\$9.0 million on exploration activities at the Project, before commissioning a feasibility study in 1991 to assess the technical and economic viability of a conventional open pit mining operation. The feasibility study concluded that the Project was uneconomic due to unfavourable conditions in the uranium market at the time, and as a result, the Project was subsequently abandoned in 1992.

In 1998, Paladin Energy Limited ('Paladin Energy') acquired a 90% interest in the Project through a joint venture with Balmain Resources Pty Limited ('Balmain'), who held the exploration rights at the Project at the time. In July 2005, Paladin Energy acquired the remaining 10% interest in the Project held by Balmain. Paladin Energy commissioned a bankable feasibility study ('BFS') in April 2005, which was completed together with a full Environmental Impact Assessment and a Development Agreement with the Government of Malawi. Following the submission of the BFS and the additional agreements, the Mining License was granted in April 2007 with an initial term of 15 years.

Paladin Energy commenced construction activities in June 2007, before commencing open pit mining activities in July 2008. Uranium ore that was mined from the Project was processed through an acid leach processing plant, which produced almost 11Mlb over the period from 2009 through to 2014. In February 2014, Paladin Energy placed the Kayelekera Project on care and maintenance due to low uranium prices, as it was uneconomical to continue operations under the market conditions at the time.

On 24 June 2019, Lotus Resources entered into an agreement with Paladin Energy to acquire an indirect 65% interest in the Kayelekera Project, which was completed on 13 March 2020 for the consideration of \$0.20 million in cash, plus \$1.80 million worth of fully paid ordinary shares in Lotus Resources to be issued on completion, a royalty of 3.5% of the gross returns at the Project up to a maximum of \$5.0 million, and the deferred consideration of \$3.0 million worth of Lotus Resources shares to be issued on the 3rd anniversary of the completion of the acquisition. In connection with the acquisition, the Company (through Paladin Africa) must additionally pay Paladin Energy US\$10.0 million that had previously been advanced to fund an environmental bond in favour of the Government of Malawi. The deferred consideration and environmental bonds payable are recognised as non-current other liabilities on the Company's balance sheet, as they are to be paid at a future date.

Post-acquisition, on 26 March 2020, Lotus Resources released an updated JORC 2012 compliant mineral resource estimate ('MRE') based on the same modelling techniques as the previous MRE, however including previously un-modelled areas beneath the open pit, and the existing run of mine ('RoM') stockpiles created during previous production. The March 2020 MRE detailed a mineral resource of 27.1 million tonnes ('Mt') of contained U₃O₈ at a grade of 630 parts per million, for a total of 37.5Mlb.

Lotus Resources announced its immediate action plan for the development of the Kayelekera Project, which included the assessment of regional exploration for both uranium and other minerals, and the initiation of a restart scoping study ('RSS') for the recommencement of production following a recovery in uranium prices. The Company initiated the RSS, which led to the development of a five-stage approach to restart production from its care and maintenance state, including:

- The development of work programs and cost estimates required to bring the existing plant back into production;
- Investigating the potential to incorporate new technologies into the existing plant which may lead to the increase in ore feed grades;

- Identifying further process improvements that may lead to the reduction in operating costs;
- Undertaking a Restart Feasibility Study ('RFS'); and
- Completing further design work in order to increase the confidence in the estimates in the RFS.

The RSS was completed in October 2020, and confirmed the economic viability of the restart of a long-term operation at the Project in the right uranium price environment, utilising a 1.4 million tonne per annum processing facility over a 14 year life of mine. The RSS estimated a low initial capital expenditure level of US\$50 million based on the level of existing infrastructure at the Project. Management aims to achieve further technical advancements to reduce operating costs and optimise production, prior to commissioning the RFS.

On 25 March 2021, Lotus Resources announced the Acquisition, in which the Company would exercise its right to acquire an additional 20% interest in the Project, through the acquisition of all of the shares in Lily Resources that are held by KRPL. Further details of the Acquisition are outlined in Section 4 of our Report.

Hylea Project

The Hylea Project is a cobalt, platinum, nickel and scandium exploration target located in the Fifield District of NSW, comprising three exploration licenses with a combined area of approximately 350km², and situated close to public gravel roads, rail, and grid power infrastructure. The Hylea Project was acquired by the Company in February 2018 from Providence Metals Pty Ltd, for the consideration of a \$4.0 million cash payment, the issue of 1,000,000,000 fully paid ordinary shares in Lotus Resources at a deemed issue price of \$0.004 per share, and a 1.5% gross sales royalty on metals produced at the Hylea Project.

Lotus Resources commenced its maiden drilling program at the Hylea Project in March 2018 with the aim of confirming historical data reported by previous operators, expanding the existing identified cobalt mineralisation areas, and undertaking further sample analyses. The maiden drilling program was completed in the December quarter of 2018, which identified the presence of cobalt, platinum, scandium and nickel mineralisation at high grades within the targets. The Company announced that it remained focussed on progressing the Hylea Project through further exploration drilling programs.

The Company did not complete further exploration work on the Hylea Project throughout the remainder of 2019, and subsequently shifted its focus to its newly acquired Kayelekera Project. The weakness in the global cobalt market in 2019 led to a lack of funding and as a result, the Hylea Project remained relatively inactive.

On 20 April 2021, Lotus Resources announced it had reached an agreement with Sunrise Energy Metals Limited ('Sunrise') to divest its Hylea Project for the total consideration of \$2.5 million, comprising a \$1.0 million cash payment, and the issue of \$1.5 million of shares in Sunrise. The Company stated that following the acquisition of the Kayelekera Project, the Hylea Project became non-core to the Company's long term strategy. Lotus Resources stated that the transaction allows Lotus Resources to crystallise the value of the Hylea Project.

Recent Corporate Events

Over the quarter ended 30 June 2020, the Company issued 49,919,380 fully paid ordinary shares upon the exercise of unlisted options with an exercise price of \$0.040, for the total consideration of \$2.00 million.

Throughout the September 2020 quarter, the Company issued 67,933,783 fully paid ordinary shares as a result of the exercise of unlisted options with an exercise price of \$0.040, for the total consideration of \$2.72 million. Options exercised over the period included those held by institutional investors, granted as part of the acquisition of the Kayelekera Project, which upon exercise raised approximately \$1.40 million for the Company.

On 23 October 2020, Lotus Resources announced the proposed issue of 10,000,000 unlisted options in three tranches, issued as part of fees payable for corporate advisory services provided by BW Equities Pty Ltd under the Company's corporate advisory mandate. Tranche 1 of the issue comprised 5,000,000 options with an exercise price of \$0.040, tranche 2 comprised 2,500,000 options with an exercise price of \$0.060, and tranche 3 comprised 2,500,000 options with an exercise price of \$0.080. All options are exercisable prior to 23 October 2023. If all options are exercised, the Company will generate \$0.55 million in revenue.

On 27 November 2020, Lotus Resources announced it had received binding commitments to raise approximately \$5.00 million through the placement of 62,500,000 new shares at an issue price of \$0.080 per share. The Company planned to use the funds to finance the RSS and near-mine exploration at the Kayelekera Project. The Company subsequently announced that it had completed the placement during the December 2020 quarter.

On 1 December 2020, Lotus Resources announced the issue of 21,000,000 unlisted options as part of an employee incentive scheme granted at the annual general meeting held on 30 November 2020. The options were issued with a nil exercise price, and a life of three years.

Throughout the December 2020 quarter, the Company issued 6,832,291 new fully paid ordinary shares as a result of the exercise of options with an exercise price of \$0.040, for the total consideration of \$0.27 million. This included the issue of 529,224 new ordinary shares on 21 December 2020 to site-based personnel as payment in lieu of cash for accrued leave.

On 24 February 2021, the Company announced it had received binding commitments to raise \$12.5 million through the placement of 100,000,000 shares at a deemed issue price of \$0.125 per share, to sophisticated and professional investors. The Company stated that it would use the funds raised from the placement to accelerate project development studies and the RFS at the Kayelekera Project. The

During the March 2021 quarter, the Company issued 41,063,567 new fully paid ordinary shares as a result of the exercise of options with an exercise price of \$0.040, for the total consideration of \$1.64 million.

Over the June 2021 quarter up to the date of our Report, the Company issued 4,570,910 new fully paid ordinary shares as a result of the exercise of options, with an exercise price of \$0.040, for the total consideration of approximately \$0.18 million. The most recent options were exercised on 10 June 2021, in which 1,919,121 options were exercised.

5.3 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-20 \$	Audited as at 30-Jun-20 \$	Audited as at 30-Jun-19 \$
CURRENT ASSETS			
Cash and cash equivalents	19,577,029	16,496,834	72,846
Other assets	370,196	611,441	63,678
TOTAL CURRENT ASSETS	19,947,225	17,108,275	136,524
NON-CURRENT ASSETS			
Plant and equipment	1,741	-	1,917
Exploration and evaluation assets	58,353,320	65,056,336	11,789,470
Right-of-use assets	-	24,402	-
TOTAL NON-CURRENT ASSETS	58,355,061	65,080,738	11,791,387
TOTAL ASSETS	78,302,286	82,189,013	11,927,911
CURRENT LIABILITIES			
Trade and other payables	430,282	1,385,645	236,758
Borrowings	-	-	150,000
Lease liabilities	-	27,284	-
Other liabilities	1,298,364	1,456,134	-
TOTAL CURRENT LIABILITIES	1,728,646	2,869,063	386,758
NON-CURRENT LIABILITIES			
Other liabilities	9,491,823	10,280,670	-
Provisions	54,771,948	61,427,529	-
TOTAL NON-CURRENT LIABILITIES	64,263,771	71,708,199	-
TOTAL LIABILITIES	65,992,417	74,577,262	386,758
NET ASSETS	12,309,869	7,611,751	11,541,153
EQUITY			
Contributed equity	64,744,515	57,157,521	43,790,848
Reserves	498,110	350,804	1,064,439
Accumulated losses	(53,648,843)	(51,427,354)	(33,314,134)
Equity attributable to owners of the Company	11,593,782	6,080,971	11,541,153
Non-controlling interest	716,087	1,530,780	-
TOTAL EQUITY	12,309,869	7,611,751	11,541,153

Source: Lotus Resources' reviewed financial statements for the half-year ended 31 December 2020 and audited financial statements for the years ended 30 June 2020 and 30 June 2019.

We note that the Company's auditor highlighted the ability of Lotus Resources to continue as a going concern as a key audit matter, in its reports for the years ended 30 June 2019 and 30 June 2020. The matter was raised due to the existence of a material uncertainty relating to the Company's ability to realise its assets and extinguish its liabilities in the normal course of business. The ability of the Company to continue to operate as a going concern is dependent on the securing of additional funding through equity markets and managing cash flows in line with available funds. We note that in the reviewed financial statements for the half year ended 31 December 2020, the Company's auditor did not include an emphasis of matter in relation to the ability of the Company to continue as a going concern.

Commentary on Historical Statement of Financial Position

- Cash and cash equivalents increased from \$0.07 million as at 30 June 2019 to \$16.50 million as at 30 June 2020. The increase of approximately \$16.42 million was primarily the result of cash received on acquisition of the Kayelekera Project of \$14.64 million, which included the receipt of a bond for rehabilitation purposes at the Kayelekera Project from relevant Malawian authorities, and proceeds from the issue of shares of \$10.79 million. This was partially offset by payments for exploration expenditure of \$4.47 million, payments for care and maintenance of \$2.30 million, and payments to suppliers and employees of \$1.71 million. Cash and cash equivalents increased from \$16.50 million as at 30 June 2020 to \$19.58 million as at 31 December 2020 largely as a result of cash raised from the issue of shares and from the exercise of options of \$4.88 million and \$2.99 million, respectively.
- Exploration and evaluation assets of \$58.35 million as at 31 December 2021 is outlined in the table below. As at 31 December 2021, the entire balance is in relation to the Kayelekera Project, with exploration and evaluation assets relating to the Hylea Project being fully impaired.

Exploration and evaluation assets	\$
Balance at 30 June 2019	11,789,470
Exploration and evaluation expenditure	3,978,327
Assets acquired	62,070,156
Provision for impairment	(12,781,617)
Balance at 30 June 2020	65,056,336
Movement in exchange rates	(6,703,016)
Balance at 31 December 2020	58,353,320

- Other current liabilities of \$1.30 million and other non-current liabilities of \$9.49 million as at 31 December 2020 represents US\$10.79 million payable to Paladin Africa as part of the Kayelekera Project acquisition, in relation to the funding of the environmental bond, being equal and opposite to the cash balance referred to above.
- Provisions of \$54.77 million as at 31 December 2020 relates to rehabilitation and mine closure provisions at the Kayelekera Project.

5.4 Historical Statement of Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for period ended 31-Dec-20 \$	Audited for the year ended 30-Jun-20 \$	Audited for the year ended 30-Jun-19 \$
Other income	146,662	160,324	41,683
Corporate and administrative expenses	(951,650)	(1,978,085)	(790,890)
Exploration and evaluation salary and general expenses	(42,551)	-	(72,157)
Care and maintenance costs	(1,331,260)	(1,970,565)	-
Exploration and evaluation impairment	-	(12,781,617)	-
Depreciation expenses	(24,690)	-	-
Share based payments	(343,035)	-	-
Loss before income tax	(2,546,524)	(16,569,943)	(821,364)
Income tax expense	-	-	-
Loss after income tax	(2,546,524)	(16,569,943)	(821,364)
Other comprehensive income			
Exchange differences on translating foreign operations	(685,387)	(726,132)	-
Total other comprehensive income	(685,387)	(726,132)	-
Total comprehensive loss for the year attributable to owners of Lotus Resources	(3,231,911)	(17,296,075)	(821,364)

Source: Lotus Resources' reviewed financial statements for the half-year ended 31 December 2020 and audited financial statements for the years ended 30 June 2020 and 30 June 2019.

As noted above, the Company's auditor highlighted the ability of Lotus Resources to continue as a going concern as a key audit matter, in its reports for the years ended 30 June 2019 and 30 June 2020.

Commentary on Historical Statement of Comprehensive Income

- Other income of \$0.15 million for the half year ended 31 December 2020 comprises interest income, COVID-19 relief provided by the Australian Government, and other income.
- Corporate and administrative costs of \$1.98 million for the year ended 30 June 2020 included \$0.48 million for legal fees in connection with the acquisition of the Kayelekera Project.
- Costs associated with care and maintenance of \$1.97 million for the year ended 30 June 2020 and \$1.33 million for the half year ended 31 December 2020 relate to the Kayelekera Project.
- The Company recorded an impairment to its exploration and evaluation expenditure of \$12.78 million for the year ended 30 June 2020 in relation to exploration tenements in NSW (as referred to in Section 5.3).

5.5 Capital Structure

The share structure of Lotus Resources as at 10 June 2021 is outlined below:

	Number
Total ordinary shares on issue	954,560,825
Top 20 shareholders	581,317,679
Top 20 shareholders - % of shares on issue	60.90%

Source: Lotus Resources share registry information

The range of shares held in Lotus Resources as at 10 June 2021 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	571	203,748	0.02%
1,001 - 5,000	443	1,487,800	0.16%
5,001 - 10,000	485	3,681,422	0.39%
10,001 - 100,000	1,084	38,008,197	3.98%
100,001 - and over	457	911,179,658	95.46%
Total	3,040	954,560,825	100.00%

Source: Lotus Resources share registry information

The ordinary shares held by the most significant shareholders as at 10 June 2021 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Paladin Energy Limited	90,000,000	9.43%
HSBC Custody Nominees (Australia) Limited	67,565,334	7.08%
Sachem Cove Special Opportunities Fund LP	59,860,001	6.27%
J P Morgan Nominees Australia Pty Ltd	50,633,331	5.30%
Subtotal	268,058,666	28.08%
Others	686,502,159	71.92%
Total ordinary shares on issue	954,560,825	100.00%

Source: Lotus Resources share registry information

The derivative securities on issue as at 10 June 2021 are outlined below:

Current Derivatives on Issue	Number
Unlisted options exercisable at \$0.04, expiring on 12 September 2022	10,323,227
Unlisted options exercisable at \$0.04, expiring on 25 September 2022	5,845,375
Unlisted options exercisable at \$0.04, expiring on 4 October 2022	1,393,102
Unlisted options exercisable at \$0.04, expiring on 13 March 2023	17,450,726
Class A Performance Shares expiring on 8 December 2021	1,116,072
Class B Performance Shares expiring on 8 December 2021	1,116,072
Unlisted options exercisable at \$0.04, expiring on 23 October 2023	5,000,000
Unlisted options exercisable at \$0.06, expiring on 23 October 2023	2,500,000
Unlisted options exercisable at \$0.08, expiring on 23 October 2023	2,500,000
TOTAL	47,244,574

Source: Lotus Resources share registry information

6. Profile of the KRPL Group

Mr Grant Davey

Mr Davey is an entrepreneur with 30 years of senior management and global operational experience in the development, construction and operation of projects relating to precious metals, base metals, uranium and bulk commodities. Mr Davey is currently a company director for Cradle Resources Limited (**'Cradle Resources'**), Superior Lake Resources Limited (**'Superior Lake'**), and Lotus Resources, and was previously on the Boards of Matador Mining Limited (**'Matador Mining'**), Graphex Mining Limited, and Boss Resources Limited (**'Boss Resources'**), amongst others. Mr Davey is also a member of the Australian Institute of Company Directors.

Mr Davey has been involved in venture capital investments in several exploration and mining projects globally, and has contributed in the acquisition and development of these projects for Australian and Canadian-listed exploration and development companies. These projects include the Honeymoon Uranium Mine in South Australia operated by Boss Resources, Cradle Resources' Panda Hill Niobium Project in Tanzania, the Superior Lake Zinc Project in Ontario, Matador Mining's Cape Ray Gold Project in Newfoundland, and more recently, the acquisition of the Kayelekera Project in Malawi for Lotus Resources.

Mr Davey is a director and major shareholder of KRPL, through Davey Management (Aus) Pty Ltd, and Davey Holdings (Aus) Pty Ltd. As at the date of our Report, the KRPL Group holds a relevant interest of 18,398,626 shares in the Company, representing a 1.93% shareholding on an undiluted basis.

Mr Keith Bowes

Mr Bowes is a mining executive with over 20 years of experience in metallurgy, project development, capital markets and operations across Africa, South America and Australia. Mr Bowes has effectively worked in the mining industry for his entire career following his studies in chemical engineering at the University of Natal in South Africa. Mr Bowes spent the first part of his career with major mining companies BHP Billiton and Anglo American plc, before shifting to Boss Resources to run their technical studies on the Honeymoon Project.

Mr Bowes was appointed as Managing Director of Lotus Resources in February 2021, following his initial role in the due diligence team that was involved in the acquisition of the Kayelekera Project. Prior to his appointment, Mr Bowes was responsible for all site activities and led the technical work that has been completed on the Kayelekera Project since its acquisition.

Prior to the Acquisition, Mr Bowes holds a beneficial interest of 5% in KRPL, and individually holds 2,250,000 shares and 1,750,000 options in Lotus Resources.

7. Economic analysis

Lotus Resources is exposed to the risks and opportunities of the Malawi market, due to its current interest in the Kayelekera Project in northern Malawi. As a result, we have presented an economic analysis on Malawi.

Overview

The Malawian economy is expected to have grown by 1.5% over 2020, which represented a depressed level of economic growth than was initially anticipated in the wake of the global pandemic.

COVID-19 has led to the largest contraction in global economic activity since the 1930s. Labour markets have been severely disrupted, and inflation has declined. The easing of containment measures in some nations led to a new surge in infections, postponing a fuller and faster economic recovery. The global economic downturn has been concentrated in the services (mainly travel and hospitality) sector, with the manufacturing sector staging a recovery, initially in China, but then in other industrial nations.

Globally, financial market conditions have rebounded from the period of dislocation in March 2020, and over the past few months financial conditions have improved and remained accommodative due to the successful development of COVID-19 vaccines, historically low interest rates and asset prices, including housing prices, mostly increasing. The expectation that significant fiscal and monetary stimulus will be provided for an extended period, is supporting sentiment in financial markets. The continuance of low global interest rates would be a positive outcome for Lotus Resources, as the Company would benefit from a relatively cheaper cost of debt as it progresses its flagship asset in Malawi.

Malawi remains one of the poorest countries in the world despite making significant economic and structural reforms to sustain economic growth. Malawi's economy primarily depends on agriculture as it employs nearly 80% of the population, which results in the economy being vulnerable to external shocks, particularly climatic shocks. Raw tobacco accounts for 55.6% of Malawi's exports with raw sugar and tea accounting for approximately 7% each. Malawi's three-year pathway of fast economic growth has been interrupted by the impact COVID-19 has had on reductions in tax revenue, paired with increased expenditure on health and economic policy responses.

According to the Reserve Bank of Malawi, the mining and quarrying sector contributed Malawian Kwacha ('MWK') 52,748 million and MWK 54,121 million to Gross Domestic Product ('GDP') in 2019 and 2020, respectively. This equates to approximately US\$70 million, and approximately 1% of total GDP. Mining and quarrying is forecast to contribute MWK 55,618 million to GDP in 2021.

Economic Growth

Following a severe drought in 2011, Malawi has since experienced consistent GDP growth over the greater part of a decade. The Reserve Bank of Malawi reported GDP growth of 4.4% in 2019 and 3.5% in 2018. The Malawian economy is expected to have grown by 1.5% over 2020, which represented a decline of approximately 2.9% from 2019, largely due to the impact that COVID-19 had on Malawi's export levels. The World Bank reported that Malawi's tobacco export revenue declined by 36% in 2020 compared to 2019, largely driven by a sharp drop in demand and the resultant decrease in tobacco prices. Malawi's economic growth is projected to rebound to 3.3% in 2021, however the nature of the recovery is dependent on the evolution of COVID-19 as a gradual containment of the pandemic would support a resumption of activities in the services and industry sector. The Government has also established a new

Affordable Inputs Programme ('AIP') that is expected to boost agricultural output and raise household incomes in the short term.

Foreign Direct Investment

Foreign direct investment ('FDI') has fluctuated for Malawi over the past several years. The United Nations Conference on Trade and Development ('UNCTAD') reported that FDI decreased to US\$98 million in 2019 from US\$102 million in the previous year. Historically, the largest component of Malawi's FDI has been via the agricultural sector but there is optimism that the economy will see increased levels of FDI through the exploration of rare earth elements and uranium production in the future. COVID-19 has had a global impact on cross border investment, as UNCTAD reported that in 2020, FDI flows to Sub-Saharan Africa decreased by approximately 11% to an estimated US\$28 billion. This fall is expected to be temporary as The World Bank forecasts that foreign financing should see an increase from 1.3% to 3.7% of GDP in 2021, with a projected jump in foreign financed development expenditure to 6.1% of GDP. However, the World Bank states that for long term investments in energy and water infrastructure, Malawi must implement reforms to its sector policies in order to increase efficiency among state-owned enterprises and leverage further public-private partnerships.

Malawi has established a friendly investment environment for foreign investors as the government offers an array of fiscal and non-fiscal incentives. The Malawian constitution protects investment irrespective of nationality and has a Freedom of Establishment founded that guarantees basic freedom to invest. Inadequacies that may discourage foreign investment remain, as the economy suffers from a lack of skilled workers, high transportation costs, unreliable supply of utilities and difficulties in accessing credits. An increase in FDI for the resources sector in Malawi, as forecast, may result in an improvement in the market sentiment for uranium exploration within the region, potentially providing more favourable market conditions and opportunities for Lotus Resources.

Sovereign Risk

Malawi is considered a generally peaceful country as it has had stable governments since independence in 1964. Malawi conducted a presidential election in 2019 however the results were nullified in February 2020 by the Constitutional Court. This created political unrest as demonstrators demanded a revised election, which was ultimately approved and held in June 2020, with Lazarus Chakwera being elected as president. The re-election restored political stability and should provide positive conditions for FDI into the country moving forward. The Government of Malawi holds a 15% interest in the Kayelekera Project, which it acquired by trading away a resource rent tax and 2.5% of corporate income tax at the Project, as part of the contract with Paladin Africa. Government ownership of resource projects in Malawi has long been a feature of the country's fiscal regime, with the Government of Malawi able to take a free equity interest of up to 10% in any large-scale mining project. A stable political environment would cause favourable operating conditions for Lotus Resources moving forward, and would decrease the risk of expropriation, which has been seen across a number of African countries.

Malawi's fiscal situation deteriorated further in 2020 as optimistic revenue assumptions combined with lower growth and a drop in customs revenues led to revenue shortfalls relative to the revised budget. Expenditures also increased due to the provision of fiscal stimulus in response to the COVID-19 pandemic, interest expenses and expenditure in relation to the presidential elections. This combination of factors led to the fiscal deficit widening to 9.4% percent of GDP, well above the midyear target of 5.2% of GDP. The World Bank expects that the fiscal deficit will widen to a projected 12.4% percent of GDP in 2021. This is

largely due to the AIP for the agricultural sector which is expanding input subsidies to all farming households. Interest payments are budgeted to increase by 44% in the current fiscal year which highlights a heavy reliance on high-cost domestic debt. Fiscal consideration will be needed in the medium term to reduce domestic debt to sustainable levels.

Domestic borrowing in recent years has financed high fiscal deficits which has left the new administration with a considerable debt burden. Malawi is at high risk of overall debt distress and moderate risk of external debt distress, with a limited space to absorb shocks. The World Bank outlined that the level of public debt is on a continued upward trajectory and is expected to continue due to the high primary deficits, which are largely funded by domestic debt at high interest rates. This is a concern for the health of Malawi's economy and credit ratings in the medium to long term.

Source: The World Bank, OEC, African Development Bank Group, United Nations Conference on Trade and Development, Malawi Investment and Trade Centre.

8. Industry analysis

Lotus Resources is an exploration company operating primarily in the uranium industry through its flagship Kayelekera Project. As such, we have presented an update on the exploration companies listed on the ASX, as well as an analysis on the uranium industry.

8.1 Exploration sector

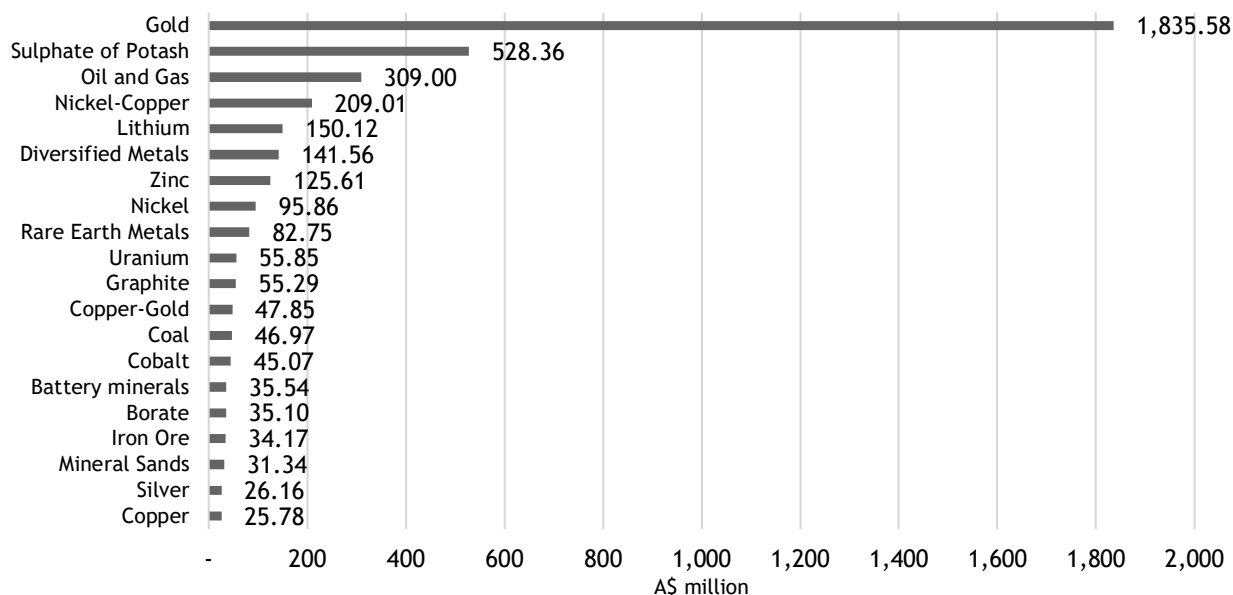
BDO reports on the financial health and cash positions of ASX-listed exploration companies based on the quarterly Appendix 5B reports lodged with the ASX. ASX-listed mining and oil and gas exploration companies are required to lodge an Appendix 5B report each quarter, outlining the company's cash flows, their financing facilities available and management's expectation of future funding requirements. BDO's report for the March quarter of 2021 identified positive signs for the exploration sector, with investment and exploration activity growing for a fourth consecutive quarter.

Financing inflows continued to grow in the March 2021 quarter with explorers raising a total of \$2.37 billion in funds. This represents a 7% increase since the December 2020 quarter, but also highlights the stark contrast between the start of COVID and the present day, with financing inflows being 184% more than they were in the March 2020 quarter, suggesting that economic confidence within the sector is improving. Whilst the total financing funds raised showed a slight increase, there is some evidence to suggest that the frequency of capital raises in the sector had slowed in the March quarter, which implies that the 7% growth was mainly attributed to several large raises within the sector.

During the March 2021 quarter, funds raised by gold companies continued to be robust, but not as dominant as it has been in prior quarters, with lithium attracting significant funds during the March 2021 quarter. The funnelling of capital towards battery minerals and clean energy companies is in line with growing Environmental, Social and Governance initiatives including global trends of rising electric vehicle adoption and lower carbon emission targets. Investors have certainly appeared to tailor their preference in line with these trends and Australian battery minerals explorers have appeared to capitalise on this opportunity to raise funds for their advancement of operations.

However, as shown in the chart below for the calendar year 2020, gold finished as the leading commodity, with more funds having been raised in relation to gold projects than all other commodities combined.

Financing Inflow by Commodity - Calendar Year 2020



Source: BDO analysis

Cash balances across the sector also strengthened in the March 2021 quarter, with 80% of companies recording a cash balance of \$1 million or more, the highest BDO has seen since the commencement of the explorer quarterly cash update in 2013.

Over the March 2021 quarter, exploration expenditure experienced a small decrease of 6%, which may be due to the limited availability of resources, particularly in relation to drilling services and assay testing. This could in turn have an inflationary effect on exploration costs in the subsequent periods.

Investment expenditure (when adjusted for a significant outlier in the December 2020 quarter) appeared to hold relatively steady with a slight increase of 7%. This was already after an adjusted 164% increase since the September quarter of 2020, indicating that confidence to acquire new tenements and equipment had returned to the sector.

Source: BDO Explorer Quarterly Cash Update: March 2021.

8.2 Uranium

Uranium is a heavy metal that has been used as an abundant source of concentrated energy for over 60 years. Approximately 10% of global electricity is generated from uranium in over 440 nuclear reactors across the globe. The state of the world's uranium market is almost wholly dependent on the global fortunes of the nuclear power generation industry. The Fukushima nuclear disaster, which occurred in March 2011, clouded industry outlook and rekindled divisive opinions over the use of uranium as an energy source.

In addition to providing a source of energy, uranium has other practical applications through the use of radioactive isotopes. Using small, special-purpose nuclear reactors, radioactive isotopes can be created to play an important role in the technologies that assist with the creation of medicine, the preservation of food, the growing of crops, the breeding of livestock, and even in the functioning of smoke detectors.

Uranium is widespread in many rocks, however as uranium deposits are relatively scarce, mining is concentrated in a few countries worldwide. Uranium is extracted as uranium ore, with the most common

method of extraction being in situ leach recovery, followed by underground and open mining. A summary of the breakdown of production by mining method in 2019 is provided in the table below:

Method	tonnes	%
In situ leach	31,435	57.4%
Underground and open pit	19,607	35.8%
By-product	3,710	6.8%
Total production	53,656	100%

Source: World Nuclear Association *World Uranium Mining Production December 2020* report.

Key external drivers

Global uranium prices have a significant impact on the revenue generated by industry operators. Although lower prices will typically boost industry demand, they also decrease the margins that miners will receive on their projects. Ultimately, a decline in the price of uranium reduces the viability of new and existing projects. Due to the inelastic nature of short-term demand for uranium, an increase in prices tends to increase industry revenue. The price of uranium is denominated in US dollars and therefore, the exchange rate directly impacts the returns received by international operators.

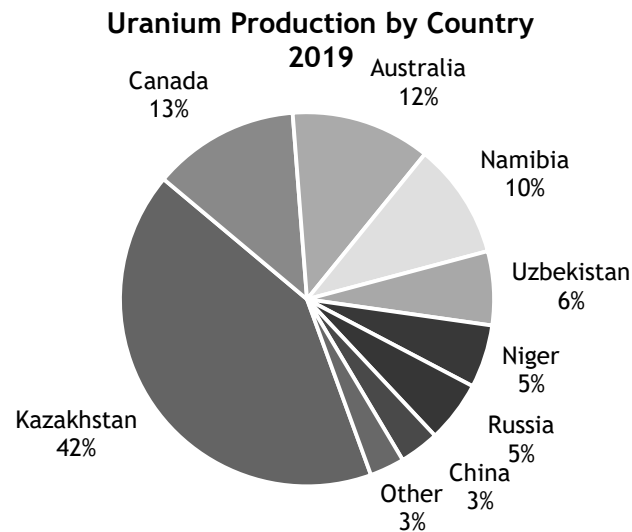
Additionally, public concerns over the use of uranium as an energy source has had a mixed impact on industry performance. Nuclear energy has historically been unpopular with environmental activists due to the fears regarding nuclear waste. However, more recently, several countries have adopted nuclear power to reduce their overall environmental footprint, as electricity generation through uranium does not produce carbon dioxide. Overall, an increase in the general awareness of the public will lead to an increase in the demand for uranium.

Finally, the global price of alternative sources of electricity will impact the demand for uranium. As such, the global prices of steaming coal and natural gas directly impact the industry. Higher steaming coal and natural gas prices will make nuclear power comparatively cheaper, which can increase demand for uranium. Alternatively, a fall in the prices of steaming coal and natural gas could lead to the greater uptake of those commodities as a fuel source.

Uranium mining trends

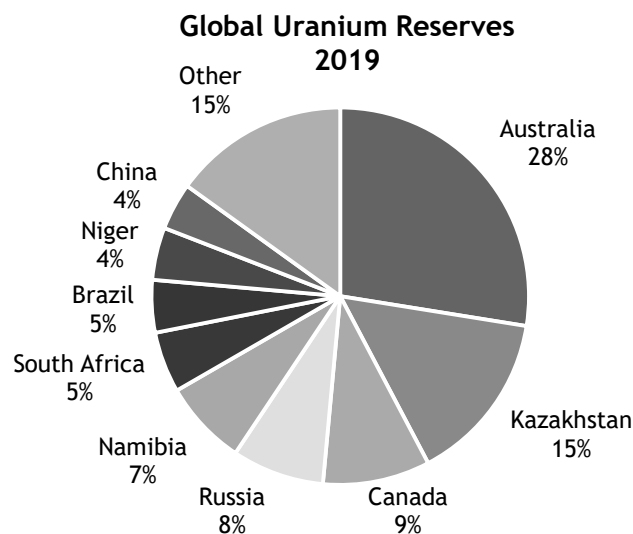
The two most common forms of uranium recovery are in situ leach mining, and open pit and underground mining. When major orebodies lie in groundwater or porous unconsolidated material, they may be accessed by dissolving the uranium and pumping it out, which is referred to as in situ leach recovery. If orebodies are close to the surface, they are usually accessed by open pit mining, whilst where they are deeper, underground mining is the method that is usually employed.

Kazakhstan has produced approximately half of total uranium mined globally in recent years, with Canada, Australia and Namibia being the other significant contributors to global production. According to the World Nuclear Association, total estimated production of uranium from mines for 2019 was approximately, 54,572 tonnes. The chart below illustrates the estimated global uranium production by country for 2019.



Source: World Nuclear Association *World Uranium Mining Production December 2020* report.

Despite Kazakhstan leading global uranium production, Australia holds the largest identified recoverable uranium globally. The chart below illustrates the estimated identified recoverable uranium by country for 2019, being the most recent data available.



Source: World Nuclear Association *World Uranium Mining Production December 2020* report.

Uranium prices

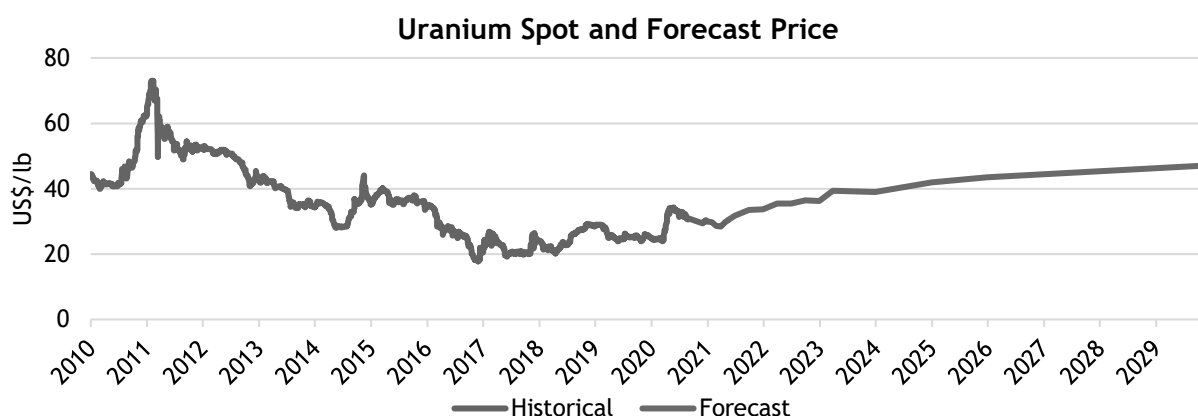
Uranium does not trade on an open market like other commodities, rather buyers and sellers negotiate contracts privately which are subsequently published by independent market consultants. The prices quoted below are based on UxC LLC's ('UxC') U₃O₈ Price indicator, which is one of two weekly uranium price indicators accepted by the uranium industry, based on analysis of activity within the market, such as bids, offers and transaction prices.

Over the past 10 years, the price of uranium peaked at US\$73/lb in February 2011, due largely to the expansion of uranium as a source of energy into Asia. This followed a steady decline from project delays caused by the global financial crisis and issues with over supply from production in Kazakhstan. Chinese demand was responsible for the price spike and was expected to put upward pressure on prices in the long term.

In March 2011, a major earthquake occurred in Japan causing the nuclear power plant crisis at Fukushima. Producers subsequently attempted to offset the declining prices by ramping up production, which created an oversupply of uranium. As a result, the price of uranium dropped to a 15-year low of US\$17.75/lb in November 2016. The oversupply in global uranium over this period was emphasized by Kazakhstan substantially increasing production over the period, to now be recognised as the dominant producer of uranium globally.

Since 2017, the global uranium price has fluctuated largely between US\$20/lb to just below US\$35/lb. COVID-19 and fears of supply shortages caused an increase in the price of uranium in 2020. This was despite early concerns of the impact of government-imposed lockdowns on the production of uranium. COVID-19 has substantially impacted the global production of uranium, with major mines in Kazakhstan, Canada and South Africa being forced to alter or suspend operations to abide by lockdown laws. Analysts from global stockbroking firm Numis Corporation plc estimate that approximately 35% of global production has been impacted by COVID-19. Uranium was one of the best performing commodities in terms of price movements throughout 2020, largely as a result of the current level of supply not being sufficient to meet demand, which was emphasised by the COVID-19 crisis. Uranium contract prices are still comfortably below the cost of production for exploration and development companies. However, the diminishing of uranium reserves has supported the strong start to 2021 that uranium prices have shown. Morgan Stanley forecasts that uranium prices will continue to rise as low production levels cause reserves to continue to diminish.

According to Consensus Economics forecasts, the price of uranium is expected to steadily increase over the 10 years through 2029. Future price movements are expected to depend on the duration and severity of COVID-19, and its impact on government policies globally. Anticipated demand from new nuclear power stations and a lack of mining investment remain supportive of the long-price outlook. As the production of uranium is largely concentrated, government-imposed restrictions will play a large role in the movement of prices in the near term. A graph of the historical uranium price from 2010 and forecasts to 2030 is shown below.



Source: Bloomberg and Consensus Economics

Global Outlook

The Japanese nuclear power plant crisis at Fukushima in March 2011 has tarnished the general view of nuclear energy and as such prices have been slow to recover from its low levels in 2016. Despite on-going environmental concerns, nuclear energy generation is expected to continue expanding, with China, India and South Korea announcing expansion plans. Future growth in the uranium industry is likely to be heavily reliant on Asia as several reactors in China are projected to commence operations in the near-term.

IBISWorld reports that many high-cost foreign producers may have been protected from recent low prices due to long-term supply contracts, which are set to expire in the short-term. The renegotiation of prices is likely to price higher-cost producers out of the industry. This is likely to further impact industry supply, placing upward pressure on global prices. Supply cutbacks in Canada and Kazakhstan are also anticipated to put upward pressure on prices.

Producers that have weathered the low prices over the past five years will benefit from an increase in prices and are anticipated to ramp up their output to capture global market share. Globally, there are over 443 nuclear reactors currently in operation, with greater than 54 currently under construction as reported by the International Atomic Energy Agency. The increase in construction activity and the uptake of uranium as an energy source should put further upward pressure on prices, should supply remain constrained in the near term.

Furthermore, the US Government has recently classified uranium as a commodity of strategic importance and announced its plans to substantially increase its domestic uranium production and reduce its reliance on imports. The global uptake of nuclear power as an energy source is positive news for the industry, however the low prices of alternative sources of electricity caused by COVID-19 and political disagreements may negatively impact the industry.

As the global economy shifts towards decarbonisation and climate change, it is expected that demand for uranium will follow. Nuclear power plants produce no greenhouse gas emissions during operation, and over the life cycle of a power plant, will produce the equivalent amount of carbon-dioxide per unit of electricity as wind energy. The election of the Joe Biden administration to power in the United States also brings positive news for uranium, as it is reported that Biden has a US\$2 trillion climate change plan that includes nuclear power. Simultaneously, nuclear energy's role in the production of low-carbon heat for the production of hydrogen and desalination is growing. This growth in demand is aligned with countries and companies around the world making net-zero commitments, including in the USA and its recommitment to the Paris Climate Agreement.

9. Valuation approach adopted

In our fairness assessment we have compared the value of a Lotus Resources share prior to the Acquisition on a control basis (section 10) to the value of a Lotus Resources share following the Acquisition on a minority basis (section 11) and concluded on that comparison in section 12.

In this section we set out the rationale for our approach to establishing those value assessments.

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1 Valuation of a Lotus Resources Share prior to the Acquisition

In assessing the value of a Lotus Resources share prior to the Acquisition, we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. Lotus Resources' mineral assets do not currently generate any income, nor are there any historical profits that could be used to represent future earnings. Furthermore, the FME methodology is not considered appropriate for valuing finite life assets such as mining assets, therefore, we do not consider the application of the FME approach to be appropriate;
- Lotus Resources has no foreseeable future net cash inflows on which we would have sufficient reasonable grounds to rely, in accordance with Regulatory Guide 170 'Prospective Financial Information' ('RG 170') and Information Sheet 214: Mining and Resources: Forward-looking Statements ('IS 214'), therefore we do not consider the application of the DCF approach to be appropriate;
- We have adopted the NAV approach as our primary valuation method. Lotus Resources' mineral assets are currently not producing assets and no revenue or cash flows are currently being generated by these assets. Therefore, we consider that the NAV approach is an appropriate methodology to use in assessing the value of a Lotus Resources share prior to the Acquisition. We note that the NAV includes the impact of various recent capital transactions; and
- The QMP basis is a relevant methodology to consider because Lotus Resources' shares are listed on the ASX. This means there is a regulated and observable market where Lotus Resources' shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the company's activities. As detailed in

Section 10.1, we consider there to be a moderately liquid and active market for Lotus Resources shares, therefore we have utilised the QMP approach as our secondary valuation methodology in determining the value of a Lotus Resources share prior to the Acquisition.

Technical Expert

In performing our valuation of Lotus Resources' mineral assets, we have relied on the Technical Specialist Report ('**Technical Specialist Report**') prepared by Valuation and Resource Management Pty Ltd ('**VRM**'), which includes an assessment of the market value of Lotus Resources' mineral assets.

We instructed VRM to provide an independent market valuation of Lotus Resources' mineral assets. VRM considered a number of different valuation methods when valuing these assets. VRM's Technical Specialist Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) ('**VALMIN Code**') and the JORC Code.

We are satisfied with the valuation methodologies adopted by VRM, which we believe are in accordance with industry practices and are compliant with the requirements of the VALMIN Code. The specific valuation methodologies used by VRM are referred to in the respective sections of our Report and in further detail in the Technical Specialist Report attached as Appendix 4.

9.2 Valuation of a Lotus Resources share following the Acquisition

In our assessment of the value of a Lotus Resources share following the Acquisition, we have chosen to employ the Sum-of-Parts methodology, which estimates the market value of Lotus Resources by aggregating the fair market value of its assets and liabilities, including those impacted through the Acquisition. In our Sum-of-Parts valuation, we have had consideration of the following:

- The value of Lotus Resources prior to the Acquisition as detailed in Section 10;
- The increase in the value of the Company as a result of the acquisition of an additional 20% of the Kayelekera Project; and
- The effect of the new shares issued as part of the Acquisition.

The consistent use of the NAV approach before and after the Acquisition provides Shareholders with the best indicator of the change in value per share resulting from the approval of the Acquisition.

10. Valuation of a Lotus Resources share prior to the Acquisition

10.1 Net Asset Valuation of Lotus Resources

The value of Lotus Resources assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Ref	Reviewed as at 31-Dec-20 \$	Low Value \$	Preferred Value \$	High Value \$
CURRENT ASSETS					
Cash and cash equivalents	a)	19,577,029	34,926,408	34,926,408	34,926,408
Other assets	b)	370,196	1,870,196	1,870,196	1,870,196
TOTAL CURRENT ASSETS		19,947,225	36,796,604	36,796,604	36,796,604
NON-CURRENT ASSETS					
Property, plant and equipment		1,741	1,741	1,741	1,741
Exploration and evaluation assets	c)	58,353,320	8,568,000	10,786,500	13,081,500
Right of use asset		-	-	-	-
TOTAL NON-CURRENT ASSETS		58,355,061	8,569,741	10,788,241	13,083,241
TOTAL ASSETS		78,302,286	45,366,345	47,584,845	49,879,845
CURRENT LIABILITIES					
Trade and other payables		430,282	430,282	430,282	430,282
Borrowings		-	-	-	-
Lease liabilities		-	-	-	-
Other liabilities		1,298,364	1,298,364	1,298,364	1,298,364
TOTAL CURRENT LIABILITIES		1,728,646	1,728,646	1,728,646	1,728,646
NON-CURRENT LIABILITIES					
Other liabilities		9,491,823	9,491,823	9,491,823	9,491,823
Provisions	d)	54,771,948	-	-	-
TOTAL NON-CURRENT LIABILITIES		64,263,771	9,491,823	9,491,823	9,491,823
TOTAL LIABILITIES		65,992,417	11,220,469	11,220,469	11,220,469
NET ASSETS		12,309,869	34,145,876	36,364,376	38,659,376
Shares on issue	e)		954,560,825	954,560,825	954,560,825
Value per share			\$0.036	\$0.038	\$0.040

Source: BDO analysis and reviewed financial statements as at 31 December 2020

We have been advised that there have not been significant changes in the net assets of Lotus Resources since 31 December 2020. The table above indicates that, based on the 954,560,825 shares on issue prior to the Acquisition, the net asset value of a Lotus Resources share is between \$0.036 and \$0.040. We note that this NAV value implies control.

The following adjustments were made to the net assets of Lotus Resources as at 31 December 2020 in arriving at our valuation.

Note a) Cash and cash equivalents

We have adjusted the balance of cash and cash equivalents as at 31 December 2020 to account for the exercise of 45,634,477 options, and the issue of 100,300,000 shares from 31 December 2020 to the date of our Report. The options were exercisable at \$0.040, whilst 100,000,000 shares were issued at a price of \$0.125, and 300,000 shares were issued at \$0.080.

We have also adjusted cash and cash equivalents for the receipt of \$1.0 million cash from the divestment of the Hylea Project to Sunrise on 20 April 2021. We consider this adjustment to be appropriate as the Hylea Project was to be divested, regardless of whether or not the Acquisition is approved by Shareholders. The net adjustment is set out below.

Cash and cash equivalents	\$
Balance as at 31 December 2020	19,577,029
Add: Cash raised from exercise of options	1,825,379
Add: Cash raised from issue of shares	12,524,000
Add: Cash raised from the divestment of the Hylea Project	1,000,000
Adjusted cash and cash equivalents	34,926,408

Note b) Other assets

We have adjusted the balance of other assets as at 31 December 2020 to account for the receipt of \$1.5 million of Sunrise shares as consideration for the divestment of the Hylea Project. The net adjustment is set out below.

Other assets	\$
Balance as at 31 December 2020	370,196
Add: Value of shares received from divestment of the Hylea Project	1,500,000
Adjusted other assets	1,870,196

Note c) Exploration and evaluation assets

We instructed VRM to provide an independent market valuation of the mineral assets held by Lotus Resources as part of the Kayelekera Project. VRM considered a number of different valuation methods when valuing the exploration assets of Lotus Resources. VRM applied the comparable transaction method as the preferred valuation method for the tenements with mineral resources, supported by a yardstick valuation. The exploration potential of Lotus Resources' assets was valued using the comparable transaction method, supported by a Kilburn Valuation. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement.

We consider these methods to be appropriate for valuing Lotus Resources' exploration assets.

Full details of VRM's valuation are provided in Appendix 4 to our Report. We note that the range of values derived by the technical specialist does not include the Hylea Project which was recently agreed to be divested by the Company. As such, no additional adjustment is required to account for the divestment, following the receipt of cash and shares accounted for in note a) and note b) above.

The range of values for the 85% of the Kayelekera Project held by Paladin Africa, as calculated by VRM is set out below:

	Mineral Resources Valuation		Exploration Potential		VRM Valuation
	Comparable Transactions	Yardstick Valuation	Comparable Transactions	Kilburn Valuation	
Low Valuation (\$m)	10.90	7.14	0.34	0.23	11.2
Preferred Valuation (\$m)	13.60	10.95	0.46	0.39	14.1
High Valuation (\$m)	16.30	14.83	0.80	0.56	17.1

Source: VRM Valuation, 2021

The table above indicates a range of values between \$11.2 million and \$17.1 million, with a preferred value of \$14.1 million. Prior to the Acquisition, Lotus Resources holds a 76.5% interest in Paladin Africa, and as such, we conclude the value of the mineral assets held by the Company to be between \$8.57 million and \$13.08 million, with a preferred value of \$10.79 million, as outlined in the table below.

	Low Value \$	Preferred Value \$	High Value \$
Value of Paladin Africa's ownership of the Kayelekera Project	11,200,000	14,100,000	17,100,000
Lotus ownership of Paladin Africa	76.5%	76.5%	76.5%
Value held by Lotus	8,568,000	10,786,500	13,081,500

Source: VRM Valuation, 2021, BDO analysis

Note d) Provisions

We have adjusted the balance of provisions as at 31 December 2020 to nil, as the value of rehabilitation provisions at the Kayelekera Project is considered in the valuation of mineral assets undertaken by VRM. Full details of VRM's valuation are provided in Appendix 4 to our Report.

Note e) Number of shares on issue

Our valuation is assessed on an undiluted basis. As detailed in Section 5.5, the Company has 954,560,825 shares on issue prior to the Acquisition. We have outlined below the change in the number of shares in Lotus Resources outstanding from 31 December 2020 to the date of our Report.

Issued share capital	\$
Issued shares of Lotus Resources as at 31 December 2020	808,626,348
Shares issued upon the exercise of options	45,634,477
Shares issued under placement	100,300,000
Total number of shares on issue prior to the Acquisition	954,560,825

Source: Lotus Resources announcements and BDO analysis

Diluted basis

We have also considered the valuation on a diluted basis by assessing the likelihood of the exercise of currently existing options and the vesting of currently existing performance shares.

The Company has 45,012,430 options currently on issue with various exercise prices, expiring at various dates following 12 September 2022. Based on our net assets valuation assessment on an undiluted basis,

options with an exercise price of \$0.040 will be ‘at the money’ under the high valuation case. We have outlined in the table below the impact of the exercise of these options on our net assets valuation.

Current Options on Issue	Number	Low Value	Preferred Value	High Value
Unlisted options exercisable at \$0.040	40,012,430	out of the money	out of the money	at the money
Unlisted options exercisable at \$0.060	2,500,000	out of the money	out of the money	out of the money
Unlisted options exercisable at \$0.080	2,500,000	out of the money	out of the money	out of the money
Total number exercised		-	-	40,012,430
Cash raised from exercise		-	-	\$1,600,497

Source: BDO analysis

We have not considered the likelihood of the vesting of the performance shares on issue given the non-market based nature of their vesting conditions.

Our assessment of value is set out in the table below:

NAV prior to the Acquisition	Low Value \$	Preferred Value \$	High Value \$
Valuation of Lotus prior to the Acquisition	34,145,876	36,364,376	38,659,376
Cash raised from exercise of options	-	-	1,600,497
NAV prior to the Acquisition (plus cash)	34,145,876	36,364,376	40,259,873
Number of shares on issue prior to the Acquisition	954,560,825	954,560,825	954,560,825
Shares issued on exercise of options	-	-	40,012,430
Total shares on a diluted basis	954,560,825	954,560,825	994,573,255
Value per share	\$0.036	\$0.038	\$0.040

Source: BDO analysis

For the value of a Lotus Resources share prior to the Acquisition on a control basis, we have used the diluted value throughout our analysis since under the undiluted scenario for the high valuation case, the options with an exercise price of \$0.040 are ‘at the money’ and are more likely than not, to be exercised.

10.2 Quoted Market Prices Valuation of Lotus Resources’ Securities

To provide a comparison to the valuation of Lotus Resources in Section 10.1, we have also assessed the quoted market price for a Lotus Resources share.

The quoted market value of a company’s shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company’s shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and

- access to potential tax losses.

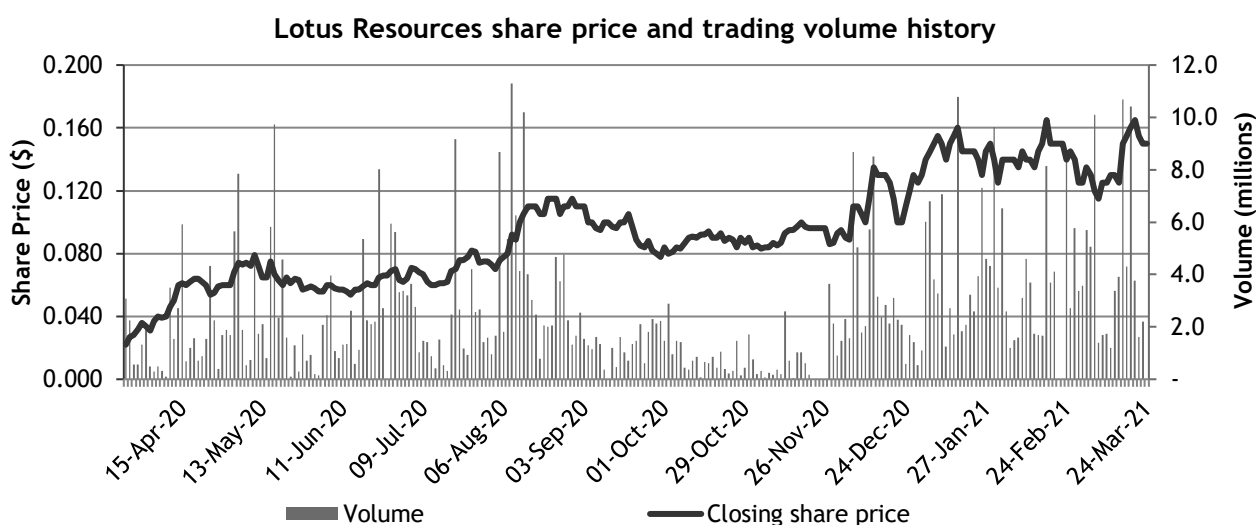
Whilst the KRPL Group will not be obtaining 100% of Lotus Resources, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Lotus Resources share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Lotus Resources share is based on the pricing prior to the announcement of the Acquisition. This is because the value of a Lotus Resources share after the announcement may include the effects of any change in value as a result of the Acquisition. However, we have considered the value of a Lotus Resources share following the announcement when we have considered reasonableness in Section 13.

On 25 March 2021, the Company announced to the market that it had reached agreement with KRPL in relation to the terms of the Acquisition. Therefore, the following chart provides a summary of the share price movement over the 12 months to 24 March 2021, which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Lotus Resources shares from 24 March 2020 to 24 March 2021 has ranged from a low of \$0.022 on 24 March 2020 to a high of \$0.165 on 17 February 2021. The highest single trading day over the assessed period was 10 August 2020, where 11,291,008 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
24/02/2021	Share placement to raise \$12.5 million	0.140	▼	6.7%	0.125	▼	10.7%
10/02/2021	Appointment of new Managing Director	0.140	▼	3.4%	0.145	▲	3.6%
01/02/2021	High-Grade Rare Earth Oxides at Kayelekera	0.125	▼	10.7%	0.140	▲	12.0%
28/01/2021	December Quarterly Report and Appendix 5B	0.150	▲	3.4%	0.140	▼	6.7%
16/12/2020	Multiple near-mine exploration target areas identified	0.130	►	0.0%	0.115	▼	11.5%
27/11/2020	Share placement to raise \$5 million	0.086	▼	10.4%	0.095	▲	10.5%
05/08/2020	Early exercise of options	0.076	▲	8.6%	0.092	▲	21.1%
21/07/2020	Guidance on Kayelekera Restart	0.070	▲	1.4%	0.078	▲	11.4%
09/07/2020	Significant reduction in care and maintenance costs	0.067	▼	1.5%	0.060	▼	10.4%
29/06/2020	Appointment of Managing Director	0.069	▲	4.5%	0.062	▼	10.1%
19/05/2020	Update on Board Restructure	0.063	▼	6.0%	0.061	▼	3.2%
15/05/2020	Lotus Board Restructure	0.075	▲	15.4%	0.060	▼	20.0%
30/04/2020	Quarterly Activities and Cashflow Reports	0.060	►	0.0%	0.074	▲	23.3%
24/04/2020	249D received and Termination of Key Agreements	0.054	▼	10.0%	0.060	▲	11.1%
08/04/2020	Lotus Identifies High-Grade Rare Earths at Kayelekera	0.046	▲	15.0%	0.061	▲	32.6%
02/04/2020	Review Confirms Significant Exploration Upside at Kayelekera	0.037	▲	19.4%	0.040	▲	8.1%
26/03/2020	Lotus increases Kayelekera Uranium Mineral Resource by 31%	0.028	▲	3.7%	0.034	▲	21.4%

Source: Bloomberg and BDO analysis

On 26 March 2020, the Company released an announcement stating the Mineral Resource at the Kayelekera Project had increased by 31%. On the date of the announcement, the share price increased 3.7% to close at \$0.028, before increasing a further 21.4% over the subsequent three day trading period to close at \$0.034.

On 2 April 2020, the Company released an announcement detailing further exploration potential at the Kayelekera Project. On the date of the announcement, the share price increased 19.4% to close at \$0.037, before increasing a further 8.1% over the subsequent three day trading period to close at \$0.040.

On 8 April 2020, the Company announced that early field work at the Kayelekera Project had identified high-grade rare earth metals and rutile-bearing granitoids. On the date of the announcement, the share price increased 15.0% to close at \$0.046, before increasing a further 32.6% over the subsequent three day trading period to close at \$0.061.

On 24 April 2020, a shareholder request was submitted for a general meeting to consider resolutions for the appointment and removal of directors to the Company. On the date of the announcement, the share price decreased 10.0% to close at \$0.054, before increasing 11.1% over the subsequent three day trading period to close at \$0.060.

On 30 April 2020, the Company released its quarterly activities and cash flow reports for the March 2020 quarter, which outlined the Company's acquisition of the Kayelekera Project. On the date of the announcement, the share price closed unchanged at \$0.060, before increasing 23.3% over the subsequent three day trading period to close at \$0.074.

On 15 May 2020, the Company released an announcement outlining the restructure of the Board, announcing James Eggins as Non-Executive Chairman, Andrew Micro as Non-Executive Director and Mr Davey as Non-Executive Director. On the date of the announcement, the share price increased 15.4% to close at \$0.075, before decreasing 20.0% over the subsequent three day trading period to close at \$0.060.

On 19 May 2020, the Company released an announcement providing an update on the restructure of the Company's Board, highlighting the withdrawal of Mr Davey from his recent placement on the Board. On the date of the announcement, the share price decreased 6.0% to close at \$0.063, before decreasing a further 3.2% over the subsequent three day trading period to close at \$0.061.

On 29 June 2020, the Company released an announcement stating the appointment of Mr Eduard Smirnov as Managing Director of Lotus Resources, following the departure of Chief Executive Officer Simon Andrew. On the date of the announcement, the share price increased 4.5% to close at \$0.069, before decreasing 10.1% over the subsequent three day trading period to close at \$0.062.

On 9 July 2020, the Company announced a 75% reduction in care and maintenance costs at the Kayelekera Project from its original estimate. On the date of the announcement, the share price decreased 1.5% to close at \$0.067, before decreasing a further 10.4% over the subsequent three day trading period to close at \$0.060.

On 21 July 2020, the Company released an update in relation to the restart of operations at the Kayelekera Project. On the date of the announcement, the share price increased 1.4% to close at \$0.070, before increasing a further 11.4% over the subsequent three day trading period to close at \$0.078.

On 5 August 2020, the Company released an announcement stating the early exercise of options by institutional investors, including Mr Davey, to raise \$1.4 million. On the date of the announcement, the share price increased 8.6% to close at \$0.076, before increasing a further 21.1% over the subsequent three day trading period to close at \$0.092.

On 27 November 2020, the Company announced a share placement to raise up to \$5.0 million to fund the RSS for the Kayelekera Project and further near-mine exploration. On the date of the announcement, the share price decreased 10.4% to close at \$0.086, before increasing 10.5% over the subsequent three day trading period to close at \$0.095.

On 16 December 2020, the Company released an announcement detailing new near-mine exploration targets that will be subject to further investigation before drilling commences at the Kayelekera Project. On the date of the announcement, the share price closed unchanged at \$0.130, before decreasing 11.5% over the subsequent three day trading period to close at \$0.115.

On 28 January 2021, the Company released its quarterly activity and cashflow reports for the December 2020 quarter, outlining a scoping study, near-mine exploration targets and other updates in relation to the Kayelekera Project. On the date of the announcement, the share price increased 3.4% to close at \$0.150, before decreasing 6.7% over the subsequent three day trading period to close at \$0.140.

On 1 February 2021, the Company released an announcement stating the discovery of rare earth oxides located approximately 2kms from the Kayelekera Project. On the date of the announcement, the share

price decreased 10.7% to close at \$0.125, before increasing 12.0% over the subsequent three day trading period to close at \$0.140.

On 10 February 2021, the Company released an announcement detailing the appointment of Keith Bowes as Managing Director of Lotus Resources, replacing Mr Eduard Smirnov. On the date of the announcement, the share price decreased 3.4% to close at \$0.140, before increasing 3.6% over the subsequent three day trading period to close at \$0.145.

On 24 February 2021, the Company announced that it had received binding commitments to raise \$12.5 million through a placement of 100 million shares at \$0.125 per share to sophisticated and professional investors. On the date of the announcement, the share price decreased 6.7% to close at \$0.140, before decreasing a further 10.7% over the subsequent three day trading period to close at \$0.125.

To provide further analysis of the market prices for a Lotus Resources share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 24 March 2021.

Share Price per unit	24-Mar-21	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.150				
Volume weighted average price (VWAP)		\$0.149	\$0.140	\$0.141	\$0.134

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Acquisition, to avoid the influence of any increase in price of Lotus Resources shares that has occurred since the Acquisition was announced.

An analysis of the volume of trading in Lotus Resources shares for the twelve months to 24 March 2021 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.150	\$0.150	-	0.00%
10 Days	\$0.120	\$0.170	41,512,015	4.37%
30 Days	\$0.110	\$0.170	115,732,409	12.18%
60 Days	\$0.105	\$0.180	228,024,931	24.00%
90 Days	\$0.085	\$0.180	293,918,412	30.94%
180 Days	\$0.057	\$0.180	465,666,272	49.01%

Source: Bloomberg, BDO analysis

This table indicates that Lotus Resources' shares display a moderate level of liquidity, with 30.94% of the Company's current issued capital being traded in a 90 day period prior to the announcement of the Acquisition. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Lotus Resources, we consider the shares to display a moderate level of liquidity, on the basis that greater than 1% of the securities have been traded weekly on average, with 49.01% traded over a six month period, and 30.94% of the Company's current issued capital being traded in the 90 trading days prior to the announcement of the Acquisition.

Our assessment is that a range of values for Lotus Resources shares based on market pricing, after disregarding post announcement pricing, is between \$0.130 and \$0.150.

Quoted Market Price including control premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value a Lotus Resources share on a control basis, we have added a control premium that is based on our analysis set out in Appendix 3.

Applying a control premium to Lotus Resources' quoted market share price results in the following quoted market price value including a premium for control:

QMP including control premium	Ref	Low	High
Value per share (minority basis)	10.2	\$0.130	\$0.150
Control premium	Appendix 3	25%	35%
Value per share (controlling interest)		\$0.163	\$0.203

Source: BDO analysis

Therefore, our valuation of a Lotus Resources share based on the quoted market price method and including a premium for control is between \$0.163 and \$0.203, with a midpoint value of \$0.183.

10.3 Assessment of the value of a Lotus Resources share

The results of the valuations performed are summarised in the table below:

	Ref	Low \$	Preferred \$	High \$
Net Assets Value (Section 10.1)	10.1	0.036	0.038	0.040
QMP (Section 10.2)	10.2	0.163	0.183	0.203

Source: BDO analysis

For the value of a Lotus Resources share prior to the Acquisition on a control basis, we have used the diluted value throughout our analysis since under the undiluted scenario for the high valuation case, the options with an exercise price of \$0.040 are 'at the money' and are more likely than not, to be exercised.

We note that the range of values derived under the QMP approach are higher than the NAV of Lotus Resources. This is likely to be because Lotus Resources does not generate any income nor are there any historical profits that could be used to represent future earnings, therefore the quoted market price of Lotus Resources shares may be influenced by investors' perceptions of future upside in relation to the Company's project which is not reflected in the NAV. Further, the market may have been pricing in the

possibility of a future transaction which may partly explain the difference between the results derived under the QMP and NAV approaches.

As detailed in Section 9.1, Lotus Resources' Kayelekera Project is currently a non-producing asset, generating no revenue or cash flows. We consider the NAV to represent the most appropriate price for the shares as this represents a price that may be realisable in the event that the Company disposed of its assets and discharged its liabilities.

It is not uncommon for the market price of companies that have exploration assets to trade at a premium to a valuation prepared by an independent technical specialist for the purposes of an Independent Expert's Report. This is because investors are not necessarily guided by the principles of RG 170 and IS 214 in forming their valuations allowing the market price to reflect the potential upside expectations associated with the exploration assets should market conditions change or favourable exploration results be achieved. Further, as detailed in Section 10.2, Lotus Resources shares display a moderate level of liquidity, and as such, we consider it more appropriate to rely on the QMP as a cross check, rather than as a primary valuation approach.

We note that prior to the agreement of the terms of the Acquisition, the Company completed a placement of 100,000,000 shares at a price of \$0.125 per share. We consider that as the Project has a relatively low quantum of resources, this may have led to the speculation that the cash balance on hand could be used to further expand the resource base. As such, the market speculation may have provided the ability of the Company to raise funds at a level which is linked to future valuation success, which we are unable to incorporate into our valuation range.

Based on the results above we consider the value of a Lotus Resources share to be between \$0.036 and \$0.040, with a preferred value of \$0.038, as derived under our NAV approach.

11. Valuation of a Lotus Resources share following the Acquisition

11.1 Net Asset Valuation of Lotus Resources following the Acquisition

Commencing with our NAV of Lotus Resources prior the Acquisition, as per section 10.1, we have assessed the impact of the Acquisition on the Company's net assets. This is set out in the table and accompanying notes below.

NAV following the Acquisition	Ref	Low Value \$	Preferred Value \$	High Value \$
Lotus Resources NAV prior to the Acquisition	10.1	34,145,876	36,364,376	38,659,376
Additional value from increased % ownership of Kayelekera Project	a)	2,632,000	3,313,500	4,018,500
Value of Lotus Resources following the Acquisition		36,777,876	39,677,876	42,677,876
Total shares on issue following the Acquisition	b)	1,181,024,752	1,181,024,752	1,181,024,752
Value per share		\$0.031	\$0.034	\$0.036
Minority interest discount (%)	c)	26%	23%	20%
Value per share (\$) - minority basis		\$0.023	\$0.026	\$0.029

Source: BDO analysis

The table above indicates that the net assets value of a Lotus Resources share on a minority basis is between \$0.023 and \$0.029, with a preferred value of \$0.026. The following adjustments were made to the net assets of Lotus Resources in arriving at our valuation of the Company following the Acquisition.

Note a) Additional value from increased % ownership of the Kayelekera Project

We have adjusted the value of Lotus Resources to account for the acquisition of an additional 23.5% interest in Paladin Africa, and as a result the acquisition of an additional 20% interest in the Kayelekera Project, acquired as part of the Acquisition. As outlined in Section 10.1, we instructed VRM to provide an independent market valuation of the mineral assets held by Lotus Resources. We have outlined below our adjustment to the net assets value of Lotus Resources.

Additional value from increase in % ownership of the Kayelekera Project	Low value \$	Preferred value \$	High value \$
VRM valuation of Paladin Africa's ownership of the Kayelekera Project	11,200,000	14,100,000	17,100,000
% interest Lotus Resources is acquiring in Paladin Africa	23.5%	23.5%	23.5%
Additional value acquired	2,632,000	3,313,500	4,018,500

Source: VRM Valuation and BDO analysis

Note b) Number of shares on issue following the Acquisition

We have adjusted the number of shares on issue to reflect the issue of 226,463,927 shares to KRPL as consideration for 23.5% interest in Paladin Africa, as outlined in the table below. Following the Acquisition, the Consideration Shares will be escrowed for a period of 12 months from the date of issue.

We note that as the subsequent issue of shares and options to Directors is not dependent on the approval of the Acquisition, we have excluded these shares and options in our assessment of shares outstanding.

Shares on issue	Number
Number of shares on issue prior to the Acquisition	954,560,825
Add: Shares issued under the Acquisition	226,463,927
Number of shares on issue following the Acquisition	1,181,024,752

Source: Lotus Resources management and BDO analysis

Note c) Minority interest discount

As outlined in Section 3.3 of our Report, in assessing fairness we have compared the value of a Lotus Resources share prior to the Acquisition on a control basis to the value of a Lotus Resources share following the Acquisition on a minority interest basis, as we are required to do by RG 111.

A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - (1 \div (1 + \text{control premium}))$. As discussed in section 10.2, we consider an appropriate control premium for Lotus Resources to be in the range of 25% to 35%, giving a minority interest discount in the range of 20% to 26%, with a rounded midpoint of 23%.

Options and performance shares

We have not diluted the valuation for the exercise of options or the vesting of performance shares.

The options currently on issue have a minimum exercise price of \$0.040 and expire on various dates following 12 September 2022. Based on our valuation assessment on an undiluted basis, all of the options outstanding will be 'out of the money' and therefore no options will be exercised.

We have not considered the likelihood of the vesting of the performance shares on issue given the non-market based nature of their vesting conditions.

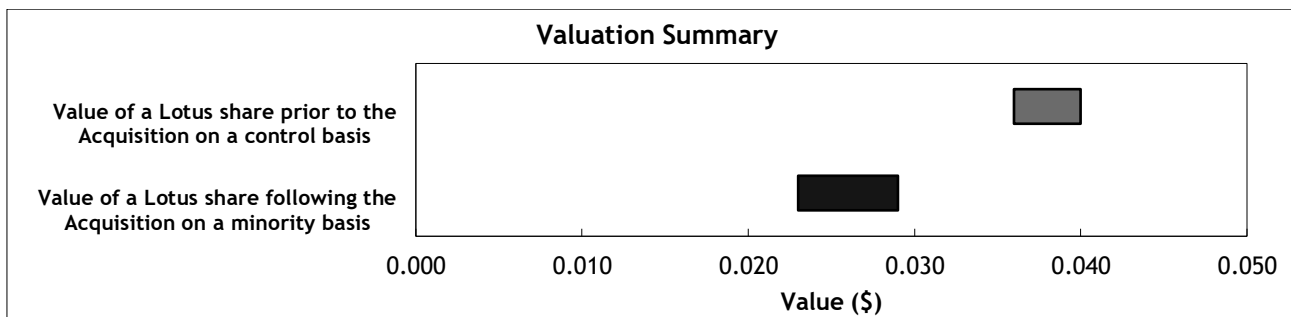
12. Is the Acquisition fair?

The value of a Lotus Resources share prior to the Acquisition compares to the value of a Lotus Resources share following the Acquisition as shown below:

	Ref	Low \$	Midpoint \$	High \$
Value of a Lotus Resources share prior to the Acquisition on a control basis	10.3	0.036	0.038	0.040
Value of a Lotus Resources share following the Acquisition on a minority basis	11.1	0.023	0.026	0.029

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that in the absence of any other relevant information, and an alternative offer, the Acquisition is not fair for Shareholders.

13. Is the Acquisition reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Lotus Resources a premium over the value resulting from the Acquisition.

13.2 Practical Level of Control

If the Acquisition is approved then the KRPL Group will hold an interest of approximately 20.73% in Lotus Resources on an undiluted basis, and a fully diluted interest of 20.08% in Lotus Resources. Additionally, subject to Shareholder approval of the subsequent issue of shares and options, the maximum interest of the KRPL Group will increase to approximately 21.47% on a semi-diluted basis where only the KRPL Group exercises its options.

Mr Davey is already represented on the Board as a Non-Executive Director, whilst Mr Bowes is the Managing Director of the Company. We understand that there will be no change in the Board as a result of the Acquisition.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. If the Acquisition is approved then the KRPL Group will not be able to block special resolutions.

Lotus Resources' Board currently comprises four directors including Mr Davey and Mr Bowes.

The KRPL Group's control of Lotus Resources following the Acquisition will be significant when compared to all other shareholders. Following the Acquisition, Paladin Energy will be the next most significant shareholder, with approximately 9.43% interest in Lotus Resources. Therefore, in our opinion, while the KRPL Group will be able to significantly influence the activities of Lotus Resources, it will not be able to exercise a similar level of control as if it held 100% of Lotus Resources. As such, the KRPL Group should not be expected to pay a similar premium for control as if it were acquiring 100% of Lotus Resources.

13.3 Consequences of not Approving the Acquisition

Funding

If the Acquisition is not approved, the Company will not increase its ownership in the Kayelekera Project to 85%, pursuant to the Acquisition. If the Acquisition is not approved, and should the Company still seek to increase its ownership in the Project by exercising its Right to acquire all of KRPL's shares in Lily Resources, it may have to renegotiate the terms of the acquisition agreement, which may involve a cash settlement. If cash is involved in the consideration for the acquisition it could have a substantial impact on Lotus Resources' cash position.

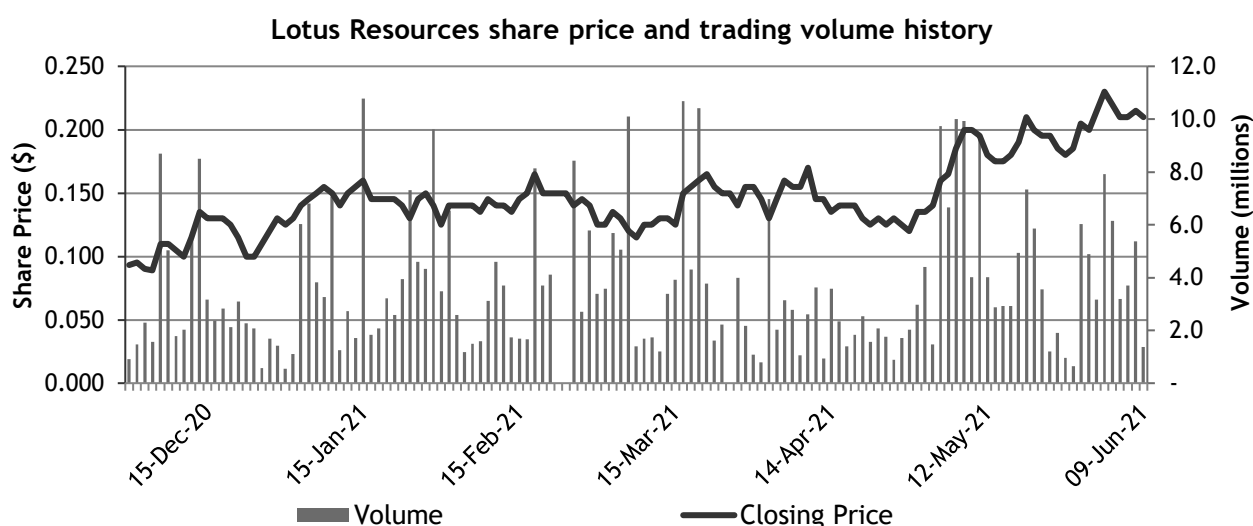
We note that, should the Company be required to pay cash in its consideration for KRPL's shares in Lily Resources, Lotus Resources may also be required to undertake a capital raise in order to secure the necessary funds for the transaction, which could be further dilutionary to Shareholders.

Put option under the Shareholders' Agreement

Under the Shareholders' Agreement dated 21 June 2019, in the event the Acquisition is not approved, KRPL will have the right to sell the remaining shares it owns in Lily Resources to the Company for the pro-rata equivalent of the Consideration Shares ('Put Option'). The Put Option may be exercised by KRPL multiple times for as long as it holds any shares in Lily. If KRPL is to exercise its Put Option, it is likely that Lotus Resources would have to issue capital in order to increase its cash balance to buy the shares that KRPL owns in Lily Resources. If this was to occur, it may have a more significant dilutionary impact on current Shareholders than under the Acquisition.

Potential decline in share price

We have analysed movements in Lotus Resources' share price since the terms of the Acquisition were announced. A graph of Lotus Resources' share price and trading volume leading up to, and following the announcement of the Acquisition is set out below.



Source: Bloomberg

Over the post-announcement trading period, the share price of Lotus Resources has varied from a low of \$0.120 on 28 April 2021 to a high of \$0.230 on 2 June 2021. The highest single day of trading was on 6 May 2021, where 10,011,346 shares were traded, representing approximately 1.05% of the Company's current issued capital.

Following the announcement of the Acquisition, Lotus Resources' share price remained unchanged from a VWAP of \$0.140 over the 30 days prior to the announcement of the Acquisition, to close at \$0.140 on 25 March 2021. We note that over the post announcement trading period, the share price of Lotus Resources has remained largely stable.

Given the above analysis, if the Acquisition is not approved, it is unlikely that the share price of Lotus Resources will decline.

13.4 Advantages of Approving the Acquisition

We have considered the following advantages when assessing whether the Acquisition is reasonable.

Advantage	Description
Lotus Resources will obtain 85% ownership of the Kayelekera Project, an increase from the current ownership of 65%	The key benefits from Lotus Resources obtaining 85% ownership of the Kayelekera Project include: • 85% ownership of the resources base and consequently increasing the return on investment for Shareholders; • 85% ownership of future discoveries made within the exploration licenses; and • 85% ownership and control of all processing plant and infrastructure.
No cash element	The Acquisition does not deplete the cash funds of Lotus Resources as the consideration payable by the Company is in the form of ordinary shares in Lotus Resources with no cash element.
Project finance should be less complex to negotiate and more likely to be obtained with 85% ownership, noting that the remaining 15% holder is the Malawi Government	The Acquisition eliminates the complexities of negotiating project finance under the current joint venture structure, and primarily removes the risk that KRPL may be unable to secure finance to fund its share of the costs relating to the Project.
Future off-take agreements may be simpler to negotiate	Removes the complexities in negotiating and securing off-take agreements, which may otherwise result in delays to the Kayelekera Project and impact on project returns.
Aligns the interests of the KRPL Group and Lotus Resources Shareholders	Following the Acquisition, the KRPL Group (comprising Mr Davey and Mr Bowes) will hold a maximum associated interest of 20.73%, and will be the Company's most significant shareholder. The Consideration Shares to be issued to the KRPL Group are also to be escrowed for a period of 12 months from the date of issue, resulting in the increased alignment of Shareholders with the KRPL Group for a period of at least 12 months from the date of issue. Should the subsequent issue of shares and options be approved by Shareholders, the KRPL Group will have the capacity to hold a maximum interest of 21.47% on the basis where only the KRPL Group exercises its options. Mr Davey is an entrepreneur who has made venture capital investments in a number of exploration and mining projects globally, and has played a role in the acquisition and development of these projects. Mr Bowes is an experienced mining executive who has substantial experience in site based and technical work

Advantage	Description
	across a number of resources projects. We consider that the alignment of the KRPL Group and Lotus Resources Shareholders' interests is likely to be value accretive to Shareholders. Additionally, as a major shareholder and director of the Company, Mr Davey will bring his management and global operational experience in the development, construction and operation to the Kayelekera Project. As a result, it is possible that this will provide the Company better access to sources of future funding, and may assist in the streamlining of processes that may otherwise delay the Company in its developmental activities. Mr Davey, as a current board member at a number of other ASX-listed resources companies, may also be associated with external parties that have the potential to bring future value to Lotus Resources.
Potential future cost savings	The Acquisition provides Lotus Resources with 85% of the control over all decisions relating to the Project which will reduce management costs and help avoid unnecessary delays to the Kayelekera Project that may have arisen under the joint venture. In addition, Lotus Resources will be in a position to pass both ordinary and special resolutions in relation to the Kayelekera Project.

Source: BDO analysis

13.5 Disadvantages of Approving the Acquisition

If the Acquisition is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing shareholders' interests	The issue of new Lotus Resources shares as part of the Acquisition is dilutive to current Shareholders.

14. Conclusion

We have considered the terms of the Acquisition as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Acquisition and the acquisition by the KRPL Group of a maximum relevant interest of 21.47% in Lotus Resources, is not fair but reasonable to Shareholders.

In our opinion, the Acquisition is not fair because the value of a Lotus Resources share following the Acquisition on a minority basis is lower than the value of a Lotus Resources share prior to the Acquisition on a control basis. However, we consider the Acquisition to be reasonable because the advantages of the Acquisition to Shareholders are greater than the disadvantages.

In particular, the Company will increase its ownership of the Kayelekera Project from 65% to 85%, thereby increasing Lotus Resources' existing resource inventory, forecasts and cash flows from production. In addition, the Acquisition will further align the interests of Shareholders with Lotus Resources directors, Mr Davey and Mr Bowes, by increasing the capacity of the KRPL Group to hold a maximum interest of 21.47% in the Company, and may simplify future potential funding or offtake agreements, should the Company choose to enter into them. If the Acquisition is not approved, the Company's ownership in the Kayelekera Project will remain at 65%.

Further, we note that if the Acquisition is not approved by Shareholders, should the Company still seek to acquire KRPL's shares in Lily Resources, or should KRPL exercise its Put Option, Lotus Resources may need to raise capital in order to acquire KRPL's shares in Lily Resources in cash, in which it is possible that there could be a larger dilutionary effect on Shareholders than under the Acquisition.

15. Sources of information

This Report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this Report;
- Audited financial statements of Lotus Resources for the years ended 30 June 2019 and 30 June 2020;
- Reviewed financial statements of Lotus Resources for the half year ended 31 December 2020;
- Unaudited management accounts of Lotus Resources for the period from 1 January 2021 to date;
- Independent Valuation Report of Lotus Resources' mineral assets dated 3 June 2021 performed by Valuation & Resource Management;
- Shareholders' Agreement between Lotus Resources, KRPL and Lily Resources, dated 21 June 2019;
- Variation of Share Sale Agreement between Lotus Resources, Paladin Energy and KRPL dated 19 July 2019;
- Share registry information;
- BDO Explorer Quarterly Cash Update: March 2021;
- Consensus Economics;
- Announcements made by Lotus Resources available through the ASX;
- Bloomberg;
- UxC;
- World Nuclear Association;
- Information in the public domain; and
- Discussions with Directors and Management of Lotus Resources.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Lotus Resources in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Lotus Resources, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Lotus Resources Limited and Kayelekera Resources Pty Ltd and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Lotus Resources Limited and Kayelekera Resources Pty Ltd and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd have, within the past two years, had any professional relationship with Lotus Resources Limited and Kayelekera Resources Pty Ltd, other than in connection with the preparation of this Report.

A draft of this Report was provided to Lotus Resources and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the Audit and Assurance and Corporate Finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 400 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries

in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Chartered Accountants Australia & New Zealand. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a large number of industry sectors.

18. Disclaimers and consents

This Report has been prepared at the request of Lotus Resources for inclusion in the Notice of Meeting which will be sent to all Lotus Resources' Shareholders. Lotus Resources engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal for Lotus Resources to exercise its right to acquire all the shares that Kayelekera Resources Pty Ltd holds in Lily Resources Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Kayelekera Project. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Acquisition, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Lotus Resources, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Lotus Resources.

The valuers engaged for the mineral asset valuation, Valuation and Resource Management, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Acquisition	Lotus Resources exercising its right to acquire all the shares that KRPL holds in the Kayelekera Project, through the issue of the Consideration Shares to KRPL, in exchange for 23.5% interest in Lily Resources, and as a result, 20% interest in the Kayelekera Project
The Act	The Corporations Act 2001 Cth
AICD	Australian Institute of Company Directors
AIP	Affordable Inputs Programme
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
A\$	Australian Dollars
Balmain	Balmain Resources Pty Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
BFS	Bankable Feasibility Study
Boss Resources	Boss Resources Limited
CEGB	Central Electricity Generating Board of Great Britain
The Company	Lotus Resources Limited
The Consideration Shares	226,463,927 shares in Lotus Resources to be issued to the KRPL Group as consideration for the acquisition of 23.5% interest in Lily Resources, and as a result, 20% interest in the Kayelekera Project
Corporations Act	The Corporations Act 2001 Cth
Cradle Resources	Cradle Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax

Reference	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation
FDI	Foreign Direct Investment
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
Fund Finders	Exploration companies that raised funds of over \$10 million in the December quarter of 2020
Hylea Project	Hylea Cobalt Project
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
Kayelekera Project	Kayelekera Uranium Project
kms	Kilometres
km ²	Kilometres squared
KRPL	Kayelekera Resources Pty Ltd
The KRPL Group	KRPL and its associated entities, being Davey Management (Aus) Pty Ltd, and Davey Holdings (Aus) Pty Ltd, Mr Davey and Mr Bowes
Lily Resources	Lily Resources Pty Ltd
Mlb	Million Pounds
Mr Bowes	Keith Bowes
Mr Davey	Grant Davey
MRE	Mineral Resource Estimate
NAV	Net Asset Value
NSW	New South Wales
Paladin Africa	Paladin (Africa) Limited
Paladin Energy	Paladin Energy Limited

Reference	Definition
Put Option	If the Acquisition is not approved by Shareholders, under the Shareholders' Agreement KRPL has the right to sell its remaining shares in Lily Resources to the Company
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RFS	Restart Feasibility Study
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RoM	Run of Mine
RSS	Restart Scoping Study
Section 606	Section 606 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Lotus Resources not associated with Mr Davey
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Superior Lake	Superior Lake Resources Limited
UNCTAD	United Nations Conference on Trade and Development
UxC	UxC Limited
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

Reference	Definition
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

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The Directors

BDO Corporate Finance (WA) Pty Ltd

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SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 - Control Premium

Control premium

The concept of a premium for control reflects the additional value that is attached to a controlling interest. We have reviewed the control premiums on completed transactions, paid by acquirers of diversified metals mining companies, general mining companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium) and at a premium in excess of 100%. We have summaries our findings below:

Diversified metals mining companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2021	0	0.00	0.00
2020	2	22.11	38.54
2019	4	110.09	43.39
2018	3	97.24	48.47
2017	1	27.78	16.64
2016	5	66.12	81.97
2015	3	406.03	61.00
2014	4	161.99	26.87
2013	7	92.84	65.79
2012	7	184.19	60.24
2011	8	314.71	35.36

Source: Bloomberg, BDO analysis

General mining companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2021	2	2976.25	15.89
2020	7	427.74	51.58
2019	12	143.74	42.83
2018	11	87.76	53.40
2017	5	13.91	35.21
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	16	111.11	47.28
2013	17	117.99	63.99
2012	17	219.10	54.03
2011	21	811.55	37.42

Source: Bloomberg, BDO analysis

All ASX-listed companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2021	12	1,267.53	56.98
2020	26	432.79	49.28
2019	45	3,026.62	38.82
2018	46	1,077.10	41.55
2017	30	940.18	42.05
2016	42	718.51	49.58
2015	34	828.14	34.10
2014	46	507.34	39.97
2013	41	128.21	50.99
2012	51	481.33	52.19
2011	68	891.85	44.43

Source: Bloomberg, BDO analysis

The mean and median of the entire data sets comprising control transactions from 2011 onwards for diversified metal mining companies, general mining companies and all ASX-listed companies are set out below:

Entire Data Set Metrics	All ASX-Listed Companies		General Mining Companies		Diversified Metals	
	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)
Mean	934.94	44.66	310.73	51.64	169.49	51.78
Median	118.24	33.84	42.52	41.57	38.03	37.64

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium paid by acquirers of ASX-listed companies, general mining companies and diversified metals companies is approximately 44.66%, 51.64% and 51.78% respectively. However, in assessing control premium transactions, we noted transactions that appear to be extreme outliers.

These outliers included 32 ASX-listed company transactions, 13 general mining company transactions and five diversified metals mining company transactions, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 33.84% for all ASX-listed companies, 41.57% for general mining companies and 37.64% for diversified metals mining companies.

We consider an appropriate control premium to be on the lower end of historical averages as a result of the degree of business risk faced by small, early-stage exploration companies. As Lotus Resources' operations are currently on a small scale, are in the exploration phase and are therefore high risk assets, we believe that an acquirer would not be willing to pay a control premium in line with historical averages. Further, the audit report of Lotus Resources for the year ended 30 June 2020 includes an emphasis of matter relating to the material uncertainty around the ability of the Company to continue as a going concern.

Based on the above, we consider an appropriate premium for control to be between 25% and 35%.

The minority discount is calculated from the control premium identified, using the formula $[1 - (1/(1+\text{Control Premium}))]$. Therefore, the minority discount (rounded to the nearest percentile) is in the range from 20% to 26%.

Appendix 4 - Independent Valuation Report



Valuation & Resource Management

INDEPENDENT TECHNICAL ASSESSMENT & VALUATION REPORT

Presented To:

Lotus Resources Limited



Date Issued:

3 June 2021



Document Reference	Lotus Resources ITAR May 2021 RevA
Distribution	Lotus Resources Ltd Valuation and Resource Management Pty Ltd
Principal Author	Paul Dunbar BSc Hons (Geology) MSc MINEX M AusIMM M AIG  Date: 2 June 2021
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Valuation Date	25 March 2021

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Executive Summary

BDO Corporate Finance (WA) Pty Ltd (**BDO**) engaged Valuation and Resource Management Pty Ltd (**VRM**) to prepare an Independent Technical Assessment and Valuation report (**ITAR** or the Report) on the Kayelekera Uranium Project, being the main Mineral Asset of Lotus Resources Limited (ASX: LOT) (**Lotus** or the Company).

This Report is a public document, in the format of an ITAR and is prepared in accordance with the guidelines of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – The VALMIN Code (2015 edition) (**VALMIN**). VRM understands that BDO will include the Report within its IER relating to the proposed transaction.

This Report is a technical review and valuation opinion of the uranium assets of Lotus, being the Kayelekera Project and surrounding exploration ground in Malawi, east Africa. Applying the principles of the VALMIN Code, VRM has used several valuation methods to determine the value for the uranium mineral assets. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence, this valuation is not a valuation of Lotus but rather an asset valuation of the Kayelekera Project and the surrounding exploration ground.

This valuation is current as of 22 April 2021.

As commodity prices, exchange rates and cost inputs fluctuate this valuation is subject to change over time. The valuation derived by VRM is based on information provided by Lotus along with publicly available data including ASX releases, published technical information and the S&P Global subscription based database of projects, transactions, and commodity research. VRM has made reasonable endeavours to confirm the accuracy, validity and completeness of the technical data which forms the basis of this Report. The opinions and statements in this Report are given in good faith and under the belief that they are accurate and not false nor misleading.

The default currency is Australian dollars (unless otherwise stated). As with all technical valuations the valuation included in this Report is the likely value of the mineral projects and not an absolute value. A range of likely values for the various mineral assets is provided with that range indicating the accuracy of the valuation.

Kayelekera Project

The Kayelekera Uranium Project is located in Malawi, east Africa. Currently Lotus Resources owns 65% of the project. Lotus has exercised an option to increase its stake in the Kayelekera Project to 85% by mid-2021. Lotus reached an agreement with Kayelekera Resources Pty Ltd to exercise its right to acquire an additional 20% of the Kayelekera Uranium Project. The completion of this deal will see Lotus' interest in Kayelekera increase to 85%. The remaining 15% is held by the Government of Malawi (Lotus ASX release 25 March 2021).

VRM has estimated the value of the project on an equity ownership basis considering the technical information supporting its prospectivity. As at the valuation date the at Kayelekera project contains declared Mineral Resource estimates prepared applying the guidelines of the Australasian Code for Reporting of Exploration Targets, Mineral Resources and Ore Reserves - The JORC Code 2012 Edition (**JORC**). The valuation has been prepared as a sum of the parts with the value attributed to both the declared Mineral Resources and the exploration potential in the adjacent tenements. The Mineral Resources were valued using a comparable transaction method as the primary valuation technique. Secondary valuations were determined based on the yardstick approach and a Geoscientific or Kilburn method.

This report documents the technical aspects of the tenements along with explaining valuations for the properties applying the principles and guidelines of the VALMIN and JORC Codes.

Conclusions

Considering both the Resources currently defined and the exploration potential, in VRM's opinion, the mineral assets of Lotus, being 85% Kayelekera Project, have a market value of between \$11.2 million and \$17.1 million with a preferred value of \$14.0 million on an attributable equity basis. This valuation takes into account the significant environmental liabilities associated with the project and as the valuation is based on comparable transactions it also takes into account the processing infrastructure at Kayelekera. VRM has however not undertaken a separate valuation or assessment of the processing infrastructure nor the environmental liabilities.

1. Introduction

Valuation and Resource Management Pty Ltd (**VRM**), was engaged by BDO Corporate Finance (WA) Pty Ltd (**BDO**) to undertake an Independent Technical Assessment and Valuation Report (Report or **ITAR**) on the Kayelekera Uranium Project and adjacent tenements held by Lotus Resources Limited (ASX: LOT) (**Lotus** or the Company). This is in relation to the proposed transaction announced by Lotus on 22 February 2021. BDO was engaged by Lotus to prepare an Independent Expert's Report (**IER**) for inclusion in a Notice of Meeting to assist the shareholders of Lotus in relation to the proposed transaction.

VRM understands that this ITAR will be included in the IER being prepared by BDO. BDO will refer to, and rely on, the VRM report and mineral asset valuation which will be attached to its IER to inform the Lotus shareholders as to the fairness and reasonableness of the proposed transaction.

Paul Dunbar of VRM was contacted to undertake a valuation of the mineral assets of Lotus located in Malawi. BDO engaged VRM for the purposes of the ITAR and all correspondence was directed through BDO.

This Report is a public document, it is in the format of an ITAR and is prepared in accordance with the guidelines of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – The VALMIN Code (2015 edition) (**VALMIN**).

This Report is a technical review and valuation opinion of the uranium assets of Lotus, being the Kayelekera Project and surrounding exploration ground in Malawi, east Africa. Applying the principles of the VALMIN Code, VRM has used several valuation methods to determine the value for the uranium mineral assets. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence, this valuation is not a valuation of Lotus but rather an asset valuation of the Kayelekera Project and the surrounding exploration ground.

VRM has estimated the value of the Kayelekera Project (including the declared Mineral Resources and exploration ground). The technical information supporting the prospectivity of the licences and the valuation of the tenements is on a 100% interest basis to determine a market value of the project with this subsequently reduced in line with the beneficial interest in the project as at 22 April 2021. As the valuation is based on comparable transactions it is reasonable to assume that the environmental liabilities and infrastructure are also included in the valuation. Importantly in the overall project valuation uranium projects by the nature of the processing and removal of the parent radionuclide (Uranium) the tailings material contains significant daughter radionuclides and therefore have a long environmental impact on the surrounding area and significant environmental liabilities.

1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITAR is prepared applying the guidelines and principles of the 2015 VALMIN Code and the 2012 JORC Code. Both industry codes are mandatory for all members of the Australasian Institute of Mining and Metallurgy (**AusIMM**) and the Australian Institute of Geoscientists (**AIG**). These codes are also requirements under Australian Securities and Investments Commission (**ASIC**) rules and guidelines and the listing rules of the Australian Securities Exchange (**ASX**).

1.2. Scope of Work

VRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects applying the guidelines of the JORC and VALMIN Codes. These require that the Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require in making a reasoned and balanced judgement regarding the project.

VRM has compiled the valuation based upon the principle of reviewing and interrogating both the documentation of Lotus and previous exploration within the areas. This Report is a summary of the work conducted, completed, and reported by the various explorers to 22 April 2021 based on information supplied to VRM by Lotus and other information sourced from the public domain to the extent required by the VALMIN and JORC Codes.

On 6 May 2021 VRM provided a draft report of the technical sections of this report to BDO who has provided a copy to Lotus for factual accuracy checking.

1.3. Statement of Independence

VRM was engaged to undertake an ITAR. This work was conducted applying the principles of the JORC and VALMIN Codes, which in turn reference ASIC Regulatory guide 111 Content of expert reports (**RG111**) and ASIC Regulatory guide 112 Independence of experts (**RG112**).

In the past two years Ms Deborah Lord and Mr Paul Dunbar of VRM have had an association with Lotus, where VRM prepared an ITAR for inclusion in an IER that was appended to a Lotus Notice of Meeting of 19 August 2019. Other than that assignment, VRM, Mr Dunbar nor Ms Lord have had no association with Lotus, their individual employees, or any interest in the securities of Lotus which could be regarded as affecting their ability to give an independent, objective, and unbiased opinion. Neither VRM, Ms Lord nor Mr Dunbar hold an Australian Financial Services Licence (**AFSL**) and the valuation contained within this Report is limited to a valuation of the mineral assets being reviewed. VRM will be paid a fee for this work based on standard commercial rates for professional services. The fee estimated at \$30,000 (ex GST) is not contingent on the results of this review.

1.4. Competent Persons Declaration and Qualifications

This Report was prepared by Mr Paul Dunbar as the primary author with peer review by Ms Deborah Lord.

The Report and information that relates geology, exploration and the mineral asset valuation is based on information compiled by Mr Paul Dunbar, BSc (Hons), MSc (Minex), a Competent Person who is a Member of the AusIMM and Member of the AIG. Mr Dunbar is a Director of VRM and has sufficient experience, which is relevant to the style of mineralisation, geology, and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the JORC Code and a Specialist under the VALMIN Code. Mr Dunbar consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The Report and information that relates peer review of the mineral asset valuation was provided by Ms Deborah Lord, BSc (Hons), a Competent Person who is a Fellow of the AusIMM and the AIG. Ms Lord is a Director of VRM and has sufficient experience, which is relevant to the style of mineralisation, geology, and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person under the JORC Code and a Specialist under the VALMIN Code. She is an Executive Member of the VALMIN Committee and a the AusIMM Professional Conduct Committee. Ms Lord consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Between 22 April 2021 and the date of this Report, nothing has come to the attention of VRM unless otherwise noted in the Report that would cause any material change to the conclusions.

1.5. Reliance on Experts

The authors of this report are not qualified to provide extensive commentary on the legal aspects of the mineral properties or the compliance with the relevant laws governing mining within Malawi. VRM has interrogated the Malawi tenement portal website to confirm the tenements are active. As VRM and the authors of this report are not experts in the Malawi tenements or Mining Act, no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

For Lotus' Kayelekera project VRM has relied upon the following reports and information.

- Lotus ASX releases since the acquisition of the project including.
 - The updated Mineral Resource estimate – 26 March 2020
 - The Kayelekera Mine Restart Study – 20 October 2020
 - The reported Exploration Targets near the Kayelekera Deposit – 16 December 2020.
- Various ASX releases of Paladin Energy Limited (ASX PDN), the previous owner including exploration results.
- Information provided by Lotus including Paladin NI43-101 reports and resource reports from 2007 and 2009.
- Lotus Quarterly Reports and Annual Reports.

- ASX releases from other companies that have previously explored the areas and transactions associated with other uranium projects.
- Publicly available information and regional datasets including geological mapping, interpretation, reports, geophysical datasets, and Mineral Deposit information.
- An Independent Experts Report prepared by PPB Corporate Finance Pty Ltd included in an Explanatory Statement by Paladin Energy Limited dated 22 December 2017.

1.6. Sources of Information

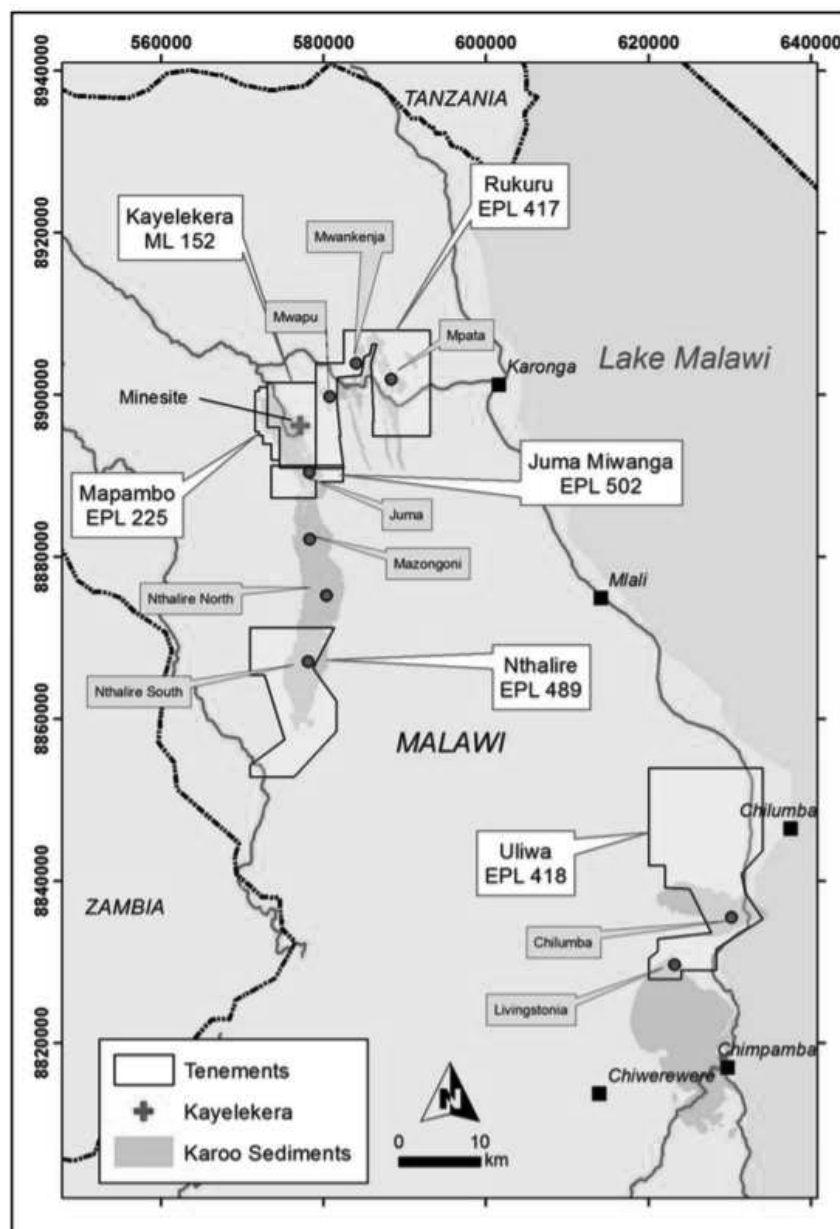
All information and conclusions within this report are based on information made available to VRM to assist with this report by Lotus and other relevant publicly available data to 22 April 2021. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary. VRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this Report and to ensure that it had access to all relevant technical information. VRM has relied on the information contained within the reports, articles and databases provided by Lotus as detailed in the reference list. A draft of this Report was provided to Lotus, to identify and address any factual errors or omissions prior to finalisation of the Report. The valuation sections of the Report were not provided to the companies until the technical aspects were validated and the Report was declared final.

1.7. Site Visits

In the current climate, VRM is unable to complete a site visit to the Project. As most of the licences are early stage exploration assets it is considered that a site visit to the early stage projects would not reveal any information that would be considered material anyway. For the more advanced Kayelekera deposit, Mr David Princep, previously a Principal Geologist and the competent person for all of Paladin, the previous project holder's, Mineral Resources has visited the Kayelekera site on numerous occasions in preparing the resources which have been reported in this report. As there has been no material change to the activities on site since the resources were last updated in VRM's opinion it is unlikely that a site visit would reveal any information that would materially modify the assumptions or content of this report.

2. Mineral Assets

The mineral assets that are included in this review include the Kayelekera Uranium Project in Malawi, east Africa. This includes Mining Licence (ML) 152 – Kayelekera that hosts the uranium deposit and five Exclusive Prospecting Licences (EPLs) surrounding and along strike of the deposit. The Project is located in northern Malawi, approximately 650 kilometres north of the capital Lilongwe and 35 kilometres west of the town of Karonga as shown in Figure 1.



Note EPL225 has been surrendered.

Figure 1 – Kayelekera Uranium Project in Malawi (Lotus ASX announcement, 24 June 2019)

The ML covers 55.5 square kilometres and the four EPL's (numbered, 417, 418, 489 and 502) an additional 588.29 square kilometres. The mineral tenure for the Kayelekera tenements are detailed in Section 2.1. The regional and local geology, exploration history, recent exploration results, mineral resource estimates and exploration potential are detailed in Section 2.2.

2.1. Tenure

The Kayelekera tenements have been validated by VRM reviewing the tenement information provided by Lotus and comparing this with the tenement register from the Malawi (<http://portals.flexicadastre.com/malawi/>). In addition to validating the information from the parties VRM has reviewed the tenement title certificates including the anniversary dates (grant and end dates), the expenditure commitments and the area of each of the tenements. VRM has noted that there were several minor differences between the reported anniversary dates, tenement areas and expenditures and the tenement certificates. In all cases VRM has reported the information acquired from the tenement certificates rather than the information provided by Lotus. The annual tenement rents are reported by the Government of Malawi as being MWK10,000 per square kilometre for exclusive prospecting licences (EPL's) and Malawi Kwacha (MWK) 50,000 per square kilometre for mining licences (MLI's).

EPL225 is detailed in the Lotus quarterly report (Lotus Quarterly Report 30 April 2021) ASX listed as being under application however a search of the tenement register does not identify a tenement application over the area that was part of EPL225, on that basis it has been removed from the tenement schedule and excluded from this valuation.

VRM has compared the tenement outline of the tenements schedule and plans reported and provided by Lotus to the project outline from the official Malawi Mining Cadastre Portal and found the tenement outlines to be consistent, other than the removal of EPL225.

Table 1: Kayelekera Project Tenement Schedule

Tenement Name	Tenement	Country	Equity	Grant Date	End Date	Area (km ²)	Rent (MWK)	Expenditure (MWK)
Kayelekera	MLI152	Malawi	85%	2/04/2007	1/04/2022	55.50	2,775,000	As Per BFS
Rukuru	EPL417	Malawi	85%	22/05/2015	21/05/2020	146.30	1,463,000	9,781,425
Uliwa	EPL418	Malawi	85%	22/05/2015	21/05/2020	276.30	2,763,000	9,221,243
Nthalire	EPL489	Malawi	85%	30/01/2018	29/01/2021	137.04	1,370,000	12,500,000
Juma-Miwanga	EPL502	Malawi	85%	20/04/2018	19/04/2021	28.65	286,500	9,500,000
Total						643.79	8,657,500	41,002,667

Notes

All tenements are 100% owned by Paladin Africa which is 15% held by the Government of Malawi.

Tenement schedule from Lotus March Quarterly Report 30 April 2021 other than the removal of EPL225

MLI Mining Licence

EPL Exclusive Prospecting Licence

MWK Malawi Kwacha

The area, expenditure and anniversary dates for each tenement have been validated from the original tenement certificates previously provided to VRM and a search of the Malawi tenement portal

VRM relies on and has reviewed the tenement information supplied by Lotus and the Malawian Department of Mines tenure website as detailed above on 22 April 2021 and these tenements were all listed as active however all tenements are also listed as renewal pending. VRM is not qualified or a specialist in the mining tenure or mining act of Malawi and as no warranty, actual or implied is made regarding the validity or security of the tenure listed in Table 1: above. All tenements are documented as renewal pending which VRM understands to relate to the assessment and renewal of the tenements as per the regulations and that all renewal documents have been lodged with the required Malawian government departments.

A production royalty is also payable to Power Resources Inc. (USA), of 0.75% of the gross proceeds received by Paladin for the production and sale of uranium and other minerals from the Kayelekera Project, escalating to 1.25% of gross proceeds following recovery of investment capital (including all exploration and development costs). VRM believes that this royalty has transferred to Lotus as a part of the project acquisition.

2.2. Kayelekera Project

The Kayelekera project consists of a known uranium resources and surrounding ground with exploration potential. Mineral Resources within the project total 24.6Mt at 660ppm U_3O_8 for 36 million pounds of contained U_3O_8 (Lotus ASX Announcement 26/03/2020). The mineral resource is reported in accordance with the JORC Code (2012).

The March 2020 Mineral Resource is summarised in Table 2 with 11% (by metal content) classified as Measured, 72% classified as Indicated and 17% classified as Inferred. The in-situ Mineral Resources were estimated at several cut-off grades using Multiple Indicator Kriging with block support correction (Lotus ASX Announcement 26/03/2020).

2.3. Regional Geological Setting

The Kayelekera deposit is sandstone-hosted within Permian carbonaceous and pyritic arkose sediments of the Karoo rift-fill sequence of East Africa. Kayelekera is located close to a tectonic domain boundary between two Proterozoic domains known as the Ubendian and Irumide domains. The elongate Ubendian domain comprises medium to high metamorphic grade rocks and intrusions referred to as the Malawi Basement complex. Major north west – south east shear zones transect the basement complex and offset the Karoo sequence rocks. Late- to post-tectonic granitoids dated at 1.86 Ga, intrude the sequence (Wilde *et al*, 2015).

In contrast the Irumide domain consists of a basement of deformed Lower Proterozoic crystalline rocks, overlain by sedimentary sequences of the Muva Supergroup. These were intruded by 1.60 Ga granitoids.

Wilde *et al* (2015) infer that the Karoo Basins were unconformably deposited on the Ubendian /Irumide basement after a protracted period of erosion, as limited Upper Proterozoic and Lower Phanerozoic sediments have been preserved. Karoo Basins are generally expressed as either north east – south west

oriented or NNW-SSE trending as depicted in Figure 2. Kayelekera is hosted within the Karoo aged sediments of the North Rukuku basin in a north-south orientation.

Table 2: Kayelekera March 2020 Mineral Resource Estimate

Source: Lotus Resources ASX Announcement 23 March 2020

	Mt	Grade (U₃O₈ ppm)	U₃O₈ (M kg)	U₃O₈ (M Lb)
Measured	0.7	1,010	0.7	1.5
Measured - RoM Stockpile ¹	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 ²	2.4	290	0.7	1.5
Total All Material	27.1	630	17.0	37.5

¹ RoM stockpile has been mined and located near mill facility.

Low-grade material was mined and placed on the low-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this optionality.

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; Stockpiles have been depleted to the end of processing in June 2014. Metal contents are based on contained metal in the ground and take 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

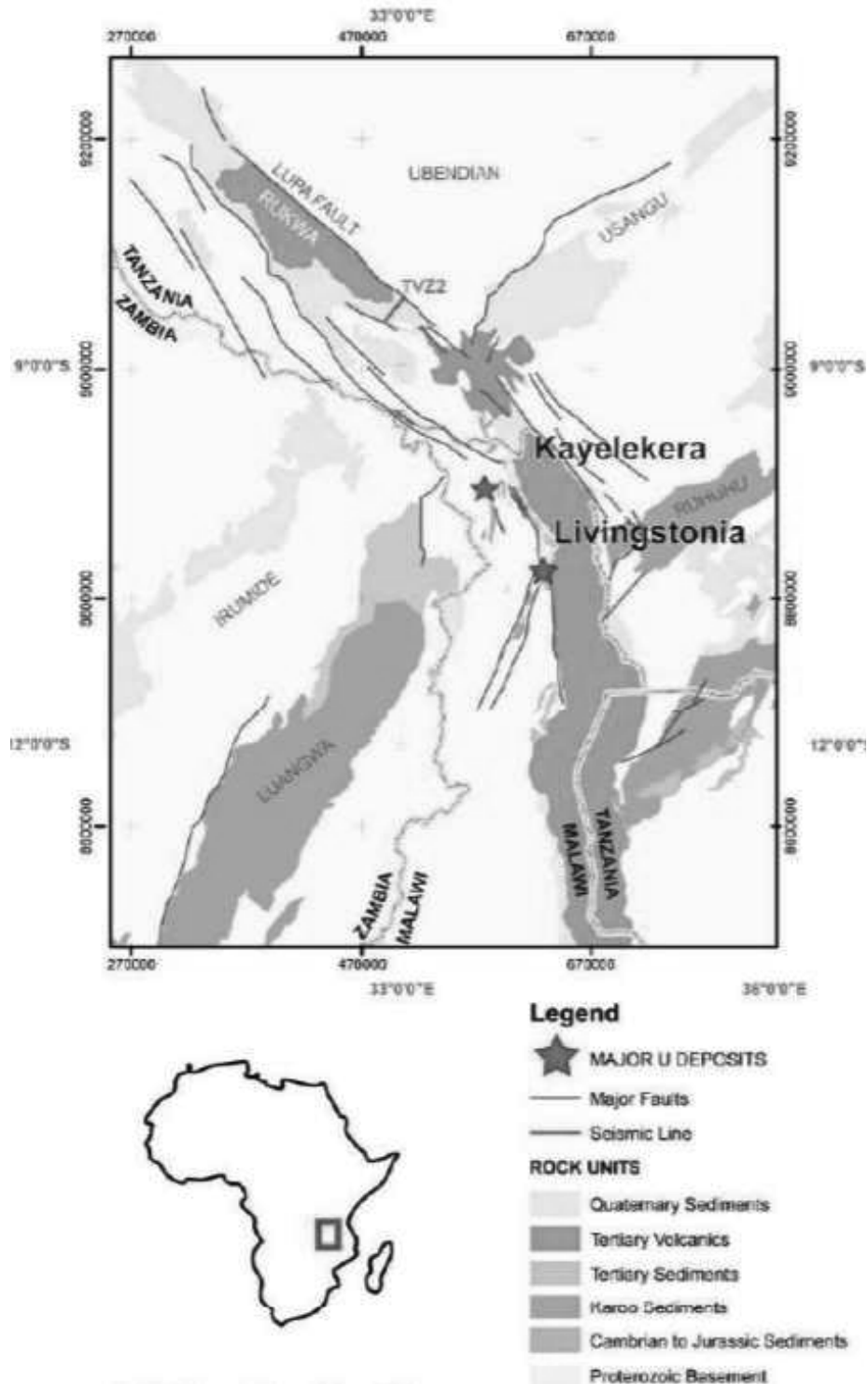
2.4. Local Geology

The oldest sediments of the North Rukuku basin are locally termed the 'Basal Beds'. These comprise glacial and lacustrine sediments (K1) overlain by coal measures and arkose (K2). North Rukuku Sandstone units are termed K3 to K5, made up of several informal groupings of sandstones and mudstones. The Kayelekera member (K4) is the main uranium host and is marked at its base by a distinctive bed containing fossilised wood at the top of the Muswanga member (K3).

The Kayelekera member (K4) is about 150 thick and has been further divided into at least ten individual arkose units, ranging in thickness up to 14m and separated by shale units. A plan of this relationship is shown in Figure 3 while Figure 4 shows the stratigraphic column from the area. The stratigraphic column indicated the average thickness of multiple distinctly different geological units. Mineralisation occurs within four principal lenses developed within the arkose units called S and T, the combined mudstone arkose units U, V and W and the arkose unit X.

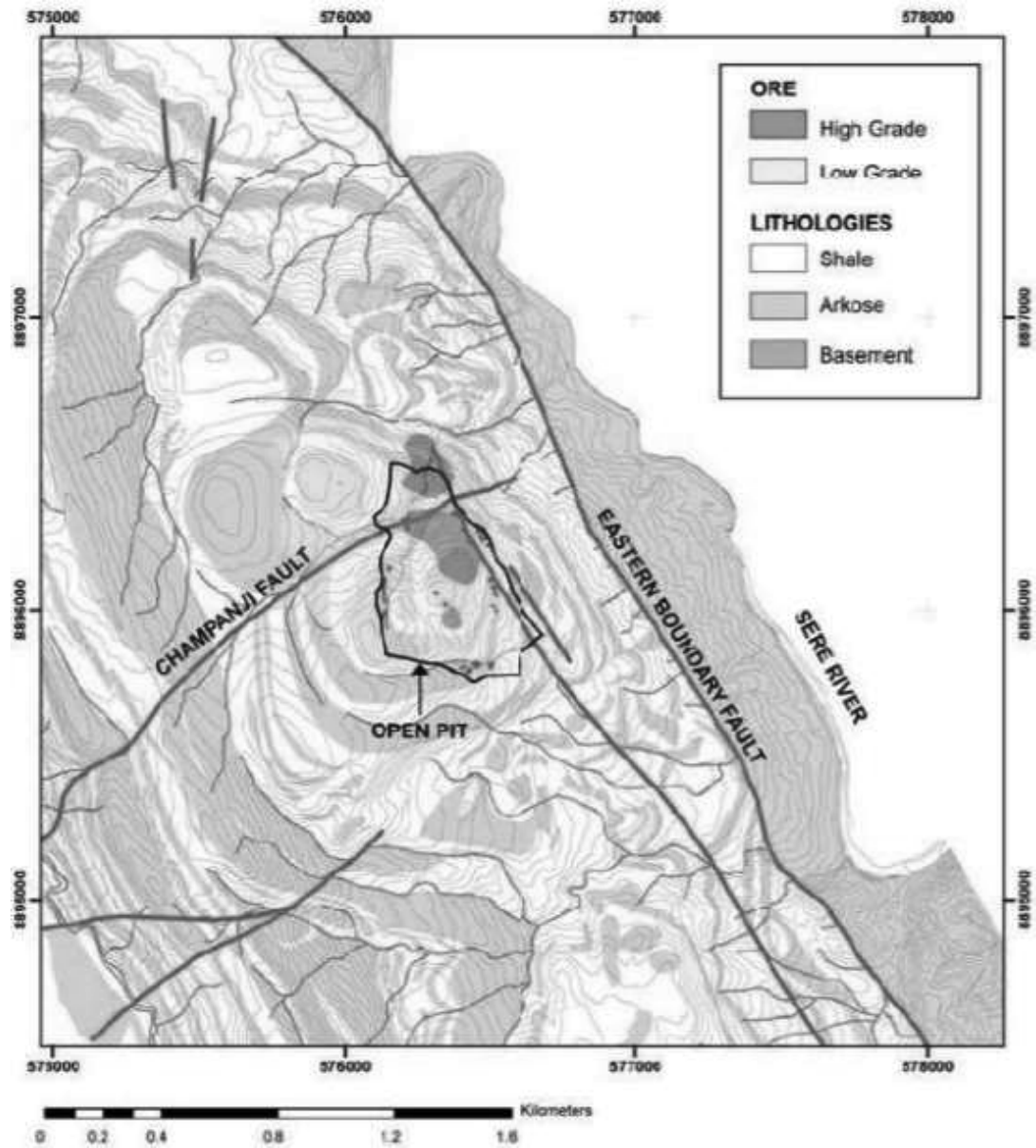
At Kayelekera the uranium mineralisation is dominantly hosted in the arkose units, adjacent to the Eastern Boundary Fault zone (Figure 3:) with the mineralisation forming tabular bodies within the arkose units other than adjacent to a fault parallel to the Eastern Boundary fault on the eastern edge of the pit where mineralisation also occurs in mudstones adjacent to the fault. The highest grade positions of the deposit

occur where the Eastern and Champanji faults intersect. As a general rule the grade and thickness of the mineralisation is highest adjacent to these faults.



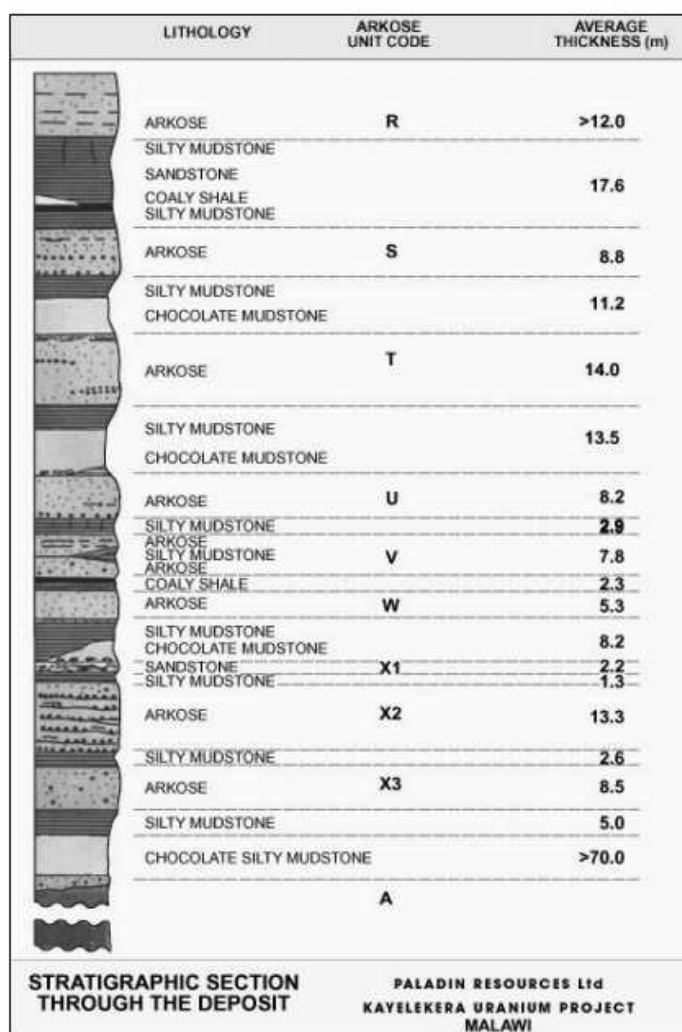
Source: Wilde et al, 2015

Figure 2: Kayelekera Project regional geology setting.



Source: Wilde et al, 2015

Figure 3: Local geology of the Kayelekera pit area.



(Source: Princep and Hutson, 2009)

Figure 4: Stratigraphic column for the Kayelekera region Previous Exploration Kayelekera Project

The Central Electricity Generating Board of Great Britain (CEGB) discovered the Kayelekera sandstone uranium deposit in the early 1980's and undertook significant drilling and evaluation work resulting in a full feasibility study being completed in 1991. That study indicated that the project was not economic, primarily due to the low uranium price at the time. The tenement was surrendered in the early 1990's. Paladin acquired a 90% equity in the project through a joint venture in the late 1990's and acquired the entire project in 2005.

A feasibility study commenced in 2005 and in 2007 the mining licence was granted for a 15 year period. The grant of the mining licence occurred after a Development Agreement was executed between Paladin and the Government of Malawi. That agreement secured several significant economic benefits for the project in return for a 15% equity in the project being transferred to the Government of Malawi. Mining operations commenced in 2007. The processing plant at Kayelekera was designed to process 1.5Mt per annum for an expected 3.3Mlb of U_3O_8 per year. Between commissioning the processing plant and suspension of the

operation in early 2014 Kayelekera has produced 10.9Mlb of uranium.

Lotus Resources completed the acquisition of the Kayelekera Project from Paladin in March 2020.

The Paladin Energy Limited NI43-101 technical report lodged on 5 January 2009 which is available on the SEDAR website (www.Sedar.com) details the previous exploration and production history from the mine.

2.5. Recent Exploration Activities

Since the Kayelekera mine was placed on care and maintenance in early 2014 there has been minimal exploration on the regional tenements or the Kayelekera mining lease. Eleven targets were identified by Paladin from earlier airborne radiometric and magnetic surveys completed in 2008. These targets were partly drill tested prior to the suspension of the mining and processing activities at Kayelekera. Paladin had focussed its exploration efforts targeting high grade mineralisation ($>1000\text{ppm U}_3\text{O}_8$) that could supplement the mill feed at Kayelekera. The early exploration activities were reported by Paladin to intersect weak uranium mineralisation however no high grade uranium mineralisation had been identified at the time of the suspension of mining.

Regional work away from the Kayelekera deposit that has been completed since 2008 includes.

- An airborne radiometric and magnetic survey which has been the main targeting tool.
- Ground radiometric surveys focused on anomalous areas identified by the airborne survey.
- Pitting and trenching of selected targets (mainly Mapambo)
- Reverse Circulation Percussion (RCP) drilling in seven target areas (195 holes)
- Acquisition of satellite imagery (Aster and Alos)
- Geological mapping and traversing.

VRM has reviewed several non-public reports completed by the Paladin exploration geologists and considers that while the recent exploration has identified several encouraging targets significant additional work is required to determine the exploration potential within the tenements adjacent to or along strike of the Kayelekera deposit. Overall, the exploration tenements are considered very early stage exploration projects.

2.6. Kayelekera Mineral Resource Estimate

The mineral resource estimate at Kayelekera was updated by Lotus in March 2020. The resource estimate is an update of Paladin's 2019 resource and includes a previously unmodelled high-grade basal arkose unit beneath the pit, and inclusion of existing Run of Mine ('RoM') and low-grade stockpiles created while Kayelekera was in production from 2009 to 2014. The stockpiles have already been mined and sit near the processing plant (Lotus ASX Announcement 23/03/2020).

The Mineral Resource estimates for the Kayelekera deposit were prepared by David Princep of Gill Lane Consulting. David Princep visited the Kayelekera Project on numerous occasions since 2003 with the most recent being in October 2013 just before the project was placed on care and maintenance. Mr. Princep is a Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional Geologist. Mr.

Princep has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration 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 (JORC 2012).

The 2020 Mineral Resource was reported in accordance with the JORC Code (2012). Current resources (as outlined in Table 2: Kayelekera March 2020 Mineral Resource Estimate are 37.5Mlb U₃O₈ (27.1Mt @ 630ppm U₃O₈).

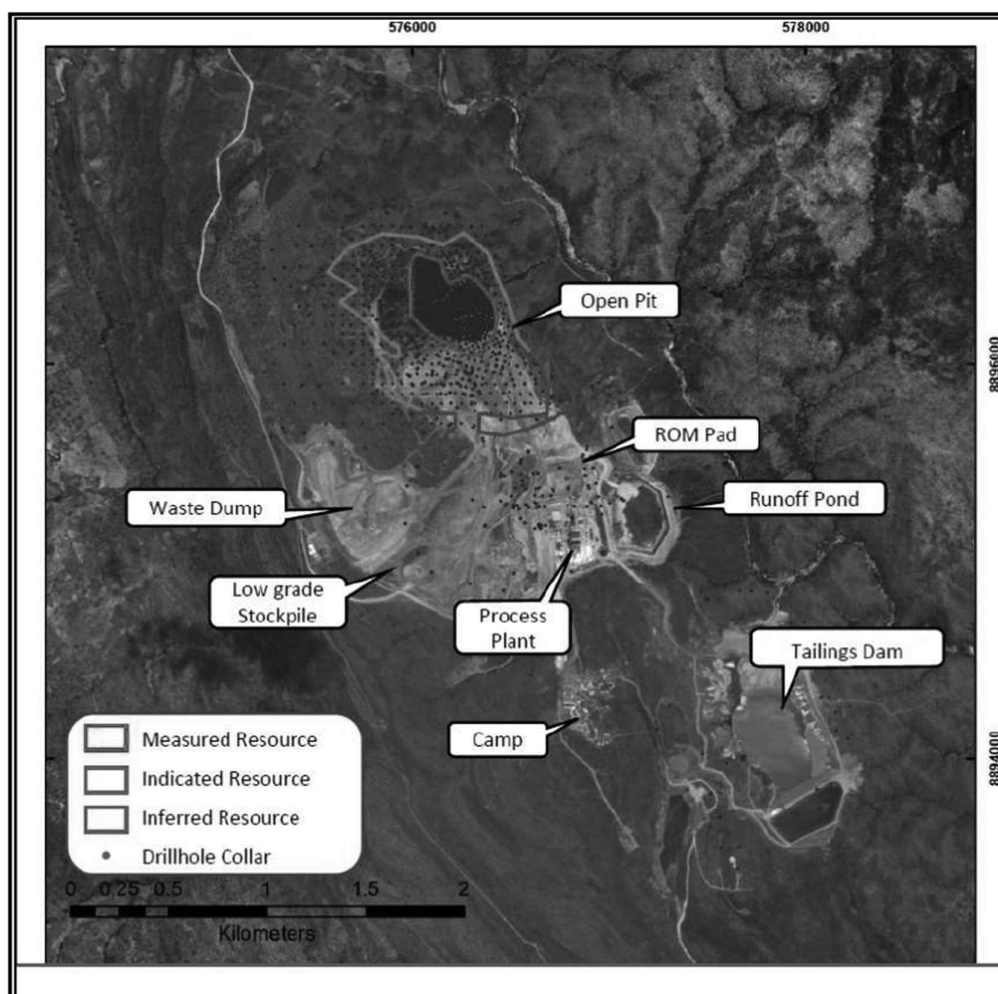
The March 2020 Mineral Resource includes 11% (by metal content) classified as Measured, 72% classified as Indicated and 17% classified as Inferred. The in-situ Mineral Resources were estimated at several cut-off grades using Multiple Indicator Kriging with block support correction (refer Table 3 for in-situ pit resources exclusive of stockpiles). The primary model panel dimensions are 20mE x 20mN x 2mRL. The estimates assume that final grade control sampling at approximately 3.5mE x 3.2mN x 1mRL spacing will be available prior to final mining and a selective mining unit of approximately 3mE x 3mN x 2mRL. Stockpile values were taken from surveyed stockpiles with average grades based upon grade control tracking. Figure 5 displays the mineral resource location relative to infrastructure.

Table 3: 2020 Kayelekera Mineral Resources in-situ pit resources reported above various U₃O₈ cut-offs.

(Lotus Resources ASX Announcement 23/03/2020)

cut-off ppm	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total In-situ Pit Material;			
	Mt	Grade (U ₃ O ₈ ppm)	M kg U ₃ O ₈	Mt	Grade (U ₃ O ₈ ppm)	M kg U ₃ O ₈	Mt	Grade (U ₃ O ₈ ppm)	M kg U ₃ O ₈	Mt	Grade (U ₃ O ₈ ppm)	M kg U ₃ O ₈	Mlb U ₃ O ₈
100	1.2	660	0.8	49.7	360	17.7	20.6	240	4.9	71.5	330	23.3	51.4
200	0.9	840	0.7	28.3	520	14.6	7.2	420	3.0	36.3	510	18.4	40.5
300	0.7	1,010	0.7	18.7	660	12.3	3.7	590	2.2	23.0	660	15.1	33.4
400	0.5	1,170	0.6	13.2	790	10.4	2.4	720	1.7	16.1	790	12.7	28.0
500	0.5	1,310	0.6	9.7	910	8.8	1.6	840	1.4	11.8	920	10.8	23.8
600	0.4	1,440	0.6	7.3	1,030	7.5	1.2	960	1.1	8.9	1,030	9.2	20.3
700	0.3	1,550	0.5	5.7	1,140	6.4	0.9	1,060	0.9	6.9	1,150	7.9	17.4
800	0.3	1,660	0.5	4.4	1,250	5.5	0.7	1,160	0.8	5.4	1,260	6.8	14.9
1000	0.2	1,880	0.4	2.7	1,470	4.0	0.4	1,360	0.5	3.4	1,480	5.0	10.9
1200	0.2	2,100	0.4	1.7	1,680	2.9	0.2	1,550	0.3	2.1	1,710	3.6	8.0
1500	0.1	2,390	0.3	0.9	2,020	1.7	0.1	1,830	0.2	1.1	2,050	2.2	4.9
2000	0.1	2,810	0.2	0.3	2,590	0.8	0.0	2,320	0.0	0.4	2,620	1.1	2.3

¹ These figures only include in-situ pit mineral resources; no existing RoM stockpiles are included. 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. Metal content based on contained metal in the ground and takes no account of mining or metallurgical recoveries, mining dilution or other economic parameters.



(Lotus Resources ASX Announcement 23/03/2020)

Figure 5: Mineral resource showing summary classification.

2.7. Project Status, Technical and Economic Studies

The Kayelekera project operated from 2007 to 2014 producing 10.9 million pounds of uranium oxide concentrates. The project has been on care and maintenance since 2014. Prior to initial production in 2007 the project had multiple pre-feasibility and feasibility studies completed prior to commencement of construction and a decision by the then owners Paladin Energy Limited to construct the mine. These studies, while not reported in accordance with JORC 2012, were reported and documented to the required reporting standards at the time they were completed.

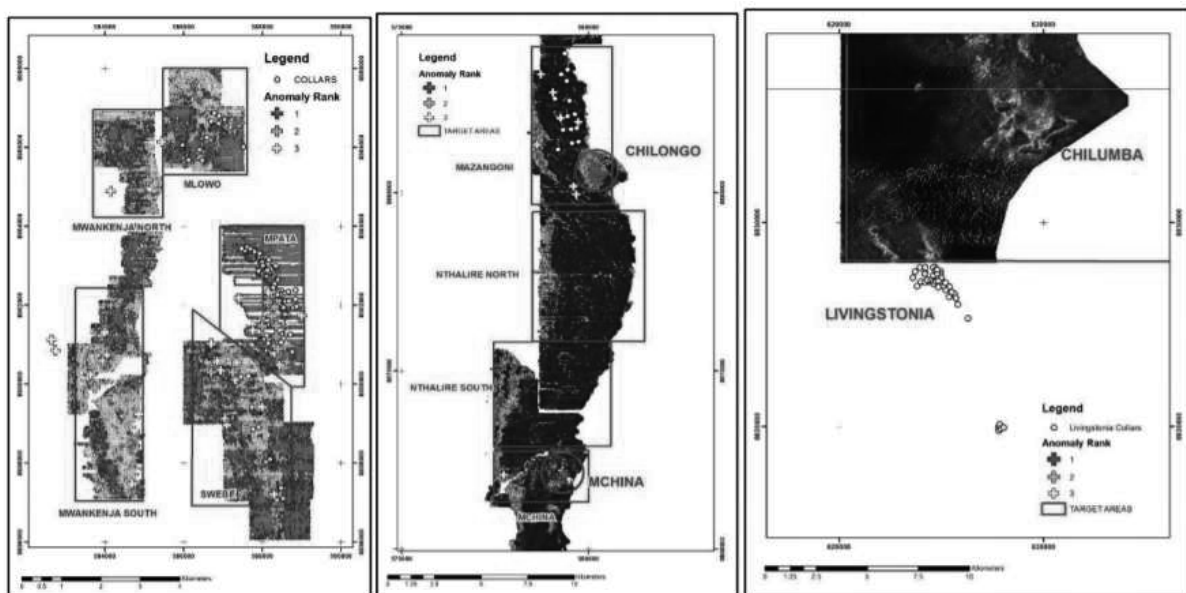
Since Lotus secured the project, the company has undertaken a “Re-Start Study” which VRM considers to be a Scoping Study. There are no reported Ore Reserves as there have not been recent and updated studies to document the modifying factors required under JORC 2012. The most recent study by Lotus, ASX release 20 October 2020, details the assumptions in the Re-Start Study and reports that the project has the potential to support a viable long term operation in the right uranium price environment. VRM agrees with this statement.

2.8. Exploration Potential

There is considerable exploration potential within the extensive Karoo sediments within the exploration and mining tenements that constitute the Kayelekera uranium project. The main targeting tool that has been used by Paladin since 1999 has been airborne radiometric and magnetic surveys with these followed up by ground based magnetics and radiometric surveys. A total of 195 regional exploration holes have been drilled in the area since 2008 with Paladin targeting high grade ($>0.1\% \text{ U}_3\text{O}_8$) mineralisation that is capable of being processed at the Kayelekera processing plant. No regional exploration holes have been drilled by Lotus since their acquisition of the project.

There are several targets within the exploration tenements that require additional work including at the Mwankeja South, Livingstonia and Chilumba prospects. Additional structural targets exist at the Nthalire areas as shown in Figure 6.

Most of these targets have exposed Karoo sediments mapped by both regional and detailed company generated geological mapping. Significant additional work is required on the regional tenements and the various targets within the Kayelekera mining lease.



(Source: Hylea ASX release, 24 June 2019)

Figure 6: Regional Radiometric Surveys identifying the priority targets.

Lotus has announced an Exploration Target on several prospects within the general area of the Kayelekera deposit (Lotus ASX release 16 December 2020). The total of the three Exploration Targets is between 6Mt and 21Mt at 300 ppm U_3O_8 and 600ppm U_3O_8 for between 7Mlb U_3O_8 and 14Mlb U_3O_8 . VRM has reviewed this Exploration Target and considers that they comply with JORC 2012 however VRM does caution that these targets are conceptual in nature, insufficient work has been completed to allow the estimation of a Mineral Resource and it is unclear if additional work would result in the estimation of a Mineral Resource.

5. Valuation Methodology

The VALMIN Code outlines various valuation approaches that are applicable for Properties at various stages of the development pipeline. These include valuations based on market-based transactions, income or costs as shown in Table 4 and provides a guide as to the most applicable valuation techniques for different assets.

Table 4 VALMIN Code 2015 valuation approaches suitable for mineral Properties.

Valuation Approaches suitable for mineral properties				
Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

According to the VALMIN definitions of project status the Kayelekera project would be classified as a pre-development project with existing infrastructure, existing Resources, early stage prospects and conceptual targets. Given the project has a significant capital expenditure already spent on the existing processing plant and associated infrastructure, which is on care and maintenance VRM considers that the project would be better classified as a Development project. In addition to this infrastructure there are also significant environmental liabilities associated with the project including a US\$10 million cash bond. While VRM has not undertaken an analysis as to the true extent of the environmental liabilities or the specific aspects that the liabilities relate it is reasonable to assumed that the environmental liabilities are associated with the Tailings Storage Facility (TSF), the open pit void and the processing plant and associated infrastructure. Uranium projects are unique in that they have very high environmental impacts and long term rehabilitation requirements. These are generally associated with long term security of the TSF and ensuring that there is no radionuclide release from the TSF.

There are no Ore Reserves for the project therefore VRM has not used an income approach in this valuation.

There is a Mineral Resource which is reported under the JORC Code (2012). Development Projects are defined in VALMIN as tenure holdings for which a decision has been made to proceed with construction or production or both.

5.1. Previous Valuations

In 2019 as a part of the initial acquisition of the project by Lotus VRM completed a valuation of the Kayelekera Project. That valuation and ITAR were included in an Independent Experts Report prepared by Moore Stephens and included in the Lotus Alteration to Notice of Meeting, ASX release 19 August 2019. The VRM report was dated 19 August 2019.

5.2. Valuation Subject to Change

The valuation of any mineral Property is subject to several critical inputs most of these change over time and this valuation is using information available as of 25 March 2021 being the valuation date of this Report and considering information up to the valuation date. This valuation is subject to change due to updates in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the properties, the current and future metal prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. While VRM has undertaken a review of several key technical aspects that could impact the valuation there are numerous factors that are beyond the control of VRM.

As at the date of this Report in VRM's opinion there have been no significant changes in the underlying inputs or circumstances that would make a material impact on the outcomes or findings of this Report.

5.3. General assumptions

The Mineral Assets of Lotus are valued using appropriate methodologies as described Table 4 and in the following sections. The valuation is based on several specific assumptions detailed above, including the following general assumptions.

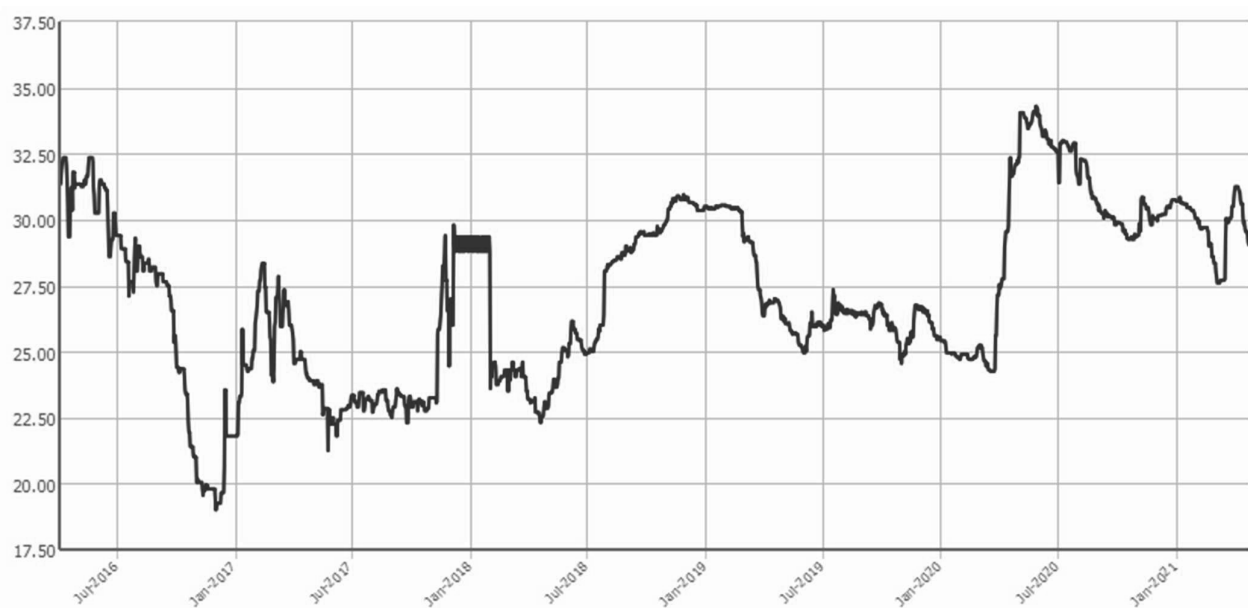
- That all information provided to VRM is accurate and can be relied upon,
- The valuations only relate to the Lotus Mineral Assets located within tenements controlled by the Company and not the Company itself nor its shares or market value,
- That the mineral rights, tenement security and statutory obligations were fairly stated to VRM and that the mineral licences will remain active,
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe,
- That the owners of the mineral assets can obtain the required funding to continue exploration activities,
- The following commodity prices and exchange rates have been used in this valuation and are (as at 25 March 2021).
 - Uranium US\$30.10/lb (S&P Global)
 - The AUS\$ - Malawian Kwacha (K) exchange rate of 592.7232 (www.xe.com).
 - The US\$ - AUS\$ exchange rate of 0.7567 (www.xe.com).
- All currency in this report are Australian Dollars or AUS, unless otherwise noted, if a particular value is in United States Dollars, it is prefixed with US\$ while Malawian Kwacha is prefixed with (MWK).

5.4. Uranium Market Analysis

As the Kayelekera project that has been valued in this Report is highly prospective for Uranium it is important to note the current market conditions and supply and demand fundamentals of the Uranium market.

The Uranium market, while a semi traded commodity is best described as an opaque market with most uranium oxide concentrates being sold on long term contracts, with the terms of these contracts commercially sensitive to both the buyer and the seller. The concentrates are typically sold to nuclear utilities who operate the globally significant Nuclear Power Plant "Fleet". As a nuclear power plant is a highly capital intensive investment with a very long operational life of around typically of at least 40 years when first put into operation the requirement for sufficient fuel to operate the power plant at a high efficiency and high availability is critical. For this to occur most utilities have a significant stockpile of uranium oxide concentrates at various levels of enrichment to ensure stability of the fuel supply. Since the tsunami and nuclear accident in Japan in 2011 the price of uranium oxide concentrates has been significantly depressed however in the past year there has been an improvement in the spot uranium price which traditionally is a pre-cursor to additional support in the much larger and opaque long term contract prices. The uranium price for the past 5 years is shown in Figure 7 below.

Additional demand is likely linked to the status of the global economy and economic growth, especially with the expected future demand for lower carbon production in a power generation. Nuclear energy is currently the one of the lowest carbon emitting sources of base load power, which is required to ensure that an interconnected power grid remains stable and efficient. Renewable energy sources like solar and wind power are unable to provide the grid stabilising base load power. Low cost efficient stable power is critical in economic growth; therefore, it is reasonable to assume that there will be an increased demand for uranium oxide concentrates with the ongoing shift toward a lower carbon. There is global uncertainty in most commodity markets with regard to the outbreak of COVID-19 and the resulting impact to the world economy however with vaccine development and an expectation that the effects of COVID-19 while significant in the short term will likely have minimal impact on the long term uranium fundamentals. The COVID-19 pandemic will however create significant short term operation impacts on the activities in and travel to Malawi, especially from Australia.



(Source: S&P Global Market Intelligence)

Figure 7 - Five year Uranium price graph in US\$/lb

5.5. Valuation of Advanced Properties

There are several valuation methods that are suitable for advanced Properties including the following:

- Financial modelling including discounted cash flow (DCF) valuations (generally limited to Properties with published Ore Reserves),
- Comparable Market Based transactions including Resource and Reserve Multiples
- Joint Venture Transactions
- Yardstick valuations

5.5.1. Comparable Market Based Transactions – Resource Based

A comparable transactional valuation is a simple and easily understood valuation method which is broadly based on the real estate approach to valuation. It can be applied to a transaction based on the contained metal for projects with Mineral Resource or Ore Reserves estimates reported. Advantages of this type of valuation method include that it is easily understood and applied, especially where the resources or tenement area is comparable, and the resource or exploration work is reported according to an industry standard (like the JORC Code or NI43-101).

However, is not as robust for projects where the resources are either historic in nature, reported according to a more relaxed standard, or are using a cut-off grade that reflects a commodity price that is not justified by the current market fundamentals. If the projects being valued are in the same or a comparable jurisdiction, then it removes the requirement for a geopolitical adjustment. Finally, if the transaction being used is recent then it should reflect the current market conditions.

Difficulties arise when there are a limited number of transactions, where the projects have subtle but identifiable differences that impact the economic viability of one of the projects. For example, the requirement for a very fine grind required to liberate gold from a sulphide rich ore or where the ore is refractory in nature and requires a non-standard processing method. As the comparable transactions are considered to be similar to the project being valued aspects like environmental liabilities are generally included in the valuation. Additionally, if the comparable transactions are associated with projects with infrastructure for example a processing facility, then the price paid by other market participants is considered an accurate reflection of the value of the entire project including the processing facility. There are often significant differences in the comparable transactions especially for uranium projects given the highly varied geological and processing methods which all have a difference cost structure when operational and also a significant difference in the environmental rehabilitation and potential liabilities.

The information for the comparable transactions has been derived from various sources including the ASX and other securities exchange releases associated with these transactions, a database compiled by VRM for exploration stage projects (with resources estimated) and development ready projects.

This valuation method is typically the primary valuation method for exploration or advanced (pre-development) projects where Mineral Resources have been estimated. More advanced projects would generally be valued using an income approach due to the modifying factors for a mining operation being better defined.

The preference is to limit the transactions and resource multiples to completed transactions from the past two to three years in either the same geopolitical region or same geological terrain. The comparable transactions have been compiled where Mineral Resources and in some cases Ore Reserves have been estimated. Appendix A details the Resource Multiples for a series of transactions that are considered at least broadly comparable with the Kayelekera Project.

5.5.2. Yardstick Valuation

A yardstick valuation was undertaken as a check of the comparable transactions. This yardstick valuation is based on a rule of thumb as supported by a large database of transactions where resources and reserves at various degrees of confidence are multiplied by a percentage of the spot price. The yardstick valuation factors used in this report are in line with other yardstick valuation factors commonly used by other independent specialists and used in other VALMIN reports such as Naidoo *et.al.* (2016). The US\$-AUS\$ exchange rate and base metal price as of 25 March 2021 and documented above have been used to determine the yardstick valuation. Due to the likely product from the mining operation being a uranium concentrate the yardstick multiples used are between 1% and 2% of the product value for Measured Mineral Resources and stockpiles, 0.5% and 1% for Indicated Mineral Resources and 0.3% and 0.5% for Inferred Mineral Resources.

6.6 Exploration Asset Valuation

To generate a value of an early stage exploration Property or the exploration potential away from a mineral deposit it is important to value all the separate parts of the mineral assets under consideration. In the case of the advanced Properties the most significant value drivers for the overall Property are the declared Mineral Resources or Ore Reserves, while for earlier stage Properties a significant contributor to the Property's value is the exploration potential. There are several ways to determine the potential of pre-resource Properties, these being:

- A Geoscientific (Kilburn) Valuation
- Comparable transactions (purchase) based on the Properties' area.
- Joint Venture terms based on the Properties' area.
- A prospectivity enhancement multiplier (PEM)

The methodology to determine the Comparable transactions based on a projects area is undertaken using the same methodology as that described for the Comparable transactions' valuation for advanced projects section; however transactional value is applied to the project's area rather than the Mineral Resources or Ore Reserves. The Joint Venture terms valuation is similar to the comparable transactions based on the project area, other than a discount to the Joint Venture terms is applied to account for the time value of money (an appropriate discount rate is applied) and a discount to the earn-in expenditure to account for the chance that the Joint Venture earn-in expenditure is not completed in the agreed timeframe.

VRM considers a Geoscientific or Kilburn valuation as a robust valuation method. The comparable transaction multiples can also be useful but are strongly related to the projects tenement area so can be conservative for small areas and overstate large areas. It is the view of VRM that the least transparent and most variable valuation method is a PEM valuation as this depends on an assessment of the effectiveness of the expenditure.

6.6.1 Geoscientific (Kilburn) Valuation

One valuation technique that is widely used to determine the value of a project that is at an early exploration stage without any Mineral Resources or Ore Reserve estimates was developed and is described in an article published in the CIM bulletin by Kilburn (1990). This method is widely termed the geoscientific method where a series of factors within a project are assessed for their potential.

While this technique is somewhat subjective and open to interpretation it is a method that when applied correctly by a suitably experienced specialist enables an accurate estimate of the value of the project. There are five critical aspects that need to be considered when using a Kilburn or Geoscientific valuation, these are the base acquisition cost, which put simply is the cost to acquire and continue to retain the tenements being valued. The other aspects are the proximity to both adjacent to and along strike of a major deposit (Off Property Factors), the occurrence of a mineral system on the tenement (On Property Factors), the success of previous exploration within the tenement (Anomaly Factors) and the geological prospectivity of the

geological terrain covered by the mineral claims or tenements (Geological Factors). In early stage projects often the anomaly factors and geological factors have limited information.

While this valuation method is robust and transparent it can generate a very wide range in valuations, especially when the ranking criteria are assigned to a large tenement. This method was initially developed in Canada where the mineral claims are generally small therefore reducing the potential errors associated with spreading both favourable and unfavourable ranking criteria to be spread over a large tenement. Therefore, VRM either values each tenement or breaks down a larger tenement into areas of higher and lower prospectivity.

Table 5 documents the ranking criteria while the inputs and assumptions that were used to derive the base acquisition cost (**BAC**) for each tenement are detailed in the valuation section below.

VRM determines the BAC based on the holding cost of maintaining the tenement for the next year. That cost is determined by the minimum exploration commitment required on the tenement. The BAC is derived from the tenement rents and exploration commitments on tenements in Malawi as detailed in the tenure section above.

The technical valuation derived from the Kilburn ranking factors are frequently adjusted to reflect the geopolitical risks associated with the location of the project and the current market conditions toward a specific commodity or geological terrain. These adjustments can either increase or decrease the technical value to derive the fair market valuation.

Using the ranking criteria from Table 5 along with the base acquisition costs tabulated in the appendices an overall technical valuation is determined.

Table 5 Ranking criteria are used to determine the geoscientific technical valuation.

Geoscientific Ranking Criteria				
Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally unfavourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within	No targets defined	Generally favourable geological setting

Geoscientific Ranking Criteria

1.5	Mineralisation identified	Mineralisation identified	Target identified; initial indications positive	
2.0	Resource targets identified	Exploration targets identified		Favourable geological setting
2.5			Significant intersections – not correlated on section	
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant previous production		Mineralised zones exposed in prospective host rocks
3.5			Several significant ore grade intersections that can be correlated	
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike from world class mine			

The technical valuation was discounted / escalated to derive a market valuation. A market factor was derived to account for the status of the Uranium price which, while depressed based on the are currently elevated as shown in Figure 7. Based on the commodity prices the technical valuation for each tenement was decreased by 15%. There are social, environmental, and geopolitical risks associated with the projects therefore a slight discount of 30% has been applied, this elevated geopolitical discount is partly due to the COVID-19 pandemic and the short term impacts of the travel restrictions.

For early stage Projects (where there are no Mineral Resources estimated), VRM typically considers the Geoscientific (Kilburn) Valuation method to be the most robust and is commonly the primary valuation method used.

7 Lotus Mineral Property Valuation

7.1 Kayelekera Project Valuation

The mineral assets been valued as a part of this ITAR are the Kayelekera uranium deposit and the mining lease that it is within and four separate, partly adjacent exploration tenements, as detailed in section 3 above. All these assets are within Malawi, southeast Africa. The assets include the;

- Kayelekera uranium deposit including Mineral Resources and Kayelekera mining lease (MLI 152)
- The early stage exploration tenements including.
 - Rukuru (EPL417)
 - Uliwa (EPL418)
 - Nthalire (EPL489) and
 - Juma-Miwango (EPL502)

As the Kayelekera deposit hosts a JORC 2012 Mineral Resource Estimate and no current Ore Reserves the primary valuation has been determined using comparable transactions (resource multiplier) method. The total asset value of the combined project has been derived using a sum of the parts being the mining lease including the infrastructure and environmental liabilities determined by comparable transactions based on resource multiples. The value of the exploration potential on the adjacent tenement has been determined by a comparable transaction (area based multiple) valuation.

Paladin Energy Limited, the previous owner of the project undertook a study into the re-start of the project prior to divesting the project in 2019. At that time Paladin was in financial difficulty with two uranium projects on care and maintenance. The considerable costs associated with the care and maintenance on the two projects and the scale of their other project are likely reasons for Paladin divesting the project.

While Lotus has completed a Re-Start Study into the Kayelekera Mine (ASX release 20 October 2020) the content of that study has been considered in determining potentially comparable transactions however it has not been used to determine an income based valuation. One of the findings in that report was that there are no material technical issues restricting a re-start of the operations. Importantly the underlying uranium market required a significantly higher uranium price to provide a sufficient return on the required investment.

Secondary valuation methods have also been undertaken as a check to the primary valuation method. Secondary valuation methods used for the mining lease includes a yardstick valuation while the secondary valuation for the exploration tenements has been determined based on a geoscientific or Kilburn valuation.

The valuation of the Kayelekera Uranium Project undertaken by VRM was undertaken as a sum of the individual parts basis with several valuations undertaken for the mining lease and associated Resources (the Kayelekera uranium deposit) with additional value derived from the exploration upside associated with the four surrounding exploration tenements. The valuation of the mining lease has taken into account the

environmental liabilities and the infrastructure associated with the project by way of using the comparable transaction method. The resources have been valued as an advanced exploration project due to there not being any current Ore Reserves. The valuation techniques include a resource multiple based on comparable transactions with secondary valuation methods include a yardstick valuation method. The exploration upside for the exploration tenements has been determined by comparable transactions on an area basis with a Kilburn or geoscientific valuation being used as a secondary valuation method. The details of these valuations are below and are based on the information and tenements as detailed in section 3.

7.1.1 Comparable Transactions – Resource Multiples

As detailed in Appendix A, VRM has reviewed a series of transactions and considers eight to be broadly comparable to the Kayelekera uranium deposit. These are uranium projects that would reasonably be expected to be exploited by conventional open pit mining methods and processed via a standard acid leach or alkaline leach extraction. The only other uranium project that has transacted with significant additional infrastructure and environmental liabilities is the Honeymoon Well project located in South Australia. The Honeymoon Well project is an in-situ leach project which would be expected to have significantly lower environmental liabilities due to the lack of any tailings storage facility.

From the analysis of the completed transactions from comparable projects VRM has determined that the resource multiples for broadly comparable projects range from A\$0.034/lb U_3O_8 to A\$1.497/lb U_3O_8 . Analysis of the dataset indicated the median of the comparable transactions is A\$0.047 /lb U_3O_8 while the average is A\$0.394 /lb U_3O_8 , the 25th percentile and 75th percentile are A\$0.034/lb U_3O_8 and A\$1.053/lb U_3O_8 respectively.

To remove the fluctuations in the uranium price the transaction multiples have been normalised to the prevailing uranium price. When this is undertaken the transactions range from A\$0.029/lb U_3O_8 to A\$1.672/lb U_3O_8 . Analysis of the dataset indicated the median of the comparable transactions is A\$0.50/lb U_3O_8 while the average is A\$0.426/lb U_3O_8 , the 25th percentile and 75th percentile are A\$0.038/lb U_3O_8 and A\$1.102/lb U_3O_8 respectively.

In VRM's opinion to remove the potential outliers it is preferable to use the 25th and 75th percentiles and the median of the transactions for potential resource multiples. Therefore, the fair market valuation is considered to be within a range from a lower resource multiple of A\$0.038/lb U_3O_8 (25th percentile), an upper resource multiple from the 75th percentile being A\$1.102/lb U_3O_8 with the preferred resource multiple based on the median of A\$0.426/lb U_3O_8 .

VRM has critically reviewed the potentially comparable transactions and considers that the lower resource multiple is for a project that is at a significantly earlier stage of evaluation when compared to the Kayelekera deposit. Additionally, VRM considers that the multiples detailed above provide a valuation that is too wide to provide a reasonable estimate of the market value of the project. The reasons for the higher resource multiples also include the associated infrastructure that is associated with the project including the processing facility, tailings facilities and associated infrastructure. The Kayelekera project also has most of the regulatory permits to allow the project to be rapidly progressed toward production given favourable market conditions. The 75th percentile which are impacted by the purchase of a minority investment by an African government and the Honeymoon project which has significantly lower environmental liabilities. Therefore, in our professional opinion we have determined the market value based on the average resource

multiple of \$0.426 with the range being +/- 20%. This results in a lower resource multiple of A\$0.341/lb U₃O₈ and an upper resource multiple of A\$0.512/lb U₃O₈.

Significantly the only non-operating uranium project that has transacted in the past eight years that included associated processing infrastructure is the Honeymoon Uranium project in South Australia. The Honeymoon project has two separate transactions, the initial transaction occurred when Boss Energy acquired 80% of the project with 20% retained by an external but related party, the second transaction involved the sale of the remaining 20% of the project. While there are significant differences between Honeymoon and Kayelekera the normalised resource multiple determined from the initial Honeymoon transaction was determined to be A\$0.895/lb U₃O₈ of contained uranium while the second transaction occurred at a resource multiple of A\$1.437/lb U₃O₈.

The Honeymoon project is amenable to in-situ leaching with these projects usually on the lower end of the uranium production cost curve. It would therefore be reasonable to assume that the Kayelekera project would potentially be a higher cost producer than Honeymoon and therefore attract a slightly lower resource multiple. There were however production and commissioning issues with the Honeymoon project with the total production being 0.74Mlb of uranium oxide concentrates while the Kayelekera project produced 10.9Mlb of uranium oxide concentrates prior to being placed on care and maintenance due to the low uranium prices. It would be reasonable to assume given the production history of the two projects that Kayelekera would transact at a slightly higher resource multiple than Honeymoon.

However, on a whole project valuation the environmental liabilities associated with an in-situ leach operation are typically very small when compared to a typical uranium mining operation. This is mainly due to the lack of a tailings storage facility which require significant work to ensure the naturally occurring daughter radionuclides are not released to the environment. Somewhat counter intuitively the production of the daughter radionuclides is limited in the unprocessed mineralisation by the very slow decay of uranium. Therefore, due to the removal of the long half-life uranium from the processed material there is a higher radioactivity of uranium tailings than for the naturally occurring unprocessed ore.

Overall, in VRM's opinion it is reasonable to use A\$0.426/lb U₃O₈ to determine the preferred valuation of the entire Kayelekera project when the environmental liabilities and the processing infrastructure are included in the valuation.

The resource multiples detailed above and supported by the information in Appendix A have been used along with the JORC 2012 Kayelekera Resource detailed in section 3 above to determine the valuations shown in Table 6.

Table 6 Comparable transaction valuation summary for the Kayelekera Uranium Deposit.

Kayelekera Uranium Project			
	Lower	Preferred	Upper
Contained Resource including stockpiles (M lb U ₃ O ₈)	37.5	37.5	37.5
Resource Multiple (\$/lb U ₃ O ₈)	\$0.341	\$0.426	\$0.512
Valuation of 100% of Kayelekera (A\$ million)	\$12.8	\$16.0	\$19.2
Valuation of 85% of the Project (AUD\$ million)	\$10.9	\$13.6	\$16.3

Note appropriate rounding has been applied to the Resource estimate and the valuation. For this comparable transaction multiple valuation, the Resources have been combined with the stockpiles.

Therefore, VRM considers that 85% of the Mineral Resource Estimates within the Kayelekera Project to be valued, based on comparable transactions, at between **\$10.9 million** and **\$16.3 million** with a preferred valuation of **\$13.6 million**. In addition to this value the exploration potential on the surrounding tenements needs to be included to determine the value of the entire project. The exploration potential has been derived via comparable transactions on an area basis for early stage exploration projects.

7.1.2 Comparable Transactions – Area Multiples

As was undertaken for the comparable transaction resource multiple valuation for the Kayelekera Resources a comparable transaction valuation was undertaken for the exploration tenements adjacent to or along strike from the known Kayelekera mining lease. In addition to the resource multiples detailed in Appendix A an area based comparable transaction multiple for projects within southern Africa have also been documented where there are large prospective tenement holdings with either no resource or a small mineral resource. There are five projects that are considered to be broadly comparable to the exploration tenements included in the Kayelekera project, these are all targeting sediments in the Karoo basin. When these projects are normalised to the current uranium price these transactions occurred at between \$636/km² and \$1,653/km². The 25th percentile of these transactions is \$676/km² and the 75th percentile is \$1,548/km². The average is \$1,126/km² and the median is \$1,108/km². As the area based multiples are for 100% of the project these multiples need to be reduced to account for the relative equity being acquired as a part of the transaction.

Therefore, in VRM's opinion it is reasonable to use an area based multiple of \$575/km² as the lower multiple, the upper value is determined based on a multiple of \$1,355/km² while the preferred value is based on a \$942/km² multiple.

In undertaking this valuation VRM has confirmed the area of each of the granted tenements that constitute the exploration tenements of the Kayelekera project. The exploration tenements cover a total of 588.29km² resulting in a lower comparable value of \$0.34 million, an upper value of \$0.80 million and a preferred valuation of \$0.55 million. No value was assigned to the Kayelekera mining lease as in the opinion of VRM the exploration potential of that lease is captured in the resource multiple valuation above.

7.1.3 Yardstick Method

Table 7 details the yardstick multiples were used to determine the value of the Resources and stockpiles within the Kayelekera Projects while Table 8 tabulates the valuation for the project based on the current Resources and stockpiles.

VRM has used the mid-point of the Exploration Target as detailed above however cautions that the Exploration Target is conceptual in nature, insufficient work has been completed to allow the estimation of a Mineral Resource and it is uncertain if additional work would result in the estimation of the Mineral Resource.

Table 7 Yardstick Multiples used for the Kayelekera Project.

Resource or Reserve Classification	Lower Yardstick Multiple (% of Spot price)	Upper Yardstick Multiple (% of Spot price)
Stockpiles	1.0%	2.0%
Measured Resources	1.0%	2.0%
Indicated Resources	0.5%	1.0%
Inferred Resources	0.3%	0.5%
Exploration Target (mid-point)	0.1%	0.3%

Table 8 Yardstick Valuation of 100% of the Kayelekera Resources

Classification	Resource Contained U ₃ O ₈	A\$/lb	Valuation (AUD\$ million)		
			Low	Preferred	High
Stockpiles	4.10	39.78	1.63	2.45	3.26
Measured	1.50	39.78	0.60	0.89	1.19
Indicated	27.10	39.78	5.39	8.08	10.78
Inferred	4.80	39.78	0.57	0.76	0.95
Exploration Target (mid-point)	11.0	39.78	0.21	0.73	1.25
Valuation 100% of Kayelekera Project (\$M)			\$8.4	\$12.9	\$17.4
Valuation 85% of Kayelekera Project (\$M)			\$7.1	\$11.0	\$14.8

Note: The yardstick valuation of uses the commodity prices and US\$ - AUS\$ exchange rate of 0.7567 s as at 25 March 2021 and a uranium price of US\$30.10/ U₃O₈ (as of 25 March 2021). Appropriate rounding has been applied to the Exploration Target, Resources, Stockpiles, and the valuation total.

The yardstick valuation is broadly in line with the comparable transaction valuation however it is considered by VRM to be a useful guide of a possible valuation and should not be used as a primary valuation method.

7.1.4 Geoscientific Valuation

There are several specific inputs that are critical in determining a valid geoscientific or Kilburn valuation, these are ensuring that the specialist undertaking the valuation has a good understanding of the mineralisation styles within the overall region, the tenements and has access to all the exploration and geological information to ensure that the rankings are based on a thorough knowledge of the project. In addition to ensuring the rankings are correct deriving the base acquisition costs (BAC) is critical as that is the primary driver of the final value. In this case the BAC is derived by the exploration commitment to maintain the tenement in good standing and annual tenement rents while the costs of the tenement applications and targeting have not been included. Therefore, in VRM's opinion the Geoscientific valuation of the exploration tenements associated with the Kayelekera project are considered to be a lower valuation.

In VRM's opinion the value of the exploration potential within the mining lease that contains the Kayelekera uranium deposit has been captured by the resource or yardstick valuation methods above however the surrounding tenements have exploration potential which has been valued by this Geoscientific or Kilburn valuation.

The Geoscientific rankings were derived for each of the ranking criteria with the off property criteria considered to be between 2.5 and 3.5, the on Property criteria between 1.5 and 2.5, the anomaly factor between 1.3 and 2.0 while the geology criteria are considered to be between 1.0 and 2.0. When these ranking criteria are combined with the base acquisition cost as detailed in Appendix B this has determined the technical value as shown in Table 9.

Table 9 details the technical value of the exploration potential of the exploration tenements while the Market Value of the exploration potential is based on a jurisdictional and market discount. The technical valuation has been discounted by 30% for the geopolitical and social risks associated with operating in Malawi while a 15% discount has been applied for the uranium market. Overall, the market valuation is detailed in Table 10. The base acquisition cost used in this valuation is based on the tenement rents and exploration commitments in Malawi Kwacha converted to Australian dollars using the exchange rate at 25 March 2021.

Table 9 Technical Valuation of the Exploration tenements adjacent to the Kayelekera deposit.

Tenement	Technical Valuation (A\$)		
	Lower	Preferred	Upper
EPL417	\$112,000	\$205,350	\$298,700
EPL418	\$127,900	\$234,500	\$341,100
EPL489	\$76,000	\$128,950	\$181,900
EPL502	\$48,300	\$81,900	\$115,500
TOTAL	\$364,200	\$650,700	\$937,200

Note the table above is the technical valuation which is the base acquisition cost.
multiplied by the ranking factors outlined in Appendix B.

Table 10 Market Valuation of the Exploration tenements adjacent to the Kayelekera deposit.

Tenement	Market Valuation (A\$ million)		
	Lower	Preferred	Upper
EPL417	\$0.07	\$0.12	\$0.18
EPL418	\$0.08	\$0.14	\$0.20
EPL489	\$0.05	\$0.08	\$0.11
EPL502	\$0.03	\$0.05	\$0.07
TOTAL	\$0.2	\$0.4	\$0.6

Note appropriate rounding to the total valuation has been undertaken.

The exploration potential in the four exploration tenements that are adjacent to or included in the Kayelekera transaction are considered by VRM to have a market value in Australian dollars of between **A\$0.2 million** and **A\$0.6 million** with a preferred value of **\$0.4 million**.

8 Risks and Opportunities

As with all mineral assets there are several risks and opportunities associated with the projects and any valuation.

Some of the risks and opportunities that are common to most projects include the risks associated with the security of tenure, environmental approvals, and geopolitical risks. A significant risk to the project and this valuation is the risks of obtaining sufficient capital to undertake the potential mining activity. An additional risk is the economic climate including the uranium market including the uranium price and financial markets which have a significant impact on the ability of a company to secure the required funding and profitably exploit the identified mineralisation. These risks are largely outside the control of the company.

The Kayelekera Project has several project specific risks including several geotechnical risks associated with the high rainfall and steep terrain where the processing plant is located. There have been geotechnical stability issues (a land slip) in the past near specific sections of the processing plant being partly built adjacent to unstable ground conditions (Paladin ASX release June 2011 quarterly report), this has caused stability issues which have been managed by regular monitoring along with modifications to the mine design and location of stockpiles and waste dumps. Other risks are associated with the high rainfall in the area where

all water captured within the processing and mine area requiring treatment prior to approved discharge of the treated water. This creates a large component of the care and maintenance costs associated with the project. In addition to these risks as the project is a uranium mine there is often a high degree of external monitoring both by government regulators and external non-government organisations. This creates a high social, environmental and compliance cost associated with the project.

Project implementation and commissioning risks are considered to be minimal due to the significant infrastructure associated with the project including the processing plant and tailings storage facilities all being constructed and the expectation that mining would occur via a single open pit therefore reducing the operational risks. Additionally, the historical production and production records, resource and reserve reconciliation and metallurgical understanding of the project all reduce any operational or commissioning risks.

The project also has significant environmental liabilities which have been identified and are accounted for in the financial statements of Lotus. These environmental liabilities provide both risks and opportunities. There is the potential to reduce the liabilities associated with the project by ongoing remediation, monitoring, re assessment and re-designing water catchment (and containment) while the project is in care and maintenance. The liabilities can be mitigated or reduced if the project is re-commissioned by ongoing and scheduled rehabilitation which can be undertaken with similar equipment to that which is used in the mining activities. There are however environmental risks associated with the valuation, especially if the comparable valuation does not adequately account for the environmental liabilities. If the environmental liabilities are significantly higher than the liabilities associated with the comparable project transactions, then the valuation may be overstated however if they are lower than the comparable projects then the valuation could be understated. VRM has considered the environmental liabilities, potential operating costs, and project infrastructure (processing plant and tailings storage facility) and discounted the resource multiples of the only uranium project that has recently transacted (Honeymoon) to account for the likely differences in environmental liabilities, the processing infrastructure and potential operating cost profile of Kayelekera.

There are multiple opportunities associated with both the Kayelekera deposit and the exploration tenements. The most significant opportunities are associated with the exploration potential within the mining lease and the exploration tenements. There are several geophysical and structural targets within the tenement portfolio, these were identified by the previous owner, Paladin Energy Limited, prior to Lotus acquiring the project. Minimal work has been reported or undertaken on these targets since Lotus acquired the project. Some of the targets include radiometric anomalies which require at least preliminary field assessment and potentially drilling. The final opportunity is the Kayelekera mining operation itself which could rapidly advance to production with a modest capital cost when compared to a new deposit. Approximately US\$200 million has been reportedly spent on the infrastructure and processing facility which if well maintained may allow production to be fast tracked compared to other operations. The re-start study completed by Lotus identified the restart capital cost of approximately US\$50.2 million with a large margin of error (+/- 35%). The total cost to restart the project estimated by Lotus to be A\$75 million. The risk to the rapid re-

commencement of mining and processing would be that any supply deficits that generate an increased uranium price could be filled by latent capacity from other low cost producers prior to the operation being re-commissioned and the capital costs of the re-commissioning being repaid. This risk would be mitigated by entering long term contracts with potential end users.

9 Preferred Valuations

Based on the valuation techniques detailed above, Table 11 provides a summary of the valuations derived for the Mineral Resources and the Exploration potential within the project by the various techniques. The combined valuation range for and VRM's preferred valuation in Table 12. Figure 8 graphically shows the valuation range and preferred valuation for the Mineral Resources and exploration potential within the project and the combined valuation range and preferred valuation for the mineral assets.

The preferred valuation that VRM has determined is based on the comparable transaction approach recognising that most of the value in the tenement package is attributed to the currently defined Kayelekera Mineral Resources estimates. The comparable transaction valuation is supported by the yardstick approach which took into account the classification of the Mineral Resources discounted for assessed resource and environmental risks.

Both the geoscientific / Kilburn method and area based Comparable transaction valuation methods are considered viable options to value the exploration potential adjacent to the currently defined Mineral Resources and both provide very similar valuations.

Table 11 Valuation Summary for 85% of the Kayelekera Project by method

Valuation summary by various methods				
Valuation Technique	Priority	Lower (\$M)	Preferred (\$M)	Upper (\$M)
Comparable Transactions (Mineral Resources)	Primary	\$10.9	\$13.6	\$16.3
Yardstick (Mineral Resources)	Supporting	\$7.1	\$11.0	\$14.8
Comparable Transactions (Exploration properties)	Primary	\$0.3	\$0.6	\$0.8
Kilburn / Geoscientific (Exploration properties)	Supporting	\$0.2	\$0.4	\$0.6

Table 12 Preferred Valuation of 85% of the Kayelekera Project as at 25 March 2021

Valuation Summary			
Lotus Mineral Assets	Lower (\$M)	Preferred (\$M)	Upper (\$M)
Mineral Resources	\$10.9	\$13.6	\$16.3
Exploration Potential	\$0.3	\$0.6	\$0.8
Total (AUD\$ million)	\$11.2	\$14.1	\$17.1

Note the totals do not add due to rounding in the valuations.

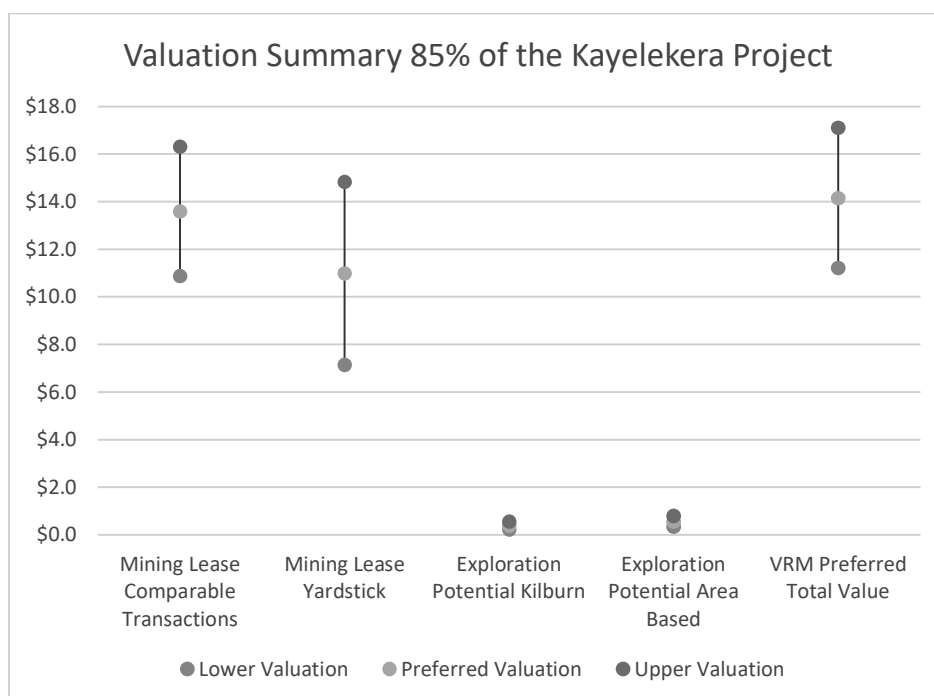


Figure 8 Valuation summary

Based on the rationale outlined in the body of this Report, VRM is of the view that the Kayelekera Mineral Resource is most appropriately valued considering a comparable transaction approach, while the exploration potential is most appropriately valued applying an area based comparable transaction valuation method. On this basis in VRM's opinion, as detailed in Table 12 the likely market value for 85% of the Kayelekera Project is between **\$11.2 million** and **\$17.1 million** with a **preferred valuation of \$14.1 million**.

10 References

The references below document the main documents referred to in this report however the various ASX releases for the various companies including Lotus have not been included in the reference list.

JORC, 2012. Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). Available from: <http://www.jorc.org>

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WILDE A, CORBIN JC, MWENELUPEMBE J, PRINCEP D, OTTO A AND BECKER E, 2015. Geology of the Kayelekera Deposit, Malawi. Presented at the Technical Meeting on the origin of sandstone uranium deposits: a global perspective, Vienna, Australia 2012 and updated in 2015. Available from ResearchGate at the following location:
researchgate.net/publication/333898166_The_Geology_of_the_Kayelekera_Uranium_Deposit_Malawi/link/5d0b7aef458515ea1a73b151/download

VALMIN, 2015. Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code). Available from <http://valmin.org/>

11 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org,

The following terms are taken from the 2015 VALMIN Code.

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea, and their off-shore territories.

Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

Corporations Act means the Australian Corporations Act 2001 (Cth).

Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

Independent Expert Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.

Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration,

development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction, and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

(a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

(b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

(c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.

(d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.

(e) **Production Projects** – Tenure holdings – particularly mines, wellfields, and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power, and other technical requirements spanning commissioning, operation, and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation, and closure.

Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis, or composition.

Mineral Project means any exploration, development, or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Mining means all activities related to extraction of Minerals by any method (e.g., quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing, and marketing Minerals.

Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

Petroleum Resource and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council, and the Society of Petroleum Evaluation Engineers. Refer to <http://www.spe.org> for further information.

Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:

- (a) admits members primarily on the basis of their academic qualifications and professional experience.
- (b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and
- (c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade, or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic, and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialists are persons whose profession, reputation, or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

Appendix A - Comparable Transactions

Resource Comparable Transactions

Acquirer Name	Properties Acquired	Country	Development Stage(s)	Date	Description of Consideration	Resources Acquired (M lb)	Multiple (A\$/lb)	Normalised Multiples (A\$/lb)
Central Uranium Company	Asian Kyzyl-Ompul	Kyrgyzstan	Reserves Development	31/10/2019	Central Asian Uranium Co., LLC paid \$250,000 in cash to acquire UrAsia in Kyrgyzstan LLC from an investor group. Furthermore, UrAsia in Kyrgyzstan LLC granted a 2.0% net smelter return royalty on any future uranium production from the Kyzyl Ompul project up to \$5.0 million.	7.510	\$0.048	\$0.058
Government of Niger	Madaouela	Niger	Feasibility Started	8/04/2019	The Government of Niger converted approx. \$14.59 million of requested payments comprised of \$8.08 million acquisition payment and settlement of previously challenged area taxes of \$6.6 million to acquire an additional 10% interest in the Madaouela project from GoviEx Uranium Inc.	13.842	\$1.497	\$1.672
Laramide Resources Limited	Lagoon Creek	Australia	Reserves Development	4/09/2018	Laramide Resources Ltd. paid A\$25,000 to acquire the remaining 50% interest in the Lagoon Creek project from Verdant Minerals Ltd. In addition, Laramide Resources Ltd. will pay a further A\$100,000 upon execution of drilling on the tenement either in cash or cash plus up to 50% common shares (issued at a discount of 10% to the value of the weighted average price of the common shares on the TSX over the 30 days prior to the date of issue) and will pay a further payment on the publication of a NI 43-101 compliant measured and indicated resource equivalent to A\$0.05 per in place pound uranium (or equivalent value of an alternative commodity).	0.903	\$0.028	\$0.029
Boss Resources Limited	Honeymoon	Australia	Feasibility Started	7/12/2017	Boss Resources Ltd. issued 300 million shares of its common stock to acquire the remaining 20% interest in Honeymoon Uranium project from Mr. Grant Davey.	12.652	\$1.375	\$1.437

Acquirer Name	Properties Acquired	Country	Development Stage(s)	Date	Description of Consideration	Resources Acquired (M lb)	Multiple (A\$/lb)	Normalised Multiples (A\$/lb)
GoviEx Uranium Inc.	Chirundu, Kariba Valley, Northern Luangwa Valley	Zambia	Feasibility Started	6/03/2017	GoviEx Uranium Inc. issued 3.0 million shares of its common stock and 1.6 million common share purchase warrants to acquire Zambian uranium projects from African Energy Resources Ltd.	11.079	\$0.087	\$0.096
Marencia	Angela and Pamela, Bigirlyi, Oobagooma	Australia	Prefeas/Scoping, Reserves Development	4/07/2019	Marencia. paid A\$2.7250 million to acquire non-core Australian exploration assets of Uranium Africa Limited - ex Paladin Energy Ltd projects	75.781	\$0.033	\$0.038
Uranium Africa Limited	Angela and Pamela, Bigirlyi, Oobagooma	Australia	Prefeas/Scoping, Reserves Development	14/12/2016	Uranium Africa Ltd. paid A\$2.50 million to acquire non-core Australian exploration assets of Paladin Energy Ltd.	75.781	\$0.033	\$0.042
GoviEx Uranium Inc.	Dome, Falea, Kaoko, Mutanga	Mali, Namibia, Zambia	Feasibility, Reserves Development, Target Outline	30/03/2016	GoviEx Uranium Inc. issued 56,050,450 shares of its common stock and 22,420,180 common share purchase warrants to acquire a 100% interest in the African uranium assets from Denison Mines Corp. Each common share purchase warrant will be convertible into one common share of GoviEx Uranium Inc. at a price of \$0.15 per share for a period of three years, subject to an acceleration provision.	90.072	\$0.040	\$0.039

Acquirer Name	Properties Acquired	Country	Development Stage(s)	Date	Description of Consideration	Resources Acquired (M lb)	Multiple (A\$/lb)	Normalised Multiples (A\$/lb)
Boss Resources Limited	Honeymoon	Australia	Feasibility Started	1/09/2015	The consideration for the Acquisition includes: - A \$200,000 site access fee, an initial cash payment of approximately \$2,442,000 - \$3 million under a promissory note and repayable within 24 months of completion of the Acquisition - \$4 million under a promissory note issued and repayable within 48 months of completion of the Acquisition Boss will also make contingent payments upon successful recommissioning - \$2 million payable in cash and/or - 10% of the net operating cash flow of the Honeymoon Project payable annually up to a maximum of \$3 million.	13.256	\$1.105	\$0.895

Note the Honeymoon transaction of 2015 was excluded from the analysis due to being announced more than 5 years ago.

Table of Resource Multiples Advanced Projects

	Resource Multiple (A\$/lb)	Normalised Resource Multiple (A\$/lb)
Average	0.394	\$0.426
Median	0.047	\$0.050
75 th Percentile	1.053	\$1.102
25 th Percentile	0.034	\$0.038
Maximum	1.497	\$1.672
Minimum	0.034	\$0.029

Area Based Comparable Transactions

Date	Project	Country	Buyer	Seller	Value A\$ (million) 100% basis	U Price US\$/lb	Deposit Type	Area (km ²)	Area Multiple (A\$/km ²)	Normalised Area Multiple (A\$/km ²)
Nov-14	Pinewood	Tanzania	Metal Tiger	Kibo Mining	\$2.08	\$39.50	Karoo	9,033	\$230	\$175
Dec-12	Ryst Kuil	South Africa	Peninsula Energy Ltd	Areva N.C.	\$6.42	\$43.38	Karoo	5,600	\$1,147	\$796
Mar-17	Chirundu, Kariba Valley, Northern Luangwa Valley	Zambia	GoviEx Uranium Inc	African Energy Resources	\$0.96	\$23.88	Karoo	729	\$1,311	\$1,653
Oct-13	Chirundu, Kariba Valley, Northern Luangwa Valley	Zambia	Karoo	African Energy Resources	\$2.66	\$34.50	Karoo	1,637	\$1,627	\$1,419
Aug-12	Kalulu	Tanzania	Karoo Exploration	Tanzania Minerals	\$0.98	\$48.25	Karoo	956.4	\$1,020	\$637
Dec-16	Angela, Bigrlyi, Oobagooma	Australia NT, WA	Uranium Africa Limited	Paladin Energy	\$2.50	\$20.25	Sandstone	711.363	\$3,514	\$5,224
4-Jul-19	Angela, Bigrlyi, Oobagooma	Australia NT, WA	Marencia	African Uranium	\$2.73	\$24.70	Sandstone	703.283	\$3,875	\$4,722

Note the Pinewood transaction is not considered comparable and is considered to be an outlier.

Only African Projects	A\$/km ²	Normalised A\$/km ²
Average	\$1,277	\$1,126
Median	\$1,229	\$1,108
25 th Percentile	\$1,052	\$676
75 th Percentile	\$1,548	\$1,595
Maximum	\$1,627	\$1,653
Minimum	\$1,020	\$637

Appendix B - Geoscientific Valuation

Tenement	BAC (AUS\$)	Equity	Off Property		On Property		Anomaly Factor		Geology Factor	
			Low	High	Low	High	Low	High	Low	High
EPL417	11,713	85%	2.5	3	2	2.5	1.5	2	1.5	2
EPL418	13,377	85%	2.5	3	2	2.5	1.5	2	1.5	2
EPL489	10,189	85%	3	3.5	1.5	2	1.3	1.5	1.5	2
EPL502	6,469	85%	3	3.5	1.5	2	1.3	1.5	1.5	2

Tenement	Technical Valuation (AUS\$)			Fair Market Valuation (A \$ million)		
	Lower	Preferred	Upper	Lower	Preferred	Upper
EPL417	\$112,000	\$205,350	\$298,700	\$0.07	\$0.12	\$0.18
EPL418	\$127,900	\$234,500	\$341,100	\$0.08	\$0.14	\$0.20
EPL489	\$76,000	\$128,950	\$181,900	\$0.05	\$0.08	\$0.11
EPL502	\$48,300	\$81,900	\$115,500	\$0.03	\$0.05	\$0.07
Total	\$364,200	\$650,700	\$937,200	\$0.23	\$0.39	\$0.56

Note a 30% reduction has been applied to the technical valuation to account for the geopolitical risks and a 15% reduction has been applied as a market discount.

Need assistance?**Phone:**1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)**Online:**www.investorcentre.com/contact

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MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030**YOUR VOTE IS IMPORTANT**

For your proxy appointment to be effective it must be received by **10:00 AM (AWST)** on **Wednesday, 28 July 2021**.

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

**Control Number: 999999****SRN/HIN: I999999999****PIN: 99999**

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Lotus Resources Limited hereby appoint

☐

the Chairman
of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Lotus Resources Limited to be held at Emerald House, 1202 Hay Street, West Perth, WA 6005 on Friday, 30 July 2021 at 10:00 AM (AWST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 6, 7, 8 and 9 (except where I/we have indicated a different voting intention in step 2) even though Items 6, 7, 8 and 9 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 6, 7, 8 and 9 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
1	Approval of the Acquisition of Shares in Lily Resources Pty Ltd	☐	☐	☐	4	Issue of Shares to Mark Hanlon	☐	☐	☐
2(a)	Ratification of the prior issue of Shares under Listing Rule 7.1 - 57,250,000 Shares	☐	☐	☐	5	Issue of Shares to Grant Davey	☐	☐	☐
2(b)	Ratification of the prior issue of Shares under Listing Rule 7.1 - 3,750,000 Shares	☐	☐	☐	6	Issue of Options to Michael Bowen	☐	☐	☐
2(c)	Ratification of the prior issue of Shares under Listing Rule 7.1 - 300,000 Shares	☐	☐	☐	7	Issue of Options to Mark Hanlon	☐	☐	☐
2(d)	Ratification of the prior issue of Shares under Listing Rule 7.1 - 50,000,000 Shares	☐	☐	☐	8	Issue of Options to Grant Davey	☐	☐	☐
3	Ratification of the prior issue of Shares under Listing Rule 7.1A	☐	☐	☐	9	Issue of Options to Keith Bowes	☐	☐	☐
					10	Section 195 Approval	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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Computershare

