
ASX Announcement

16 January 2024

Lotus moves into final planning phase for Kayelekera restart

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (Lotus or the Company) is pleased to announce that post the completion of its acquisition of A-Cap, the Company has now finalised the preliminary work programs required to enable it to become a leading global uranium player, targeting a potential restart at Kayelekera in late 2025 and the optimisation of Letlhakane to define a robust, economic project.

HIGHLIGHTS

- **Lotus is now a leading uranium player with the third largest resource of ASX-listed peers¹.**
 - Mineral Resources of 241Mlbs U₃O₈ (100% basis) at Kayelekera and Letlhakane.
 - Lotus will leverage its proven uranium expertise in developing Letlhakane, one of the world's largest undeveloped uranium resources, in Botswana, one of the world's top mining jurisdictions.
- **Lotus has identified opportunities to add value at Letlhakane in the short to medium term**
 - Lotus will focus on optimising Letlhakane's resource and targeting a higher grade component as the basis for a value maximising development strategy.
 - Letlhakane Resource update is planned for 1H 2024.
 - A beneficiation metallurgical test work program is also underway to determine the upgrade potential of the orebody.
- **Lotus plans to test the market for debt for the Kayelekera restart of production.**
 - Increased enquiries from utilities for Kayelekera offtake.
 - Lotus plans to engage a debt adviser shortly to test the market for debt for Kayelekera.
 - Kayelekera work streams have been prioritised to enable a Final Investment Decision (FID) can be made as quickly as possible.
- **The market fundamentals are the strongest seen in well over a decade.**
 - A uranium spot price of over US\$100/lb.
 - Production constraints, including the recent commentary around reduced production profiles from Kazatomprom for 2024 and 2025.
 - Strong legislative support for new production from western facilities, including the potential ban of Russian uranium imports into the USA currently in front of the Senate.



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Lotus Managing Director Keith Bowes commented:

"The A-Cap merger has delivered Lotus a vastly increased resource base of 241Mlb uranium, the bulk of which is located in the top ranked global mining jurisdiction of Botswana, and combines two highly complementary and synergistic projects with significant leverage to the global uranium thematic.

Lotus has developed an initial program of work bringing its proven uranium skills to optimise Letlhakane's potential, including updating the Letlhakane mineral resource model and undertaking preliminary test work to determine potential of upgrading Letlhakane ore and therefore target a more efficient processing route.

While Letlhakane is considered the longer term asset, Lotus remains focused on restarting the Kayelekera Project as soon as practicable to benefit from the current strong and increasing uranium prices. As such, Lotus is testing the market for debt and is focused on undertaking the necessary planned activities to prepare Kayelekera for a potential restart of production in late 2025 when the supply gap for the nuclear utilities is forecast."

Since Lotus's acquisition of Letlhakane through the merger with A-Cap Energy, the Company has revised its work programs and is updating its budgets for the remainder of the financial year to effectively manage its resources and define an optimal strategy to maximise the value add for both Kayelekera and Letlhakane. The proposed programs are described below.

KAYELEKERA RESTART

Lotus is looking to target a restart for the Kayelekera operation in late 2025 to meet the growing supply gap in the utilities' reported fuel coverage profile. This is supported by the increase in enquiries that Lotus has received over recent months from utilities. This target start date will depend on a number of conditions being met and the successful conclusion of the described programs.

Lotus is planning the following activities / actions prior to, or as part of, its Kayelekera Final Investment Decision (FID):

- Finalise financing and offtake for the project, including:
 - Appoint a debt advisor to assist in the financing process.
 - Potential offtake agreements with suitable parties that can strengthen Lotus's position.
- Completion of negotiations and signing of a Power Supply and Power Implementation Agreement (PSA & PIA) with ESCOM, the Malawian Electricity Utility.
 - This is key to achieving reduced operating costs announced in the Restart Definitive Feasibility Study (DFS) in August 2022¹.
- A Front-end Engineering and Design (FEED) program leading directly into the detailed engineering design phase for the execution of the restart plan. These studies will:
 - Confirm the upfront capital cost estimate for the plant refurbishment and new equipment installations such that a control budget can be prepared for the restart.

¹ See ASX announcement dated 11 August 2022 for information on the Definitive Feasibility Study.



- Validate the 15-month timeline initially determined for the refurbishment program.
- Update the operating costs (C1 and AISC) from the DFS, including incorporating new quotes from suppliers.
- Determine long lead items and early works programs.
- Complete negotiations on a Mine Development Agreement (MDA) and the associated fiscal regime with the Government of Malawi, under which the project will operate.

With regards to offtake, Lotus has received an increased volume of enquiries from North American utilities, with the understanding that a significant, if not all, of the planned production from the major current producers has already been “sold” and that the utilities now need to approach the next tier of suppliers, such as Lotus, to meet their future demands.

The Company plans to complete these activities within the next six months.

LETLHAKANE DEVELOPMENT

Lethlakane is a large-scale uranium resource with potential higher grade zones as identified in Lotus’s due diligence work. Lotus aims to determine if a more effective processing route can be identified to improve the 2015 Feasibility Study project economics, which had envisaged a heap leach process.

To test this, Lotus is planning the following work programs:

- Mineral Resource remodelling incorporating tighter modelling constraints and shorter search parameters, aiming to reduce the amount of ‘smoothing’ that has occurred within the higher grade zones of the model. Resource update planned for 2Q 2024.
- Preparation of a preliminary geometallurgical model to help optimise the mine plan based on acid consumption and uranium mineralogy.
- Undertake a preliminary mining study focused on pit optimisation work on the updated resource model to define the most economic pits within the project area.
- Use the updated model and optimised pit shells to design an infill drill program that will target the most economic parts of the resource and convert these where required into M&I status.
- Continue with the ore beneficiation test work program initially planned by A-Cap to determine the potential for upgrading the ore prior to feeding to the main processing plant. Test work reporting planned for 2Q 2024.
 - This work will include the ore sorting concept that has been so successful at Kayelekera, but will also consider more traditional upgrading methods such as screening, cycloning, gravity and density.
- Consider the preferred processing flowsheet based on the beneficiation results and overall grade / tonnage parameters.
- Prepare a Scoping Study, or Preliminary Economic Assessment (PEA), based on the mine planning and beneficiation test results and a selected processing route.
- Initiate the infill drill program to upgrade the resource. The infill drilling will most probably be undertaken over a number of seasons due to the expected large scale, with commencement of this program subject to funding.



The Scoping Study which will incorporate the majority of the work programs described above is targeted for completion in late 2024.

WILCONI PROJECT UPDATE

As part of the acquisition of A-Cap Energy, Lotus also acquired a 55% ownership in the Wilconi Nickel-Cobalt Project, near Wiluna in Western Australia. The project has a Mineral Resource Estimate (MRE) of 570,000 tonnes of contained nickel metal and 29,500 tonnes of contained cobalt metal, both valuable battery materials.

Lotus is currently evaluating options to maximise the value of this project to the Company.

URANIUM MARKET UPDATE

The uranium market continues to improve, with the uranium spot price maintaining levels above US\$90/lb U₃O₈e in recent weeks, and recently rising to US\$104/lb. The spot price has increased by over 100% since January 2023. This is driven by a shortage of supply in the spot market that has resulted in low traded volumes along with strong demand from financial groups, traders and utilities.

Term uranium prices have also seen an uplift in recent weeks, although not to the extent of the spot price. Long-term prices quoted by market analysts indicate price ranges in the upper US\$60s/lb, although the mid-term price is considerably higher (upper US\$90s/lb).

Utilities are coming back into the market strongly with ~160Mlbs U₃O₈ traded in the term market in 2023, the first time in over a decade that the quantities purchased by the utilities matched their annual demand. There are indications that more utilities are expected to come into the market in early 2024, with the understanding that the buying for 2024 will not only cover their operating needs, but that building up of inventory levels will also take place. This additional demand should see the term prices supported, and there is evidence of a large supply shortage in the period 2025-2028 that is proving challenging for the utilities to fill. Prices could therefore increase further in the mid-term. Although it is difficult to accurately assess the proposed pricing that will be acceptable for these contracts, there is information in the market that indicates there have been large increases in the floors and ceilings associated with market related contracts.

On the news front there has been increasing positive sentiment in the nuclear space. COP28, the climate conference recently held, announced that nuclear is now included in the Global Stocktake on decarbonisation. This was on the back of ~22 countries signing up to support a tripling of nuclear energy by 2050 to meet climate goals and ~120 companies signing up to the Net Zero Nuclear Industry Pledge.

In the USA a number of bills have been passed or are in the process of being passed; these include the National Defence Authorisation Act that includes a provision for the Dept of Energy to prioritise activities to increase domestic production of LEU and HALEU (both reactor feed materials). In addition, the senate is considering legislation that will ban the importation of Russian uranium, and the US government has just released a Request for Proposal (RFP) for the supply of enrichment services to help establish domestic supply.



This increased requirement combined with the current supply chain concerns, the geopolitical issues facing various parties and the strong nuclear reactor build-out plans, reactor life extensions and small modular reactors (SMR) progress, all point to higher demand for uranium in the future.

This announcement has been authorised for release by the Company's board of directors.

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ABOUT LOTUS

Lotus is a leading Africa-focused advanced uranium player with significant scale and resources. Lotus is focused on creating value for its shareholders, its customers and the communities in which it operates, working with local communities to provide meaningful, lasting impact. Lotus is **focused on our future**. Lotus owns an 85% interest in the Kayelekera Uranium Project in Malawi, and 100% of the Letlhakane Uranium Project in Botswana.

The Kayelekera Project hosts a current resource of 51.1Mlbs U₃O₈, and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Study² which has determined an Ore Reserve of 23Mlbs U₃O₈ and demonstrated that Kayelekera can support a viable operation. The Letlhakane Project hosts a current resource of 190.4Mlbs U₃O₈.

Lotus Mineral Resource Inventory – June 2022^{3,4,5,6}

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile ⁷	1.6	760	1.2	2.6
Kayelekera	Indicated	29.3	510	15.1	33.2
Kayelekera	Inferred	8.3	410	3.4	7.4
Kayelekera	Total	40.1	510	20.4	44.8
Kayelekera	Inferred – LG Stockpiles ⁸	2.24	290	0.7	1.5
Kayelekera	Total – Kayelekera	42.5	500	21.1	46.3
Letlhakane	Indicated	59.2	323	19.1	42.2
Letlhakane	Inferred	209.7	321	67.2	148.1
Letlhakane	Total – Letlhakane	268.9	321	86.3	190.4
Livingstonia	Inferred	6.9	320	2.2	4.8
Livingstonia	Total – Livingstonia	6.9	320	2.2	4.8
Total	All Uranium Resources	318.3	344	109.6	241.5

² See ASX announcement dated 11 August 2022 for information on the Definitive Feasibility Study.

³ See ASX announcement dated 15 February 2022 for information on the Kayelekera mineral resource estimate.

⁴ Letlhakane Mineral Resources reported at 200ppm cut-off grade; See ASX announcement dated 13 July 2023 for information on the Letlhakane mineral resource estimate.

⁵ See ASX announcement dated 6 June 2022 for information on the Livingstonia mineral resource estimate.

⁶ Lotus confirms that it is not aware of any new information or data that materially affects the information included in the respective resource announcements of 15 February 2022, 6 June 2022, and 13 July 2023 and that all material assumptions and technical parameters underpinning the Mineral Resource Estimates in those announcements continue to apply and have not materially changed.

⁷ RoM stockpile has been mined and is located near mill facility

⁸ Low-grade stockpiles have been mined and placed on the medium-grade stockpile and are considered potentially feasible for blending or beneficiation, with initial studies to assess this optionality already completed.



Lotus Ore Reserve Inventory – July 2022⁹

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Open Pit - Proved	0.6	902	0.5	1.2
Kayelekera	Open Pit - Probable	13.7	637	8.7	19.2
Kayelekera	RoM Stockpile – Proved	1.6	760	1.2	2.6
Kayelekera	Total	15.9	660	10.4	23.0

In addition to its uranium assets, Lotus through its acquisition of A-Cap Energy has also acquired a 55% ownership in the Wilconi Nickel-Cobalt Project located near Wiluna in Western Australia. The Wilconi Project has a Mineral Resource Estimate of 73 million tonnes at 0.79% Nickel for 570,000 tonnes contained nickel metal (also 0.04% cobalt for 29,500 tonnes contained cobalt metal).

Wilconi Nickel Cobalt Mineral Resource Estimate – May 2023 (cut-off grade 0.5% Ni and 0.04% Co within RPEEE pit)¹⁰

Category	Tonnes (M)	Ni %	Co %	Nickel metal (tonnes)	Cobalt metal (tonnes)
Measured	19	0.88	0.06	160,000	11,200
Indicated	21	0.82	0.03	170,000	8,300
Inferred	33	0.73	0.04	240,000	10,000
Total¹¹	73	0.79	0.04	570,000	29,500

⁹ Ore Reserves are reported based on a dry basis. Proved Ore Reserves are inclusive of RoM stockpiles and are based on a 200ppm cut-off grade for arkose and a 390ppm cut-off grade for mudstone. Ore Reserves are based on a 100% ownership basis of which Lotus has an 85% interest. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 11 August 2022 and that all material assumptions and technical parameters underpinning the Ore Reserve Estimate in that announcement continue to apply and have not materially changed.

¹⁰ Wilconi Mineral Resources are extracted from the report entitled "Wilconi Nickel-Cobalt Project Mineral Resource upgraded" dated 5 June 2023, which is available to view on www.asx.com.au under A-Cap Energy.

¹¹ The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources estimates in the original market announcement continue to apply and have not been materially changed.

