

## QUARTERLY ACTIVITIES REPORT

### Quarter Ended 30 June 2021

**Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (Lotus or the Company)** is pleased to provide its quarterly activities report for the quarter ended 30 June 2021 regarding the advancement of the Company's Kayelekera Uranium Project (**Kayelekera or the Project**) in Malawi.

#### HIGHLIGHTS

- **Ore sorting testwork on ore from the Kayelekera Uranium Project exceeded expectations with uranium grades increasing by up to 100% compared to the feed grade.**
- **Ore sorting has the potential to significantly improve the Projects overall economics through either increased annual production rates and / or extending the mine life, as well as reducing operating costs.**
- **Multiple technical studies (including ore sorting) which will form the basis of the Feasibility Study are near completion. The Feasibility Study will commence during August 2021 and is anticipated to be completed by mid-2022.**
- **~5,000 metre RC drilling program targeting uranium prospects at Kayelekera has commenced – the first exploration drilling program at the Project in more than 15 years.**
- **The Company reached agreement to divest its non-core Hylea Cobalt Project to Sunrise Energy Metals Limited (ASX:SRL) (Sunrise) for a total consideration of \$2.5 million.**
- **A general meeting to approve the acquisition of an additional 20% of Kayelekera will be held on 30 July 2021, which on completion, will increase the Company's ownership in Kayelekera to 85% (15% Malawi Government).**
- **Listing on the USA based OTC Exchange (OTCQB: LTSRF) has been completed, which has increased the geographical diversity of the Company's share register and raised awareness among North American investors.**
- **As at 30 June 2021, Lotus had cash of \$28.3 million (unaudited), inclusive of both restricted and unrestricted cash.**

#### TECHNICAL STUDIES CONTINUE TO ADVANCE PRIOR TO COMMENCING A FEASIBILITY STUDY

The Company will commence a Feasibility Study in August 2021, which is targeted for completion in mid-2022. Prior to commencement of the Feasibility Study, the Company will have the results from the selected technical studies identified in the Scoping Study (ASX announcement 21 October 2020), including:

1. Ore sorting;
2. Power supply options;



3. Acid recovery; and
4. Optimisation of tailings facilities.

Of these studies, ore sorting has the greatest potential to impact the Project's economics. Given its capacity to materially increase the feed grade, ore sorting can improve annual production, extend mine life (processing low-grade stockpiles) and reduce operating costs.

### **Ore sorting testwork results exceeds expectations**

During the quarter, the Company completed testwork on two samples of run of mine ore (~500kg) at the STEINERT testing facility in Perth (Figure 1). A benefit to using the STEINERT facility is that it uses a commercial scale ore sorting unit for the testwork which would be very similar to the potential facility that would be installed at the Kayelekera Uranium Project. The capital cost for the ore sorter unit is estimated at between US\$2 million to US\$3 million.



**Figure 1: Ore sorting facility used during testwork is the same size proposed for use at Kayelekera**

The ore sorting assessment tested two sensors, colour and density. The test were run such that a total of three products were produced from each test:

1. A concentrate sample that represented a high-grade product;
2. A middlings sample that represented a high recovery option; and
3. A tailings sample.

Each of these samples were collected, weighed and prepared at the laboratory, then submitted for chemical assay. The mass splits, upgrade ratios (defined as product assay/head assay) and



the distributions in each stream are shown below in Tables 1 and 2 for the colour sensor sorting and density sensor sorting respectively.

**Table 1: Colour Sensor Ore Sorting Results**

Sample	Mass Split	Upgrade Ratio	Distribution
<b>Fines (-20mm)</b>	<b>16.1</b>	<b>1.0</b>	<b>16.2</b>
<b>Ore sorter feed (+20mm)</b>	<b>83.9</b>	<b>1.0</b>	<b>83.8</b>
Concentrate	31.5	2.0	61.8
Middlings	5.0	1.6	8.0
Tails	47.4	0.3	14.1
<b>Products</b>			
Conc + Fines	47.6	1.6	77.9
Conc + Midds + Fines	52.6	1.6	85.9
<b>Head Sample</b>	<b>100</b>	<b>1.0</b>	<b>100</b>

**Table 2: Density Sensor Ore Sorting Results**

Sample	Mass Split	Upgrade Ratio	Distribution
<b>Fines (-20mm)</b>	<b>16.8</b>	<b>1.0</b>	<b>16.3</b>
<b>Ore sorter feed (+20mm)</b>	<b>83.2</b>	<b>1.0</b>	<b>83.7</b>
Concentrate	8.9	2.1	18.8
Middlings	22.0	1.6	36.3
Tails	52.3	0.5	28.7
<b>Products</b>			
Conc + Fines	25.7	1.4	35.0
Conc + Midds + Fines	47.7	1.5	71.3
<b>Head Sample</b>	<b>100</b>	<b>1.0</b>	<b>100</b>

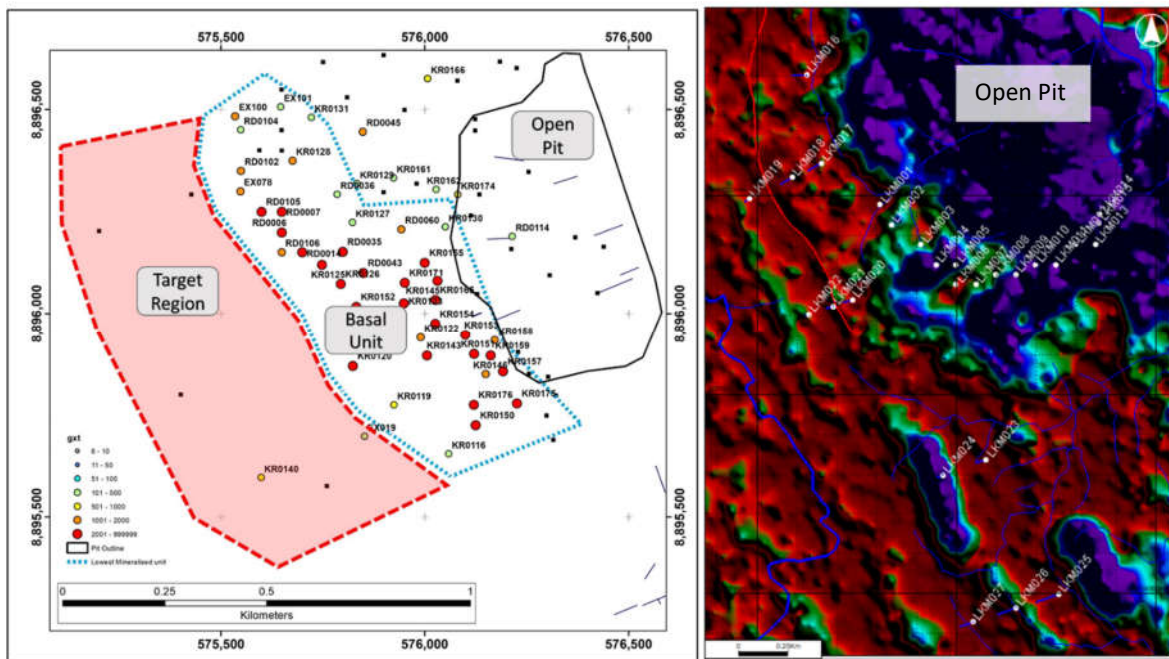
The initial results from the testwork program exceeded expectations for both the colour and density sensors. While the colour sorting was particularly impressive on these specific ore types (86% recovery with an upgrade ratio of 1.6 versus recoveries of 71% at upgrade ratios of 1.5 using density), the results indicate that there is scope for further improvement if both sensors are used simultaneously.

Ore sorting test work is continuing, with current testwork including upgrading the fines portion of the feed material and testing a combination of various sensors.



## FIRST URANIUM EXPLORATION DRILL PROGRAM IN MORE THAN 15 YEARS

A 5,000m RC drilling program has commenced at the Kayelekera Uranium Project. This is the first drill program at Kayelekera in more than 15 years. The program will test three individual anomalies, as well as the step-out target adjacent to the current resource. A smaller infill drill program on the western edge of the resource outside the current mine plan has also been included in the program (Figure 2).



**Figure 2: Kayelekera airborne radiometrics and key targets**

Assuming the results of the uranium drill program are positive, following the Rare Earth exploration program, a Phase 2 uranium drill program will be considered. The Phase 2 program would look at extending the known Mineral Resources in the step-out area and / or undertaking a mineral resource estimate for mineralisation at the satellite pits.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Lotus is currently putting in place the following ESG-related targets and actions, details of which will be announced later this year:

- Sustainable Development Goals
- Materiality matrix
- Global Reporting Initiative (**GRI**) Standards

Initial plans have been put in place to use the Global Reporting Initiative (GRI) Standards as a guide to measure ESG progress. These are regarded as an international benchmark for ESG reporting and are used by 66% of ASX100 companies.



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## CORPORATE

### Cash at the end of the Quarter

As at 30 June 2021, Lotus had cash of \$28.3 million (unaudited), inclusive of both restricted and unrestricted cash.

### Upcoming General Meeting

The Company will hold a general meeting on 30 July 2021, to among other things, seek shareholder approval for the acquisition of an additional 20% of Kayelekera and the issue of securities to directors.

### Sale of non-core Australian assets

During the Quarter, the Company reached agreement to divest its Hylea Cobalt Project (**Hylea Project**), located in New South Wales, to Sunrise Energy Metals Limited (ASX:SRL)<sup>1</sup> (**Sunrise**) for total consideration of \$2.5 million, comprised of \$1 million cash and \$1.5 million shares (**Transaction**).

Since acquiring Kayelekera in 2019, the Hylea Project has become non-core to the Company's long-term strategy and the Transaction allows the Company to crystallise value for this asset.

Transfer of the respective exploration licences is nearing finalisation and the Transaction is expected to complete during the September quarter.

### Appointment of highly experienced uranium marketing and sales executive

During the Quarter, the Company appointed Dr Robert Rich as the Company's Uranium Marketing and Sales Executive. Dr Rich is based in the United States and has over 30 years' experience working as a Nuclear Fuel Consultant. During this time, he has advised a number of major US utilities in the procurement of nuclear fuels and worked with a wide range of producers in securing offtake agreements. The appointment of Dr Rich is an important step in positioning the Company for a timely restart of operations at Kayelekera.

### Secondary Listing on the OTC Exchange

The Company commenced trading on the OTCQB® (OTC) market in the United States on the OTC on 28 April 2021. OTC is an established trading platform, operated by OTC Markets Group in New York, providing live-market trading in companies which hold primary listings in other markets.

Trading of Lotus shares on the OTC is aimed at enhancing the visibility and accessibility of the Company to North American investors, with the listing allowing potential North American investors to both trade and settle during US trading hours in US dollars.

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<sup>1</sup> Effective 12 April 2021, Clean TeQ Holdings Limited (ASX: CLQ) was renamed Sunrise Energy Metals Limited (ASX: SRL).



### Payments to Related Parties

Mr Grant Davey, who is a Non-Executive Director of the Company is a director and shareholder of Matador Capital Pty Ltd (**Matador Capital**). The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space, general office services, bookkeeping services and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis and for the March Quarter were \$53,000 (unaudited).

The Company's Non-executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the Quarter, the Company paid legal fees of \$24,900 to Thomson Geer for legal services.

Payments to all directors for executive and non-executive directors' fees in the June Quarter were \$133,000.

### TENEMENT INTERESTS

The Company's tenement interests as at 30 June 2021 are shown in Table 3.

**Table 3. Tenement interests as at 30 June 2021**

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

1. A term extension is currently being processed.
2. Expired 11 December 2020, currently under rebewed application.
3. On completion of the sale of the Hylea Project, the Company will no longer hold these tenements.

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

For further information, contact:

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## ABOUT LOTUS

On completion of the acquisition of Kayelekera Resources' interest in Lily Resources Pty Ltd, Lotus will own an 85% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 37.5Mlbs U<sub>3</sub>O<sub>8</sub> (see Table 4), and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Scoping Study<sup>2</sup> which demonstrated that Kayelekera can support a viable long-term operation and has the potential to be one of the first uranium projects to recommence production.

**Table 4. Kayelekera Mineral Resource Estimate – March 2020<sup>3</sup>**

Category	Mt	Grade (U <sub>3</sub> O <sub>8</sub> ppm)	U <sub>3</sub> O <sub>8</sub> (M kg)	U <sub>3</sub> O <sub>8</sub> (M lbs)
<b>Measured</b>	0.7	1,010	0.7	1.5
<b>Measured – RoM Stockpile<sup>4</sup></b>	1.6	760	1.2	2.6
<b>Indicated</b>	18.7	660	12.3	27.1
<b>Inferred</b>	3.7	590	2.2	4.8
<b>Total</b>	<b>24.6</b>	<b>660</b>	<b>16.3</b>	<b>36.0</b>
<b>Inferred – LG Stockpiles<sup>5</sup></b>	2.4	290	0.7	1.5
<b>Total All Materials</b>	<b>27.1</b>	<b>630</b>	<b>17.0</b>	<b>37.5</b>

For more information, visit [www.lotusresources.com.au](http://www.lotusresources.com.au)

<sup>2</sup> See ASX announcement 20 October 2020. Lotus confirms that all material assumptions underpinning the production target and forecast financial information included in that announcement continue to apply and have not materially changed.

<sup>3</sup> See ASX announcement dated 26 March 2020. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 26 March 2020 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in that announcement continue to apply and have not materially changed.

<sup>4</sup> RoM stockpile has been mined and are located near mill facility.

<sup>5</sup> Medium-grade stockpiles have been mined and placed on the medium-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this optionality.



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## Appendix 5B

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

Name of entity

Lotus Resources Limited

ABN

38 119 992 175

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(83)	(175)
	(b) care & maintenance	(1,118)	(3,790)
	(c) development	-	-
	(d) production	-	-
	(e) staff costs	(132)	(921)
	(f) administration and corporate costs	(523)	(1,669)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and incentives	-	62
1.8	Other (Business development activities)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,855)</b>	<b>(6,488)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(2)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-



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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	58
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>56</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	17,323
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	189	4,964
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3)	(1,302)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>186</b>	<b>20,985</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	29,940	16,497
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,856)	(6,488)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	56
4.4	Net cash from / (used in) financing activities (item 3.10 above)	186	20,985

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	33	(2,747)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>28,303</b>	<b>28,303</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	296	125
5.2	Call deposits	14,706	16,692
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	13,301 <sup>1</sup>	13,123 <sup>1</sup>
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>28,303</b>	<b>29,940</b>

<sup>1</sup> The Company acquired a \$10 million USD (AUD\$13.3 million) cash backed environmental performance bond as part of the acquisition of the Kayelekera Uranium project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place.

## 6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
211
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments to all Directors for Directors' fees (June quarter: \$133k).

Mr Grant Davey, who is a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (Matador Capital). The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space, general office services, bookkeeping services and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis (June quarter \$53k).

The Company's Non-executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the Quarter, the Company paid legal fees of \$25k to Thomson Geer for legal services.

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,856)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,856)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	28,303 <sup>1</sup>
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	28,303 <sup>1</sup>
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	15.2 <sup>2</sup>

<sup>1</sup> The Company acquired a \$10 million USD (AUD\$13.3 million) cash backed environmental performance bond as part of the acquisition of the Kayelekera Uranium project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place.

<sup>2</sup> With the exclusion of the \$10 million USD environmental performance bond (restricted cash) the Company has estimated 8.1 quarters of funding available.

8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	N/A
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	N/A
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
	N/A

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021.....

Authorised by: By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.