

STRONG GOVERNMENT SUPPORT TO RECOMMENCE PRODUCTION FOLLOWING TRIP TO MALAWI

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (Lotus or the Company) is pleased to provide an update regarding the Company's recent trip to Malawi. Senior management held positive talks with senior figures from the Malawian Government and ESCOM (Malawian Power Utility) as well as with local communities all centred on the prospective recommencement of production at the Company's Kayelekera uranium mine (Kayelekera or the Project).

HIGHLIGHTS

- **The Project remains in a good condition and a quick re-start of production can be achieved. The Definitive Feasibility Study remains on track for mid-2022**
- **The Company is significantly advanced regarding the Mine Development Agreement for the restart of the Project that will set the fiscal regime in which the Company will operate**
- **The Company held meetings with the Malawian Government regarding the recommencement of production at Kayelekera. The Government indicated it was supportive for production to recommence as early as possible**
 - Meetings included the Minister of Mining, the Honourable Dr Albert Mapondera Mbawala and the Minister of Finance and Economic Affairs, the Honourable Sosten Alfred Gwengwe
- **Discussions were held with ESCOM, the Malawian Electricity Utility, concerning the connection of the mine site to the national grid. Connecting to the grid will lower the Project's operating costs and significantly reduce CO₂ emissions when compared to the historical operation**
- **Positive meetings were held with numerous other key stakeholders including Karonga District Commissioner, NGO groups in Karonga and the local communities**

Keith Bowes, Managing Director of Lotus, commented:

"After a two-year hiatus in travel due to COVID restrictions it was great to get back in-country again to visit site and meet with various government officials.

I was extremely pleased with the warm reception we received from all parties that we met, and it is obvious there is strong support from government, communities and NGOs for Kayelekera to re-start production as soon as possible.

The trip also provided the opportunity to visit site again and meet our local employees who have been doing a fantastic job in maintaining site while working with local communities and regional



government officials to explain the process and requirements to be met before we can restart the mine.

Communication is key and everyone is working hard to strengthen our social licence to operate. I was particularly happy to see the support from the local NGOs and the work they have been doing with the communities in formulating our Community Development Agreement that will be key to ensuring our activities support all local communities in a fair and transparent manner”.



Figure 1: Meeting with Minister of Mining

MINE DEVELOPMENT AGREEMENT MOVES FORWARD

The main focus of management's efforts in Lilongwe was advancing the negotiations for an updated Mine Development Agreement (MDA). The MDA will set the fiscal regime and define the operating requirements for the Company when Kayelekera restarts.

The previous owners of the Project, Paladin Energy, who operated the mine between 2009 to 2014, had an MDA with the Malawian government, which they negotiated in consideration for the transfer of 15% ownership of the Project to the Government. Lotus is seeking a similar set of conditions as were contained in this original agreement acknowledging that the government will retain its 15% stake in the Project.





Figure 2: Managing Director, Keith Bowes and CFO Michael Ball meeting with members of the FOCUS NGO

Negotiations were extremely positive with recognition from the Malawian Government that the Project and Malawi is competing on the global stage for investment and that setting an attractive investment environment will deliver many benefits to the local economy, including the generation of significant amounts of foreign currency through future opportunities.

The Company is currently awaiting definitive feedback from the Steering Committee to confirm that the negotiations will be completed on schedule. It is key that the defined fiscal regime can be incorporated into the Definitive Feasibility Study which remains on track to be released by mid-2022.

CONNECTING TO THE NATIONAL POWER GRID - ESCOM

During the historical operation of the Project all power consumed at the Project was generated at site using diesel gensets. For recommencement this is not only costly but also not in line with the Company's desire to minimize CO₂ emissions from the Project.

The Company met with ESCOM, the Malawian electricity utility, concerning connecting the Project to the national grid. Approximately 90% of power on the national grid is from hydroelectric power generation and use of biofuels.

ESCOM indicated ~5MW of power would be available at the Karonga substation, which when combined with the 2.5MW available from the steam turbine that is proposed to be fitted to the



on-site acid plant, will cover 100% of the average steady state demand (peak demand would be covered by genset and or/solar power).

This is expected to provide a significant cost saving compared to historical operations as well as to significantly reduce our CO₂ footprint.

MEETINGS WITH LOCAL STAKEHOLDERS

Meetings were held with the local village chiefs and community leaders to talk about the project and to listen to any concerns they had. In addition meetings were held with the District Commissioner (DC) for Karonga and the CEO and management of FOCUS (see Figure 2), a key local NGO (<https://www.facebook.com/Foundation-for-Community-Support-Services-FOCUS-165181670300221/>).

These discussions centred on the Community Development Agreement (CDA). Under the new Mining Act, brought into force since the Project was last in production, a mining company must contribute a percentage of its revenue for projects in the local communities and the CDA is the means to administer this. The CDA will be made between our local subsidiary that holds the mining licence and the surrounding qualifying communities who will benefit under the scheme.

FOCUS and the DC have been working with the various communities that will be involved in the CDA to ensure a consistent understanding of the potential benefits of the agreement and how the processes associated with the agreement will work. More meetings are proposed with the communities, but the objective is for a final version of the agreement to be available in early June for signature.

While at site we were also able to visit the local Kayelekera Junior School (see Figure 3) and the local Kayelekera Clinic, both of which are supported financially by Lotus. In both instances the need for further support was expressed by the staff. Lotus will look to provide further assistance for these and comparable communitybased facilities as we progress closer to restarting and operating Kayelekera.



Figure 3: Lotus management at the local school



SITE ACTIVITIES

A comprehensive tour of site was undertaken with the local team focused on the water treatment activities that were ongoing at the time, the plant and associated infrastructure, the mine pit and stockpiles. The main components of the plant including all the electrical infrastructure are still good condition (see Figure 4).



Figure 4: View of Plant Site (mill)

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ABOUT LOTUS

Lotus Resources Limited (**ASX: LOT, OTCQB: LTSRF**) owns an 85% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 46.3Mlbs U₃O₈ (see table below), and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Study¹ 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.

Kayelekera Mineral Resource Estimate – February 2022¹

Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Measured	0.9	830	0.7	1.6
Measured – RoM Stockpile ²	1.6	760	1.2	2.6
Indicated	29.3	510	15.1	33.2
Inferred	8.3	410	3.4	7.4
Total	40.1	510	20.4	44.8
Inferred – LG Stockpiles ³	2.4	290	0.7	1.5
Total All Materials	42.5	500	21.1	46.3

For more information, visit www.lotusresources.com.au

¹ See ASX announcement dated 15 February 2022. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 15 February 2022 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in that announcement continue to apply and have not materially changed.

² RoM stockpile has been mined and is located near mill facility.

³ 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.

