

## **UPDATE ON CONSENT FOR KAYELEKERA SALE**

**Lotus Resources Limited (ASX: LOT, Lotus or the Company)** is pleased to provide the following update on the previously announced agreement to acquire an 85% interest in Paladin (Africa) Limited from Paladin Energy Limited (Paladin). Lotus will acquire 65% with partner Kayelekera Resources Pty Ltd acquiring 20%. Paladin (Africa) Limited owns the Kayelekera Uranium Project located in northern Malawi.

The details of the transaction were announced on the 24 June 2019 (ASX release 24th June 2019). Paladin has actively engaged with the Minister of Natural Resources, Energy and Mining and the Minister for Finance, Economic Planning and Development in Malawi to progress the statutory and contractual consents required for completion of the sale.

Lotus has been working alongside Paladin to assist in progressing the Kayelekera transaction. This has included meeting with the Minister of Natural Resources, Energy and Mining and other key people within the ministry, on two occasions. Lotus would like to reiterate that upon receiving the requisite approvals the Company will immediately begin an engineering study in order to reduce the overall operating costs of the project. In addition, Lotus will commence a new exploration program aimed at growing the uranium resources and therefore extending the mine life. This will assist in Lotus being able to bring the mine back into production at the earliest opportunity to the benefit of all stake holders including the Government of Malawi and the local community.

Paladin has now received advice from the Minister of Natural Resources, Energy and Mining of additional obligations to be met prior to consent being granted. These include the provision of further tax reporting information, corporate social responsibility and environmental assurances and responses to labour related queries.

Paladin has provided information in response to this request and will continue to work expeditiously to compile any remaining information in order to facilitate Government consent as soon as possible. Once Government consent is received, the completion of the sale remains subject to customary terms and conditions, including Reserve Bank of Malawi approval which is expected to follow Government consent.

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## DETAILS OF THE KAYELEKERA TRANSACTION

- Lotus has entered into an agreement with Paladin to acquire a 65% interest in the Kayelekera Uranium Project in Malawi.
- The remaining 35% is held by Lotus's joint venture partner Kayelekera Resources Pty Ltd (20%) and the Government of Malawi (15%). Lotus will have an option to acquire a further 20% interest in the Kayelekera mine from Kayelekera Resources in the future. The jointly owned 85% will be held by Lily Resources Pty Ltd.
- Kayelekera hosts a high-grade resource with an existing open pit mine and demonstrated excellent metallurgical recoveries (87.5%) having historically produced over 10.9Mlb of uranium between 2009 and 2014.
- Significant infrastructure is already in place including a 3Mlb per annum resin in pulp extraction plant
- The operation is currently on care and maintenance with all assets maintained in good standing. Assets include:
  - Over US\$200M of CAPEX spent on plant and infrastructure.
  - Process facility throughput - 1.5mtpa (3.3Mlb pa)
  - 31Mlb U3O8 Resource endowment.
- The consideration payable for the acquisition is as follows:
  - Consideration of A\$5M, comprising A\$200k cash, A\$4.8M in Lotus Resources Limited (formerly known as Hylea Metals Limited) shares to be issued to Paladin (A\$1.8M on completion, subject to a 12-month voluntary escrow and A\$3M on the third anniversary of completion);
  - A 3.5% royalty based on revenues derived from future production at Kayelekera, capped at A\$5M; and
  - The repayment of funds advanced to provide security for the US\$10M environmental performance bond. The repayments will occur in four tranches: US\$4M on Completion, US\$1M on the first anniversary, US\$2M on the second anniversary and the final US\$3M on the third anniversary
- In FY13, the open pit mine produced 1,072,000t of ore at an average grade of 1,350 ppm U3O8 with an annualised stripping ratio of 3:1.
- Large 157km<sup>2</sup> tenement package with excellent exploration potential.

### **About Lotus Resources**

Lotus Resources Limited (LOT:ASX) is a minerals exploration and development company. The Company recently entered into an agreement with Paladin to acquire a 65% interest in the Kayelekera Uranium Project in Malawi. Lotus's owned asset is the Hylea Cobalt Project in the Fifield District of NSW. The Project represents a significant cobalt, platinum, nickel and scandium exploration target in both scale and grade potential, as demonstrated by the Company's 2018 drilling program.

