

QUARTERLY ACTIVITIES REPORT

Quarter Ended 30 September 2023

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (Lotus or the Company) is pleased to provide its quarterly activities report for the quarter ended 30 September 2023.

HIGHLIGHTS

- **Closing cash balance of \$13.5M (unaudited), exclusive of restricted cash of \$15.5M and A Cap funds post-merger**
 - Lotus cash outflow of \$2.0 million inclusive of \$1.2M of remedial capex.
 - Current cash, plus A-Cap cash reserves to be received, will fully fund Lotus to complete all currently planned work activities.
 - To investigate further financial instruments, including debt, an experienced financial consultant is likely to be appointed in Q1 2024.
- **Lotus to merge with A-Cap Energy Limited (ACB.ASX) to create a leading African-focused uranium player with significant scale and resources. Key highlights include:**
 - Once implemented, Lotus will hold Mineral Resources of 241Mlbs U₃O₈ (100% basis) at Kayelekera and Letlhakane, increasing Lotus's Mineral Resources almost five-fold.
 - The combined project portfolio will mitigate single asset risk and increases financing flexibility to fast-track project development.
 - Lotus can leverage its proven uranium expertise in developing Letlhakane, one of the world's largest undeveloped uranium resources in one of the world's top mining jurisdictions, Botswana.
 - A-Cap Shareholders will receive 1 new Lotus Share for every 3.54 A-Cap shares.
- **Subsequent to the quarter, A-Cap shareholders approved merger and key Botswana approvals secured**
 - A-Cap Shareholders and Optionholders have approved both Schemes¹
 - Botswana approvals secured², meeting a key Condition Precedent to implementation
 - Merger to be implemented in early November
- **Lotus attended the annual global World Nuclear Association (WNA) Uranium Symposium**
 - Sentiment was far more bullish than in previous years, providing increased opportunities for Lotus to engage with utilities around offtake increased significantly.

¹ See ASX announcement 24 October 2023

² See ASX announcement 18 October 2023

MERGER WITH A-CAP

In July 2023, Lotus and A-Cap announced³ an agreement to merge via a Scheme of Arrangement. The merger will create a leading African-focused uranium player with significant scale and resources by combining a production-ready asset, Kayelekera, with a future large-scale growth asset, Lethlakane, located in Botswana, one of the world's top mining jurisdictions.

Once implemented, Lotus will hold Mineral Resources of 241Mlbs U₃O₈ (100% basis), increasing Lotus's Mineral Resources almost five-fold and creating the third largest resource base of ASX listed uranium developers⁴.

Under the transaction, Lotus will acquire 100% of the A-Cap Shares on issue. Under the Share Scheme, A-Cap Shareholders will receive 1 new Lotus Share for every 3.54 A-Cap Shares held on the Scheme record date. Upon implementation of the Share Scheme, Lotus shareholders will hold approximately 79% of the Merged Group and A-Cap Shareholders will hold approximately 21%.

The Botswana regulatory approvals - Mining Ministerial and Competition Authority – a key condition precedent for the merger were both received post quarter end.

The A-Cap shareholder meeting to approve the merger was held on 20 October with both the Share Scheme and the Option Scheme being voted through by the shareholders. Both Schemes received overwhelming positive votes in favour of the merger (99.8% for the Share Scheme and 100% for the Option Scheme) indicating significant support for Lotus's development strategy moving forward.

The Scheme of Arrangement is planned to be implemented in early November 2023.

Further details regarding the transaction can be found at the Company's website – www.lotusresource.com.au

KAYELEKERA MINE DEVELOPMENT AGREEMENT

The Company continued negotiations with the GoM on the MDA for Kayelekera. This Agreement will set the fiscal regime in which the Project will operate and is one of the inputs the Company is seeking prior to making its Final Investment Decision (FID) for the restart of Kayelekera.

During the quarter, Managing Director Keith Bowes and Non-Executive Director Grant Davey travelled to Malawi to meet with the new Minister of Mines and the Minister of Finance to progress the MDA. The GoM is motivated to finalise the MDA as soon as possible, recognising the importance of mining to the future growth of the Malawian economy. This is also evidenced by the Mining Minister's address to the Africa Down Under Conference in Perth⁵, where she made positive statements about Kayelekera's previous contribution to Malawi's economy and stated her support for mining projects in Malawi, including Kayelekera, being put into production soon.

Lotus has also progressed the work with Tier 1 law firm Herbert Smith Freehills (HSF) to support the Company in developing the documentation and strategy around the execution of the proposed MDA.

³ See detail in ASX announcement 13 July 2023

⁴ See ASX Announcement 13 July 2023 – Scheme of Arrangement Investor Presentation – for details and source data references

⁵ <https://www.youtube.com/watch?v=93a94bNwBDE#:~:text=so%20next%20I%20would%20like,the%20Long%20Way%20North%20constituen cy.>

OFFTAKE DISCUSSIONS

The Company continues its discussions with multiple electricity utilities regarding potential offtake agreements, including participating in formal Request for Proposals (RFPs) and off-market discussions with a number of these utilities and other off-takers.

Lotus attended the WNA Uranium Symposium in London, meeting with numerous utilities, industry participants and investors. This year's conference had the largest attendance (~700) on record and it was clear the sentiment around the future of the nuclear industry from all participants was the most positive seen for many years. The number of utility engagements compared to last year was much higher and the opportunities around term contracting also improved.

As a result of these efforts, Lotus has participated in four RFPs during the quarter. Lotus is also finding utilities are increasingly receptive to Lotus's proposed offtake terms, with the market effectively rising to the pricing level Lotus has been prescribing in its submissions for the last 12 months.

Utilities' strong focus on potential suppliers' ESG credentials continued, and Lotus received detailed ESG questionnaires from a further two European utilities during the quarter. These utilities not only look towards net-zero carbon emissions in their supply chains, but also social licence to operate, International Labour Organisation compliance, modern slavery mitigation measures along with the Company's diversity and equality criteria in addition to geopolitical diversity in their supply, all of which Lotus is well positioned to offer.

KAYELEKERA POWER SUPPLY AGREEMENT

A Power Implementation Agreement along with the Power Supply Agreement with ESCOM will facilitate the connection of the Kayelekera site to the Malawi national grid and allow the Company access to lower cost power, a critical component of the reduced operating costs reported in the Definitive Feasibility Study.

The Malawian grid power, sourced predominantly from hydro, is considered "green" in nature and ensuring this source as a major component of its power mix fits with Lotus's low carbon strategies.

During the quarter, Lotus, along with its technical consultants, worked with ESCOM through a technical working group to define the optimal grid connection solutions and the associated power reliability and upgrade costs. A preferred option has been selected and a commercial working group has now been formed to consider the business case for the upgrades and new installations required, including negotiating the reduced electricity tariffs that will be applicable for Kayelekera. A memorandum of understanding (MOU) is being prepared that will outline the pathway and responsibilities associated with the formal agreements proposed.

The Company has also initiated an assessment of what will be required for the installation of the new transmission line from an environmental impact assessment perspective depending on the selected route, and this will feed into the execution strategy.

SITE ACTIVITIES

General site activities associated with care and maintenance during the quarter remain focused on four main areas:

- Compliance with all regulatory requirements;
- Maintain the equipment on site so as to minimise restart costs;
- Ensure security of the assets on site; and
- Management of water onsite to control the discharge of water to the environment, during the wet season in accordance with licence conditions.

The key site activity during the quarter was the execution of geotechnical works associated at the plant terrace and the return water dam (RWP2). In addition to installing a gabion basket system, significant work was also carried out on the water drainage/diversion systems around the plant and RWP so as to minimise the ingress of rainwater into the ground water system. The works were completed in October.

ESG UPDATE

The Company continued to prepare its third annual Sustainability Report, with a FY2023 report planned to be released in November this year. Lotus's reporting methodology is evolving, with an increasingly quantitative analysis of its ESG position completed. This includes reporting with reference to the 2021 GRI Standards and working towards reporting against the Taskforce for Climate-related Financial Disclosure framework, an important global framework for understanding and mitigating financial implications of climate change.

During the quarter, Lotus participated in potential customer ESG performance evaluations. This approach is becoming more prevalent, as discussions with global utilities for future offtake have indicated that ESG credentials is a key consideration for signing offtake contracts, especially with European utilities.

The Company was invited to participate in S&P Global's annual Global Corporate Sustainability Assessment. The Company will prepare a response to S&P Global's ESG questionnaire during the December quarter. S&P Global will assess the information provided and Lotus will be given a rating out of 100, which will be made available to the public on S&P's website.

Once the merger with ACAP is implemented, the Company plans to evaluate A-Cap's ESG performance and plans to align ESG management systems and reporting frameworks across the merged entity.

URANIUM MARKET UPDATE

The uranium spot price has increased during the September quarter from a low of US\$55.40/lb to finish the quarter at US\$73.50/lb, a 33% increase and a multi-year high. The UxC Long-Term price increased by US\$5.00/lb to US\$61.00/lb over the quarter.

Sprott began purchasing from the spot market against for the first time since April, with purchases of 200,000lbs of U₃O₈ in the quarter.

There has been further significant movement in the term markets, with >25Mlb U₃O₈ traded in the quarter, as utilities move forward aggressively with their purchasing cycle.

The positive price sentiment is being underpinned by governments around the world recognising the need for greater energy security. This is led by the USA where the Biden administration is

offering further funding for distressed nuclear power plants. Positive news during the quarter included that Polish and US officials signed an agreement to move forward with the construction of Poland's first nuclear power plant as part of an effort by the Central European nation to move away from polluting fossil fuels. Also, South Korea gave the final approval for the operation of a new nuclear reactor, the Shin-Hanul No. 2 reactor in the coastal county of Uljin, 218 kilometres southeast of Seoul. Completed in April last year, the reactor will be loaded with fuel and enter into commercial operation after six months of testing.

The World Nuclear Association (**WNA**) has updated its outlook for the uranium market, with nuclear generation capacity forecast to grow by 3.6% annually to 2040 in the Reference Scenario, driven by three major trends: life extension of existing plants beyond 60 years, new build and Small Modular Reactor development. WNA points out that in 2022, only 76% of reactor requirements were covered by primary uranium supply, and while there are adequate uranium resources to meet future requirements, rapid development of new projects is needed in the near to mid-term to supply forecast demand.

CORPORATE

Cash position

As at 30 September 2023, Lotus had cash of \$13.5M (unaudited), exclusive of restricted cash of \$15.5M (US\$10.0M) which forms cash collateral for the Kayelekera environmental bond.

The cash balance decreased by \$2.0M compared to the 30 June 2023 quarter (\$15.5m), with the majority of these outflows related to site care and maintenance as well as remedial capital for ground movement repairs to the plant terrace and related water drainage systems and the return water dam wall (as a result of last year's wet season) (~\$1.2m). These were completed post quarter end.

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, company secretarial services, ESG consulting 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 (Sep quarter \$175,000).

The Company's Non-Executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the March quarter, the Company paid legal fees of \$246,000 to Thomson Geer for legal services.

Payments to all directors for executive and non-executive directors' fees in the quarter were \$181,000.

TENEMENT INTERESTS

The Company's tenement interests as at 30 September 2023 are shown in Table 1.

Table 1. Tenement interests as at 30 September 2023

Tenement	Ownership	Registered Holder	Location
ML0152 - Kayelekera	85%	Lotus Africa Limited	Malawi
EL418 - Chilumba	85%	Lotus Africa Limited	Malawi
EL489 - Nthalire	85%	Lotus Africa Limited	Malawi
EL502 - Juma-Miwanga	85%	Lotus Africa Limited	Malawi
EL417 - Rukuru	85%	Lotus Africa Limited	Malawi
EL595 - Livingstonia	85%	Lotus Africa Limited	Malawi
EL583 - Livingstonia West	85%	Lotus Africa Limited	Malawi

This Quarterly Report has been authorised for release by the Lotus board of directors.

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

REFERENCE TO PREVIOUS ASX ANNOUNCEMENTS

In relation to information in this announcement that relates to previously reported exploration results, the dates of which are referenced, Lotus confirms that that it is not aware of any new information or data that materially affects the information included in that announcement.

For further information, contact:

Keith Bowes
 Managing Director
 T: T: +61 (08) 9278 2441

Martin Stulpner
 Business Development
 T: +61 (08) 9278 2441

ABOUT LOTUS

Lotus Resources (**ASX: LOT, OTCQB: LTSRF**) 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. The 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 Study which has determined an Ore Reserve of 23Mlbs U₃O₈ and demonstrated that Kayelekera can support a viable operation.

Lotus Mineral Resource Inventory – June 2022⁶

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	2.4	290	0.7	1.5
Kayelekera	Total All Materials	42.5	500	21.1	46.3
Livingstonia	Inferred	6.9	320	2.2	4.8
Total		49.4	475	23.3	51.1

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

⁶ See ASX announcement dated 15 February 2022 for information on the Kayelekera mineral resource estimate. 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.

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 studies planned to further assess this optionality.

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.

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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(328)	(328)
(b) care & maintenance	(465)	(465)
(c) development	-	-
(d) production	-	-
(e) staff costs	(241)	(241)
(f) administration and corporate costs	(422)	(422)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	346	346
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(36)	(36)
1.7 Government grants and incentives	-	-
1.8 Other (provide details if material)	4	4
1.9 Net cash from / (used in) operating activities	(1,142)	(1,142)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(1,168)	(1,168)
(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 (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(1,168)	(1,168)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	350	350
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	350	350
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,519	15,519
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,142)	(1,142)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,168)	(1,168)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	350	350

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(109)	(109)
4.6	Cash and cash equivalents at end of period	13,450	13,450

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	594	508
5.2	Call deposits	1,856	511
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits < 3 Months)	11,000	14,500
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	13,450	15,519

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

**Current quarter
\$A'000**

602

-

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 (September quarter: \$181,000).

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, company secretarial services, ESG consulting 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 (September quarter \$175,000).

The Company's Non-executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the September quarter, the Company paid legal fees of \$246,000 to Thomson Geer for legal services.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,142)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,142)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	13,450
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	13,450
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	11.78

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: 25 October 2023.....

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.