

31 July 2024

ASX Announcement

Lotus agrees 10-year stability period and fixes fiscal regime with Mine Development Agreement

Lotus Resources Limited (ASX: LOT, OTCQX: LTSRF) (Lotus or the **Company**) is pleased to announce it has signed a Mine Development Agreement (**MDA** or **Agreement**) with the Government of Malawi (**GoM**), for its Kayelekera uranium mine, a major milestone in its redevelopment. This Agreement ensures the mine will operate under a stable fiscal regime and provides the necessary confidence to investors.

HIGHLIGHTS

- **MDA secures a stable fiscal regime for the operations**
 - MDA guarantees a Stability Period of 10 years during which the Project will not be subject to any detrimental changes to the fiscal regime
 - Key tax terms are aligned with the Restart DFS assumptions, including royalty rate of 5% and corporate tax rate of 30%.
 - Relief provided on Resource Rental Tax and Withholding Tax, specifically as it applies to dividends to non-residents.
 - Exemptions for import and export duties, excise and VAT on capital goods and specified consumables directly related to mine production
 - MDA includes internationally recognised principles relating to legal protection on security of tenure, dispute resolution and expropriation
- **MDA demonstrates the commitment by the GoM to develop the local mining industry, a key pillar of Malawi 2063, their new economic vision.**
 - Rio Tinto's increased shareholding in Sovereign Metals, which holds another key mining project in Malawi, also indicates the increased attractiveness of Malawi as a mining destination.
- **Lotus has a cash balance of \$34.1M (unaudited), exclusive of restricted cash of \$15.0m, at 30 June 2024**

Lotus Managing Director Keith Bowes commented: *"We are extremely pleased to have finalised our MDA with the Malawian Government. I would like to thank all parties involved in these negotiations, especially the Presidential Delivery Unit who were instrumental in finalising the agreement. The relevant ministries including mining, finance and justice have all been very supportive in our negotiations as we have gone through multiple iterations of the MDA.*

It has been a timely conclusion to these negotiations as we have seen increased demand for the Kayelekera product from a number of utilities which coincides with the current perceived shortages and strong prices in the market. With the completion of the MDA, we can now move ahead quickly with concluding some of our offtake discussions."

MDA KEY TERMS

The MDA specifies key fiscal terms, legal protections and non-fiscal government support under which Lotus will develop and operate Kayelekera. Lotus has benchmarked comparable fiscal regimes elsewhere in informing its MDA discussions with the GoM.

The MDA is aligned with current Malawi legislation. Key terms agreed include:

- A stability period of 10 years from date of execution during which the Project will not be subject to any detrimental changes to the fiscal regime
- Royalty rate of 5% and the corporate tax rate of 30%
- Tax losses from acquisition are included, with protection from disputes on tax refunds through the principle of tax set-off. The agreement also includes ability to restructure historical loans and tax losses on a tax neutral basis
- Malawi's currently legislated Resources Rent Tax (RRT), which is not fit for purpose, does not apply. Instead, the GoM proposes to consider an alternate supernormal profits tax (that may consist of a sliding scale linked to uranium price) to replace the current RRT. The Company will receive a waiver until such time as this is effective.
- Exemptions for import and export duties, excise and VAT on capital goods and on specified consumable items directly related to mine production
- Withholding Tax relief (currently 10% for a mining company) on dividends to Lotus for the majority of the mine life
- The maintenance of foreign currency bank accounts inside and outside Malawi that are supportive of project financier requirements
- A Community Development Agreement with a minimum value of 0.45% of project revenue set aside for community projects
- Specific legal protection is afforded to the Company, including Security of tenure, Dispute Resolution and Arbitration and non-discrimination

ENGAGEMENT WITH GOVERNMENT OF MALAWI

Lotus's negotiations with the GoM were based on the concept of a fair and equitable split of economic benefits for investors that meets the project financing needs, delivers an economically viable project and provides the necessary benefits to the local communities, the Malawian people and the GoM.

Consideration has been given to not only fiscal items such as taxes and royalties but also economic benefits including jobs, business development, local procurement and supporting local businesses and communities.



Figure 1: MDA Signing Ceremony

NEXT STEPS

Current priorities include:

- **Complete offtake negotiations** for the first phase of contracting. Offtake agreements may have a pre-payment component to support the project financing.
- **Complete the FEED program**
- **Finalise project financing**
 - Lotus's debt advisor, Orimco, has identified potential financiers to assist in the project financing
 - Independent Technical, Environmental and Legal reviews planned prior to receiving credit approved proposals
- **Complete negotiations and sign** a Power Supply and Power Implementation Agreement with Malawi's electricity utility ESCOM

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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 Study¹ 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 118.2Mlbs U₃O₈.

LOTUS MINERAL RESOURCE INVENTORY – APRIL 2024^{2,3,4,5}

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 ⁸	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 ⁹	2.24	290	0.7	1.5
Kayelekera	Total – Kayelekera	42.5	500	21.1	46.3
Livingstonia	Inferred	6.9	320	2.2	4.8
Livingstonia	Total – Livingstonia	6.9	320	2.2	4.8
Kayelekera Project Total		49.4	472	23.3	51.1
Letlhakane	Indicated	46.1	339	15.6	34.4
Letlhakane	Inferred	109.2	348	38.0	83.8
Letlhakane	Total – Letlhakane	155.3	345	53.6	118.2
Total	All Uranium Resources	204.7	377	76.8	169.3

LOTUS ORE RESERVE INVENTORY – JULY 2022⁸

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

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

² See ASX announcement dated 15 February 2022 for information on the Kayelekera mineral resource estimate.

³ See ASX announcement dated 9 May 2024 for information on the Letlhakane mineral resource estimate.

⁴ See ASX announcement dated 9 June 2022 for information on the Livingstonia mineral resource estimate.

⁵ Lotus confirms that it is not aware of any new information that materially affects the information included in the respective resource announcements of 15 February 2022 and 6 June 2022 and that all material assumptions and technical parameters underpinning the Mineral Resource Estimates in those announcements continue to apply and have not materially changed.

⁶ RoM stockpile has been mined and is located near mill facility

⁷ 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.

⁸ 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.