INVESTMENT RESEARCH

BW EQUITIES

2 November 2020

Lotus Resources Limited (LOT)

Restart Scoping Study Released

Positive Restart Scoping Study: LOT released its anticipated restart scoping study for the Kayelekera uranium project, which outlined a "high-grade ore only" scenario requiring capex of US$50m for a 1.4mtpa processing plant targeting average annual production of 2.3mlbs U3O8 over an 8 year mine life at steady-state AISC of US$40/lb. These parameters were positive relative to our expectations, most notably with regards to unit costs which were significantly below the US$48/lb estimate we had previously assumed. A more detailed comparison of the scoping study's key parameters compared to our prior assumptions is contained in the body of this note.

Further Optimisation Opportunities: LOT will now proceed with a restart feasibility study which will provide more detail and confidence around the project parameters defined in the scoping study. We currently expect this work to be completed during the first half of CY 2021 and it's release will mark a major de-risking milestone for investor understanding in the financial and operational assumptions which lay the foundation for the future economic viability of the project. Management note that targeted exploration activities aimed at expanding the Resource base and extending mine-life are a core plank of the next steps aimed at optimising the project. Others include further investigation of operational technologies such as ore sorting, and process improvements including acid recovery and improved power supply options.

Discussions Initiated With Utilities: LOT has commenced a process of re-introducing the Kayelekera project to global utilities with the initial focus upon previous buyers of historic production from the operation. As a reminder during prior production history, the mine produced 10.9mlbs of uranium and delivered this product to customers in North America, Asia and Europe. Management commentary highlights the generally anticipated "return to the term contracting cycle in the coming years, primarily as a result of the lack of term contracting since 2013". Recent major global uranium production outages related to COVID19, and the associated rally in spot uranium prices have served to emphasise the focus on this potential upturn in long-term utility contract volumes. However, uranium prices will have to improve much further in order to incentivise material new supply coming on stream, including potential production at Kayelekera.

September Quarter Cash Flows: During the September quarter LOT spent A$1.4m of operational cash flows primarily on care & maintenance activities (A$850k). This is materially below the A$3.1m spent in the June quarter, reflecting the transition to the new care & maintenance model which has been guided to a cost of US$1.2m/year (~A$1.7m/year). No further information has arisen regarding the potential to unlock access to the US$10m environmental bond funds (held by the Government of Malawi). Excluding these funds LOT has A$3.3m cash available, which according to quarterly report commentary, is sufficient for 2.3 quarters of ongoing funding.

Revisions, Valuation & Recommendation: LOT provides investors with exposure to a known uranium asset with a significant operating track record, short lead time and modest capex to restart. We have updated our financial model to reflect the "high-grade ore only" scenario outlined in the restart scoping study, the key change being lower unit production costs compared to our prior estimates. We also revise our valuation to be soley determined by our DCF analysis, given the improved confidence in financial modelling assumptions following the release of information in the scoping study. The shares trade at a significant discount to our revised 14.3¢/share (AUD) valuation. We reiterate our Buy rating. Key risks include the availability of funding, uranium prices, geopolitical issues and operational issues.

Recommendation	**BUY**
Target Price (AUD)	14.3¢
Share Price (AUD)	9.0¢
Forecast Capital Return	58%
Forecast Dividend Yield	0.0%
Total Shareholder Return	**58%**
Market Cap	A$66.7m
Net Cash (Debt)*	A$3.3m
Enterprise Value	A$63.4m
Shares On Issue	741m
Share Options On Issue	89m

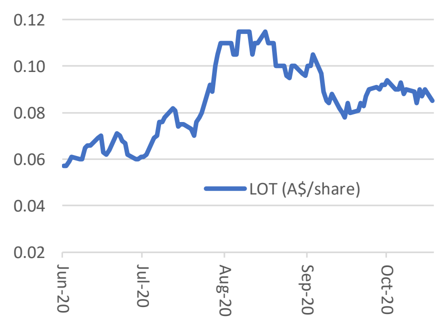
Daniel Seeney | Senior Analyst

*Excludes US$10m restricted cash (env. bond)

Key Executives	
Chairman	John Sibley
Managing Director	Eduard Smirnov
Non Exec Director	Grant Davey
Non Exec Director	Stuart McKenzie

Catalysts	
Restart Feasibility Study	1H 2021

Major Shareholders	
Paladin Energy	12.2%
Sachem Cove	7.5%
Arnott Capital	6.3%
Terra Capital	5.9%
Directors & Management	4.9%



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FINANCIAL SUMMARY — Lotus Resources Limited (LOT)

Share Price	A$/sh	0.09
Shares on Issue	m	741
Market Cap (A$m)	A$m	66.7
Net Debt / (Cash) (A$m)	A$m	(3.3)
Enterprise Value (A$m)	A$m	63.4

Rating	**BUY**
Target Price	0.14
Upside / (Downside)	58%
Dividend Yield	0.0%
Total Return Forecast	58%

Profit & Loss	**Units**	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
Sales	A$m	-	-	-	276
Expenses	A$m	(17)	(9)	(9)	(156)
EBITDA	A$m	**(17)**	**(9)**	**(9)**	**120**
D&A	A$m	-	-	-	(14)
EBIT	A$m	**(17)**	**(9)**	**(9)**	**106**
Net Interest	A$m	-	1	(1)	(2)
Profit Before Tax	A$m	(17)	(8)	(10)	105
Tax	A$m	-	-	-	(26)
Adjusted NPAT	A$m	**(17)**	**(8)**	**(10)**	**78**

Cashflow	**Units**	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
Cash From Operations	A$m	(4)	(4)	(4)	127
Interest	A$m	(0)	1	(1)	(2)
Tax	A$m	-	-	-	(26)
Net Cash From Operations	A$m	**(4)**	**(4)**	**(5)**	**99**
Capex (incl. exploration)	A$m	(1)	(91)	(5)	(21)
Acquisitions (Net)	A$m	-	-	-	-
Other	A$m	11	(1)	(3)	(4)
Free Cash Flow	A$m	**6**	**(96)**	**(13)**	**74**
Proceeds from issue of shares / (buyback)	A$m	10	62	-	-
Proceeds / (Repayment) of Borrowings	A$m	(0)	43	-	-
Dividend	A$m	-	-	-	-
Net Increase / (Decrease) in Cash	A$m	**16**	**9**	**(13)**	**74**

Balance Sheet	**Units**	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
Cash	A$m	16	26	13	87
Receivables	A$m	-	-	-	14
Inventory	A$m	-	-	-	41
PP&E & Exploration	A$m	65	156	161	168
Other	A$m	1	1	1	1
Assets	A$m	**82**	**182**	**174**	**310**
Creditors	A$m	1	-	-	28
Debt	A$m	-	43	43	43
Provisions	A$m	61	61	61	61
Tax Liabilities	A$m	9	9	9	9
Liabilities	A$m	**72**	**113**	**113**	**141**
Minorty Interest	A$m	-	-	-	-
Net Assets	A$m	**10**	**69**	**61**	**169**

Liquidity & Leverage	**Units**	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
Net Debt / (Cash)	A$m	(16)	17	30	(44)
Net Debt / EBITDA	x	1.0x	(1.8)x	(3.2)x	(0.4)x
EBIT Interest Cover	x	#DIV/0!	11.3x	(10.9)x	70.3x
Net Debt / Equity	%	-157%	25%	50%	-26%

Per Share Data (¢)	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
Shares Out (m)	738	741	1,402	1,402
EPS (¢)	(4.6¢)	(1.0¢)	(0.9¢)	5.3¢
Growth (%)	n/a	n/a	n/a	n/a
Dividend (¢)	-	-	-	-
Payout Ratio (%)	0%	0%	0%	0%
Net Tangible Assets (A$)	0.01	0.09	0.04	0.12
Book Value (A$)	0.01	0.09	0.04	0.12
Free Cash Flow (A$)	0.01	(0.13)	(0.01)	0.05

Valuation Metrics	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
EV / Sales	n/a	n/a	n/a	0.2x
EV / EBITDA	n/a	n/a	n/a	0.5x
EV / EBIT	n/a	n/a	n/a	0.6x
P/E (x)	n/a	n/a	n/a	1.7x
Dividend Yield (%)	n/a	n/a	n/a	0.0%

Operating Metrics (%)	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
EBITDA Margin	n/a	n/a	n/a	43%
EBIT Margin	n/a	n/a	n/a	38%
Net Profit Margin	n/a	n/a	n/a	28%
ROIC	n/a	n/a	n/a	85%
Return on Assets	n/a	n/a	n/a	25%
Return on Equity	n/a	n/a	n/a	46%
Effective Tax Rate	n/a	n/a	n/a	25%

Key Assumptions	**Jun-20**	**Jun-21e**	**Jun-22e**	**Jun-23e**
Uranium Price (US$/lb)	n/a	n/a	n/a	81
AUDUSD	n/a	n/a	n/a	0.70
Uranium Production (mlbs)	-	-	-	2.4

Valuation	**US$M**	**Stake**	**Risk**	**A$/share**
Kayelekera	431	65%	50%	0.14
Exploration & Investments	15	100%	100%	0.01
Corporate Costs	(14)	100%	100%	(0.01)
Net Cash (Debt)	2	100%	100%	0.00
Total	**434**			**0.14**
WACC				10%
AUDUSD				0.70
Fully Diluted SOI (m)				1,432

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Kayelekera Restart Scoping Study

The results of LOT's restart scoping study at Kayelekera outlined 2 possible scenarios predicated on either a high-grade only (898 ppm U3O8), 8 year mine life option, or an alternative incorporating medium-grade stockpiles which extends the mine-life to 14 years at a lower average grade of 679 ppm U3O8:

Kayelekera uranium project – restart scoping study summary results

Table 1: Base Case – summary of production and cost data (estimated)

General	High-grade ore only LOM total / Avg.	With Medium-grade stockpiles LOM total / Avg.
Mine Life (Years)	8	14
Total Material Mined (Mt)	47.1	47.1
Strip Ratio	3.5	1.8
Total U_3O_8 Mined (Mlbs)	18.9	27.5
Production	**LOM total / Avg.**	**LOM total / Avg.**
Plant Feed (Mt)	9.6	18.4
Plant Feed Grade (ppm U_3O_8)	898	679
Plant Recovery (%)	86.7%	86.7%
Av. Annual Production (Mlbs)	2.3	1.8
Max Annual Production	3.0	3.0
LOM Production (Mlbs)	16.4	23.8
Operating costs	**LOM total / Avg.**	**LOM total / Avg.**
Mining Costs (US$ / t mined)	2.87	2.87
Processing Costs (US$ / t ore)	37.84	35.47
G&A Costs (US$M pa)	12.4	12.4
Steady-state[2] Cash costs (US$ / lb)	32.75	32.06
Steady-state[3] AISC (US$ / lb)	39.83	39.07
Capital costs	**LOM total / Avg.**	**LOM total / Avg.**
Initial Capital (US$M)	50.2	50.2
Plant Sustaining Capital (US$M)	28.0	48.0
TSF Sustaining Capital (US$M)	36.1	36.1[3]
Closure Costs (US$M)	31.5	31.5

[2] Production Years 2 to 6 after ramp-up.
[3] Assumes in-pit tailings disposal will be possible otherwise this could increase to US$65.4M.

Source: Company Reports

The second scenario incorporating the medium-grade stockpiles schedules the treatment of those stockpiles at the end of the life-of-mine. While operating costs are marginally lower in this scenario and upfront capex is equivalent to the high-grade only scenario, we have focused our analysis on the shorter mine-life, high-grade ore only scenario.

A summary of the high-grade ore only scenario compared to our prior assumptions contained in our detailed financial model are as follows:

Scoping study summary results vs our prior expectations

ITEM	Units	BWe	LOT SS	+ / -
Mine Life	years	7	8	+
Throuput	mtpa	1.30	1.40	+
Feed Grade	ppm U3O8	1,000	898	-
Average Annual Production	mlbs	2.5	2.3	-
Capex	US$m	60	50	+
Sustaining Capex per annum	US$m	10.0	8.0	+
AISC* (steady-state)	US$/lb	48.00	39.83	++

*Excludes product transport & royalties

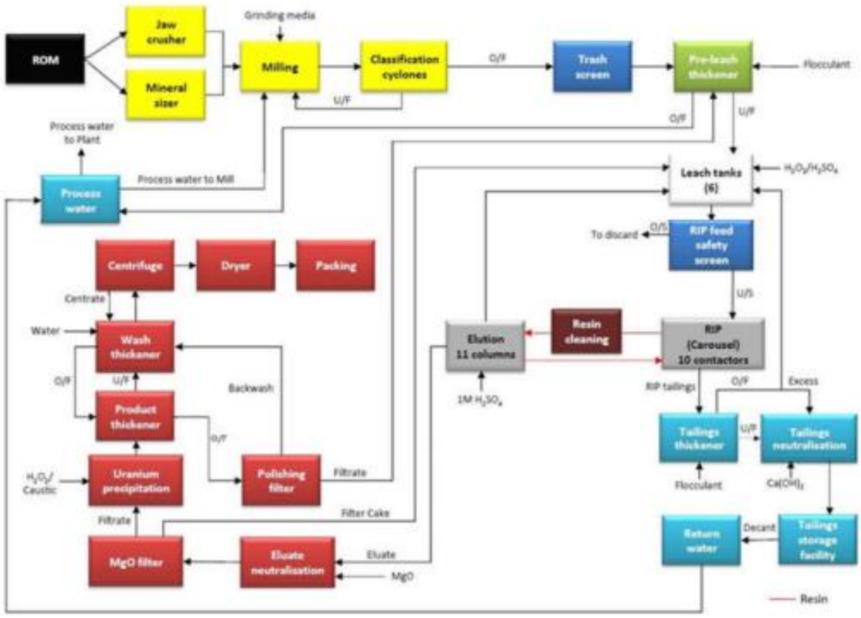
Source: Company Reports, BW Equities

As is illustrated, overall the results are broadly more positive than what we had previously forecast, notably the unit cost assumptions. Note that the scoping study presents "steady-state" AISC information which reflects production in years 2-6 after ramp-up. As such life-of-mine outcomes will be higher given the less optimal production scenarios that generally takes place at the beginning and end of mining operations.

Process Flow Sheet

The study indicated that the same processing method as adopted historically will be adopted, which is illustrated in the flowsheet below:

Kayelekera Restart Scoping Study – Process Flow Sheet



Source: Company Reports, BW Equities

The process is a conventional crush/mill with high density ion exchange (resin-in-pulp) membrane-based acid recovery and conventional yellow cake and tailings operations.

Acid Management

Sulphuric acid represented a material historical cost component of processing at Kayelekera. The existing operation was designed to produce sulphuric acid on-site by utilising imported sulphur and a sulphur burning acid plant, versus the alternative of directly importing sulphuric acid.

We understand that the importation of sulphuric acid at substantially higher cost versus that produced in the on-site plant, was a key factor which lead to higher than expected operating costs during the prior period of operation at Kayelekera. We previously flagged an expectation that under LOT's revised operating strategy, importing sulphuric acid will not be a consideration given the importance of optimising the unit cost structure.

In line with this expecation, LOT has indicated that at a throughput assumption of 1.4mtpa, the process plant will be acid self-sufficient. On this basis the plant will be acid constrained based on the 240t/day capacity of the acid plant located at the mine site. An additional 30t/day acid has been assumed to be recovered from the nano-

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filtration process which recovers acid from the elution circuit. The potential introduction of ore sorting technology and further acid recovery options are being considered with future work which has the potential to provide headroom for an uplift in plant throughput.

Electricity Supply

Kayelekera's existing electricity infrastructure consists of a 12MW on-site diesel generation plant. During prior production, PDN experienced generation outages at the plant, impacted by "the logistics chain to Malawi. (December 2010 Quarterly Activities Report). We presume this relates to issues obtaining diesel during that period.

With this in mind establishing a grid power connection is a key strategic target for LOT in underpinning the cost and reliability of Kayelekera's operations. In the Scoping Study, LOT has assumed "reliable grid power will be available from ESCOM at restart" and that "existing generating capacity will be used for emergency supply only". LOT further notes in the Scoping Study as follows:

> *"Power for the grid is supplied by the recently upgraded hydro-power facility in the south of the country on the Shire River. At the conclusion of this regional grid upgrade, it is expected that the grid stability in the north of Malawi will be similar to that currently experienced in the south of the country."*

LOT notes that preliminary discussions have been held with the Malawi Government in this regard.

The inclusion of this assumption into LOT's scoping study results is likely a key driver of the lower than expected operating cost information compared to our prior expectations. We analysed the Malawian electricity supply landscape in detail in our Initiation Report dated 18 March 2020. If LOT are successful in realising a grid connection at the Kayelekera site it will mark a key milestone and derisking event for the asset. However we flag it as a key risk in the realisation of the currently outlined scoping study cost estimates.

Valuation Summary

We adopt DCF methodology to underpin our valuation estimation of Lotus as is typical with most mining companies. We have compiled a comprehensive financial model based on assumptions made with reference to information outlined in October 2020 restart scoping study.

We assume an operation producing 2.4mlbs/year over an 10 year mine life (2 years longer than the scoping study to reflect anticipated resource upgrades from targeted exploration work) at a AISC unit cost of ~US$43/lb. We assume restart capex of US$50m, and working capital investment of US$21m in the first year of operation. We assume no change to Malawian mining approvals, fiscal or geopolitical circumstances. No cash corporate tax is assumed to be paid over the 10 year mine life given the substantial accumulated tax losses presently held within Paladin Africa (US$350-$400m).

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A discount rate of 10% has been used to reflect the mine's established infrastructure conventional operational design and track record of proven production. This is in line with market discount rates generally applied to other similar listed mining equities.

Predicated on the assumption that adequate funding on acceptable terms is available to restart the mine, we assume that the project can be financed with a debt/equity funding solution including US$30m of equity funding secured via an equity raise at AUD 10.0¢/share. We factor in all current outstanding options into our share dilution.

As the economics of Kayelekera are dependent on materially higher uranium prices vs current spot prices (spot US$30/lb, contract US$35/lb), arriving at a valuation for LOT depends most crucially on what uranium price estimates are adopted, and whether they are accepted by equity and debt providers to enable LOT to fund the restart.

Given the disconnect between currently observed prices in the spot market, and the global uranium production cost-curve, as well as medium-term forecasts of improving net global reactor growth and the requirement for substantially higher uranium prices to incentivise production of incremental uranium supply to support this, we adopt a risk weighted NPV incorporating uranium prices of US$75/lb. Noting spot uranium prices, our uranium price assumptions represent a substantial risk to our valuation of LOT shares and the prospect of our projected target price for LOT shares being realised. However investors with a positive view on improving uranium market fundamentals are likely to continue to attribute weight to this type of outcome even if uranium prices remain depressed for longer than anticipated.

We apply a 50% risk weight to the derived Kayelekera NPV to reflect remaining construction works, geopolitical uncertainty and the range of known and unknown uncertainties regarding factors including financing, uranium prices and operating costs.

We set our 12 month target price equal to the DCF valuation derived which arrives at a target price of 14.3¢/share. A summary table outlining our DCF valuation is shown below:

Lotus Resources Valuation Summary:

	US$M	**Ownership**	**Risk Weight**	**A$M**	**A$/share**
Kayelekera	431	65%	50%	200	0.14
Exploration and Investments	15	100%	100%	21	0.01
Corporate Costs	(14)	100%	100%	(20)	(0.01)
Net Cash (Debt)	2	100%	100%	2.8	0.00
Total	**434**			**204**	**0.143**
WACC					**10%**
AUDUSD					0.70
Shares on issue (m)					741
Options (m)					89
Deferred Consideration Shares to PDN - Tranche 2					30
Equity Raising - Project Funding (m)					571
Fully Diluted SOI (m)					1,432

Source: BW Equities

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Directors & Management

John Sibley – Non-Executive Chairman

Mr Sibley was formerly the Executive Vice President, General Counsel and Corporate Secretary of Uranium One Inc. based in Toronto, Canada. During his 10-year career with the company he gained extensive experience in working with Governments and state-owned enterprises in Asia Pacific, Africa, Europe, North America and the countries of the Commonwealth of Independent States. Mr Sibley played a central role in the company's development into a global uranium producer, with a market valuation of $3 billion on its 2013 public going private transaction.

Prior to 2018, John served as Chairman of Qtrade Canada, a leading Canadian financial services and wealth management business. Prior to joining Uranium One in 2006, John practiced securities and mining law as a partner in Bull, Housser & Tupper (now Norton Rose Fulbright Canada LLP) and Davis & Company (now DLA Piper Canada LLP).

Eduard Smirnov – Managing Director

Mr Smirnov has significant international executive experience in the mining and metals industry with a focus on operations, corporate development and strategy developed through his over 15-year career in the resources and financial industries.

Prior to becoming MD, Eduard served as Uranium One's Chief Executive Officer from 2016 to 2019 and Manager of its Corporate Development and Corporate Projects Divisions from 2013 to 2016. In this role Eduard was responsible for uranium production, development and exploration in eight countries around the world, including Kazakhstan, the U.S. and Tanzania, and for the growth and management of the global nuclear utility order book at Uranium One Inc. based in Toronto, Canada.

Grant Davey – Non Executive Director

Mr Davey is an entrepreneur with 30 years of senior management and operational experience in the development, construction and operation of precious metals, base metals, uranium and bulk commodities throughout the world.

More recently, he has been involved in venture capital investments in several exploration and mining projects and has been instrumental in the acquisition and development of the Honeymoon uranium mine in South Australia, the Panda Hill niobium project in Tanzania, the Superior Lake zinc project in Ontario, the Cape Ray gold project in Newfoundland and recently the acquisition of the Kaylekera Uranium mine in Malawi from Paladin.

Mr Davey is currently a Company Director for Cradle Resources Limited (CXX), Superior Lake Resources (SUP) and is a member of the Australian Institute of Company Directors (AICD).

Stuart McKenzie – Non Executive Director

Mr McKenzie is a senior executive with extensive experience in the resources industry and financial markets. In the resources industry, he was Company Secretary for over six years with Anvil Mining Limited where he was an integral part of the senior management team that saw Anvil's market capitalisation grow from C$100 million in 2005 to C$1.3 billion upon takeover by Minmetals in 2012 and has held senior positions with Graphex Mining Limited, Indiana Resources Limited and Ok Tedi Mining Limited.

Stuart also has considerable financial markets experience having performed senior roles with several organisations, including Ernst & Young and Hong Kong and Shanghai Banking Corporation.

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Risks

The following risks are important factors for investors to be mindful of when considering an investment in shares of the company. This list is by no means exhaustive and should be read carefully in conjunction with the body of the report.

Metal Prices & Exchange Rates

The expected cash flows from mining operations are significantly affected by fluctuations in metal prices and exchange rates. For Lotus this includes uranium, & AUD:USD. Metal prices and exchange rates can be volatile and projections are subject to significant uncertainty. The anticipated demand uplift for uranium from net new reactor growth may not materialise if renewable technologies become cheaper or more reliable. Metal prices are quoted in US$ and changes in exchange rates can have a material impact on revenue and profitability as revenues are priced in US$, and Lotus financial statements are denominated in AUD$.

Interest Rates & Availability of Funding

Project financing is likely to incorporate a component of debt which will incur interest expense. This may include a fixed and floating interest rate component, various covenants. Interest rates are currently at historical lows and market expectations are that they will move higher over the medium term. Fluctuations in interest rates and the availability of credit can have a material impact on profitability of the company and the ability of the company to continue as a going concern. If any covenants are breached creditors may recall credit facilities or amend the terms materially which may place significant financial strain on the ability of the company to continue to fund the operations in the future. Changes in the availability of credit/debt could lead to equity raisings at a point of significant uncertainty which could materially dilute existing shareholders. The project capex associated with the Keyelekera is substantial in the context of the current market capitalisation of the company, and there is no guarantee that new or existing shareholders will provide the equity funding required to finance the project.

Operational

Mining operations are subject to a range of operational uncertainties which can vary depending on the geographic location, nature of the operation, labour relations and reliability of critical infrastructure such as electricity & water supply, as well as transportation routes. All mining operations are inherently challenging and material unforeseen issues can and do occur regardless of the preparation and expertise of capable management teams.

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Costs

Cost estimates are conducted as part of the feasibility study and will be refined in the feasibility work currently underway. These estimates are based on numerous assumptions and may be materially different to the actual cost required for the operation. This includes both the capital cost of bringing the operation into production as well as operating costs. Operating costs can change based on various uncertainties including general economic conditions, unemployment rates (particularly in the local area), commodity prices and exchange rates, and disruptions or limitations to the supply of key equipment or inputs. If unit costs escalate materially the profitability of the operation may be reduced either temporarily or permanently.

Political

Lotus's primary asset, the Kayelekera Uranium Mine is situated in the African Nation of Malawi. Political conditions can change unfavourably for a range of reasons and we note an election is due in the next few months.

Environmental

Mining operations must adhere to environmental regulations which vary depending on the location. Increased community and political focus on environmental matters has led to environment related regulatory reviews becoming increasingly costly, lengthy and complex. Obtaining these approvals can cause significant delays to the expected timeline of mining operations both in terms of commencement and closure as decommissioning activities can be prolonged. Potential unforeseen changes in regulations can make it difficult to accurately anticipate closure costs related to remediation and rehabilitation of the disturbed mining area.

Reserve & Resource Estimates

The presence and measurement of Reserves & Resources are subject to various estimations and limitations. Actual orebody size, shape and grade can vary significantly from that estimated by the geological work conducted. While variances can be both positive and negative, negative outcomes versus expectations can lead to higher operating costs and material revisions to the amount of economic reserves, and hence potential changes to the mine life.

Equity

If the share price is unfavourable, which can manifest due to a range of reasons both within and outside the company's control (e.g. global economic conditions/confidence), a capital raise to fund the equity portion of the project funding may not be possible. Equity funding to support development may require much higher than expected dilution to secure an adequate financing package.

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Company Description

Lotus Resources Limited (LOT) is an Australian-based exploration company with exploration projects in New South Wales and Western Australia. Lotus owns a 65% interest in the high-grade Kayelekera Uranium Project in Malawi, Africa.

The Kayelekera Uranium Project is a large 157km2 tenement package with excellent exploration potential and hosts a high-grade resource with an existing open pit mine and demonstrated excellent metallurgical recoveries. On 24 June 2019 the Company announced it had entered into an agreement to acquire a 65% interest in the Project from Paladin Energy Limited (ASX: PDN). The remaining interest in the Project is held 15% by the Government of Malawi and 20% by Lotus's joint venture partner Lily Resources (formerly Lotus Resources).

History of Kayelekera Mine:

Year	Event
1982	The Central Electricity Generating Board of Great Britain (CEGB) discovered the Kayelekera sandstone uranium deposit in 1982
1992	The project was abandoned in 1992 due largely to the poor uranium outlook, as well as privatisation of CEGB and resultant pressure to return to its core business
1998	In 1998, Paladin acquired a 90% interest in Kayelekera through a joint venture with Balmain Resources Pty Ltd, which then held exploration rights over the Project area
2005	In July 2005, Paladin acquired the regaining 10% interest in Kayelekera held by Balmain
2005	Paladin announced the go-ahead of a Bankable Feasibility Study (BFS) as a result of improved economics shown by the pre-feasibility work
2007	After completing the Development Agreement with the Malawi Government, the BFS and a full Environmental Impact Assessment, the Mining Licence (ML 152) covering 5,550 hectares, was granted in April 2007 for a period of 15 years
2008	Open pit mining commenced in June 2008 to develop initial stockpiles
2009	Commissioning began in January 2009, with first production achieved in April 2009
2010	KM continued to ramp-up its production volumes and commercial production was declared from 1 July 2010
2012	Paladin made substantial positive steps towards design capacity of 3.3Mlbpa through a programme of plant upgrades aimed at addressing bottlenecks. The focus at KM turned to production optimisation (nano-filtration technology) representing a key element
2013	The plant achieved record annual production totaling 2.963Mlb for FY2013
2014	Continuing low uranium prices resulted in a decision to place the Project in care and maintenance in February 2014

Source: Company Reports

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APPENDIX 1

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