

Lotus Resources Ltd. (ASX:LOT, OTCQB:LTSRF)

Corporate Update

January 17, 2024

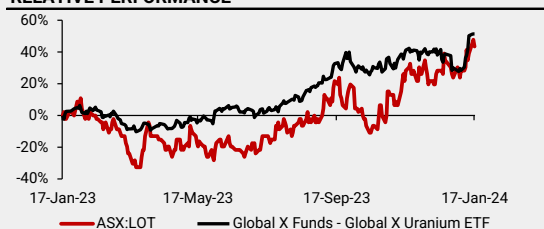
Kayelekera Restart Targeted for 2025, Working Towards FID

(Currency is A\$ unless noted otherwise)

Closing Price (\$/sh)	\$0.33	
Rating	BUY	
Target (\$/sh)	\$0.40	
Return to Target	21%	
52 Week Low / High	\$0.15 / \$0.35	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	1,724.5	1,755.7
Market Capitalization (\$MM)	\$569.1	
Enterprise Value (\$MM)	555.6	
Cash and Cash Equivalents (\$MM)	\$13.5	
Total Debt (\$MM)	\$0.0	



RELATIVE PERFORMANCE



FYE JUNE 30	2024E	2025E	2026E
Total production (M lb)	0.0	0.0	1.8
Total cash costs (US\$/oz)	0.0	0.0	29.6
EPS (\$/sh)	0.00	-0.02	0.02
CFPS (\$/sh)	0.00	-0.02	0.02

RELATIVE VALUATION

	US\$ EV/lb U ₃ O ₈	P/NAV
Lotus Resources Ltd.	\$1.57	0.83x
Peers*	\$5.87	1.01x

MAJOR SHAREHOLDERS (According to IQ)

Management and Insiders (10.98%), Macquarie Group, Ltd., Banking & Se (8.49%), Shenke Holdings Ltd. (7.66%), ALPS Advisors, Inc. (6.39%)

DISCLOSURE CODE: 1,2,3

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, Capital IQ

Company Description

Lotus Resources Limited engages in the exploration and development of mineral properties in Australia and Malawi. Its flagship property is the 85%-owned Kayelekera uranium project located in northern Malawi, Africa, with current resources of 46.3M U3O8 (M&I&I). The company was formerly known as Hylea Metals Limited and changed its name to Lotus Resources Limited in August 2019. Lotus Resources Limited was incorporated in 2006 and is based in West Perth, Australia.

Impact: Slightly Positive

Lotus Resources announced that it has moved into the final planning phase for restarting its Kayelekera uranium project in Malawi. A restart date has been provided, targeting late-2025, within an estimated 15-month window of a Final Investment Decision (FID), work for which is underway. Short-to-medium-term plans to add value at the recently acquired Letlhakane project in Botswana ([read note](#)) were also announced. **Strong and rising U₃O₈ prices, ample resources and near-term production potential have helped Lotus rank as one of our top picks ([read sector report](#)) and amongst the top of its developer peer group in share price performance over the past three and twelve months (up 62% and 42%, respectively). This should help reduce any potential equity dilution as it goes to finance the estimated US\$88M initial capex needed to restart Kayelekera. The 2022 DFS outlined a plan to mine 2.4M lbs U₃O₈ pa over 10 years at an average C1 cash cost of US\$29.10/lb ([read note](#)), though a planned FEED program could update capital and operating cost estimates. Mine Development Agreement (MDA) and power discussions continue, FEED optimization is ongoing and interest in desired off-takes is increasing.**

- **Kayelekera FID estimated within 6 months.** Financing is to be arranged with the help of a debt advisor and offtake agreements. A FEED program is also pending. Signing of a Power Supply and Power Implementation Agreement (PSA & PIA) is critical in achieving lower operating costs. MDA negotiations with the Government of Malawi remain ongoing.
- **Kayelekera FEED program to confirm, update Capex and Opex.** It should help budgeting, validate the 15-month refurbishment timeline and determine long-lead items. Key improvements include connection to the grid, acid leaching and recycling, beneficiation and tailings pond update.
- **Work planned for improving Letlhakane economics from 2015 DFS.** A resource update based on remodelling with tighter constraints is planned in Q2/24. This should be followed by preliminary geometallurgical modeling and mine planning, an infill program to convert Inferred resource to the M&I category and continued ore beneficiation testwork. A Scoping Study or PEA based on these results is also planned.
- **DCF model financing and timeline assumptions updated.** We model production to commence in Q3/2025 and assume that the initial capex would be funded by a 75%-25% debt/equity split. While the current offtake environment is strong and Lotus could enter obtain substantial financing through agreements at better prices than our long-term price forecast of US\$60/lb, we do not currently model higher sales prices.

We maintain our BUY rating and increase our target to A\$0.40/sh (was A\$0.35/sh). Our target is based primarily on DCF_{8%} valuation of Kayelekera and Letlhakane. Our higher target was a result of applying a higher target multiple of 0.95x (was 0.90x) to our NAVPS of A\$0.40, reflecting the relatively more de-risked nature and specified start date for Kayelekera and a stronger off-take environment. We expect LOT performance to be driven by uranium prices and shrinking production timeline. **Upcoming catalysts:** 1) Kayelekera FID and financing updates (Q3/24), 2) Letlhakane updated MRE (Q2/24) and technical and economic studies (H2/24).

Figure 1: Valuation summary

Net Asset Value	Method		A\$M	A\$/sh FD
Projects & Interests				
Kayelekera, Malawi (85%)	DCF	8%	\$314.1	\$0.18
Letlhakane, Botswana (100%)	DCF	8%	\$109.9	\$0.06
Wilconia, Australia (55%)	In-situ	US\$0.03/lb	\$37.5	\$0.02
Asset NAV			\$461.5	\$0.26
Cash & Cash Equivalents			\$13.5	\$0.01
Debt			-	\$0.00
Sunrise Energy Metals (ASX:SRL)			\$1.89	\$0.00
Additional Resource Value			\$243.0	\$0.14
Exploration upside			\$38.8	\$0.02
Corporate G&A			(\$43.2)	-\$0.02
Corporate NAV			\$715.5	\$0.40
Multiple				0.95x
Target				\$0.40

Source: RCS Estimates

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Disclosure Statement

Updated January 16, 2023

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2021-03-26	NA	NA	BUY	71%
2021-05-14	NA	NA	BUY (S)	24%
2021-07-06	NA	NA	HOLD	0%
2021-07-28	BUY	0.22	TENDER	1%
2021-10-13	BUY	0.40	NA	4%
2021-10-15	BUY	0.40	UNDER REVIEW	0%
2021-10-21	BUY	0.40		
2021-11-23	BUY	0.40		
2022-02-16	BUY	0.40		
2022-03-10	BUY	0.40		
2022-06-27	BUY	0.40		
2022-08-12	BUY	0.30		
2023-06-02	BUY	0.30		
2023-07-13	BUY	0.35		
2023-10-19	BUY	0.35		
2023-10-25	BUY	0.35		
2023-11-10	BUY	0.35		
2023-12-11	BUY	0.35		

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Company Name	Ticker Symbol	Disclosures
Lotus Resources Ltd.	ASX:LOT	1,2,3

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