BELL POTTER

Speculative

See key risks on page 24 and speculative company risk warning on page 26.
Speculative securities may not be suitable for retail clients

13th February 2024

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Lotus Resources Ltd (LOT)

Initiation of coverage - U3O8 fundamentals creating a LOT of opportunity

Recommendation
Initiation (Initiation)
Price
$0.325
Valuation
$0.50 (unchanged)
Risk
Speculative

GICS Sector

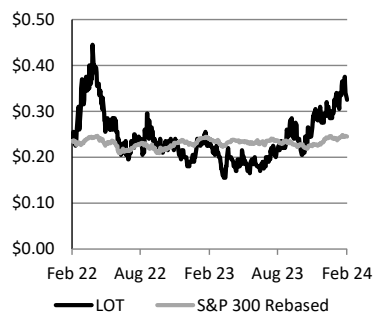
Materials

Expected Return	
Capital growth	**54%**
Dividend yield	**0%**
Total expected return	**54%**
Company Data & Ratios	
Enterprise value	**$550m**
Market cap	**$562m**
Issued capital	**1,731m**
Free float	**84%**
Avg. daily val. (52wk)	**$1.26m**
12 month price range	**$0.15-$0.38**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.33	0.25	0.23
Absolute (%)	0.0	30.0	41.3
Rel market (%)	-1.8	21.4	40.6

Absolute Price



SOURCE: IRESS

The final ASX restart about to leave the station

We initiate on Lotus Resources Ltd (LOT) with a Speculative Buy recommendation and a $0.50/sh valuation. With uranium prices at elevated levels, we believe LOT are in a position to restart the Kayelekera uranium project in Malawi. Potential upcoming catalysts include 1) a final investment decision on Kayelekera restart, 2) binding offtake for uranium production and 3) project funding for US$125m (BPe). We estimate a $NPV_{10\%}$ (90% risked, 85% interest) for Kayelekera of A$512m, on restart capital of US$87.5m. Importantly, we see Kayelekera as being highly leveraged to the current elevated pricing for uranium, with a US$15/lb increase in our long-term uranium price from US$80/lb-US$95/lb driving a 32% increase in our risked $NPV_{10\%}$.

Letlhakane, a long-term option

LOT acquired the Letlhakane uranium asset in its 2023 merger with A-CAP (ACB, de-listed), a large, 190Mlb @321ppm, uranium deposit in Botswana. A 2015 feasibility study looked at a two-stage heap leach operation, however LOT plans on leveraging experience at Kayelekera in front end beneficiation in future studies, shifting away from the heap-leach operation. We have utilised historical studies on Letlhakane, the current capital estimate for Tumas (Deep Yellow Ltd, DYL – Buy (spec) $1.81) and the operational model for Kayelekera in arriving at an $NPV_{10\%}$ (50% risked) of A$342m.

Investment Thesis: Buy (speculative), Val $0.50/sh

We initiate on LOT with a speculative buy recommendation and a $0.50/sh valuation. With potential near term catalysts at Kayelekera providing immediate value accretion and a de-risking of Letlhakane providing long-term value. LOT provides immediate leverage to current tightness in the uranium market (BPe ~30Mlb deficit 2024). Over the medium-term additional demand growth will come from the 62 reactors currently under construction, which we estimate will consume ~38Mlb in U_3O_8 annually once in operation. Beyond this, the portfolio of planned and proposed reactors (114 & 326 respectively) could push annual uranium demand over 500Mlbs (from 169Mlbs 2023) by 2050.

Earnings Forecast

Year end 30 June	2023a	2024e	2025e	2026e
Sales (A$m)	1	0	0	246
EBITDA (A$m)	-9	-7	-7	192
NPAT (reported) (A$m)	-10	-7	-12	134
NPAT (adjusted) (A$m)	-10	-7	-12	134
EPS (adjusted) (¢ps)	(0.8)	(0.4)	(0.5)	5.1
EPS growth (%)	-27%	-52%	24%	-1197%
PER (x)	-41.7 x	-86.7 x	-70.1 x	6.4 x
FCF Yield (%)	-2%	-1%	-2%	4%
EV/EBITDA (x)	-62.4 x	-76.2 x	-84.3 x	2.8 x
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-30%	-26%	-14%	75%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Contents

Company overview

Lotus Resources Ltd (LOT)

LOT is an ASX listed resources company with a focus on uranium projects in Africa. LOT acquired the Kayelekera uranium project from Paladin Energy Ltd (PDN) in 2020. In November 2023 LOT merged with A-CAP Energy (ACB, delisted), and thus acquired the Letlhakane uranium and Wilconi nickel projects.

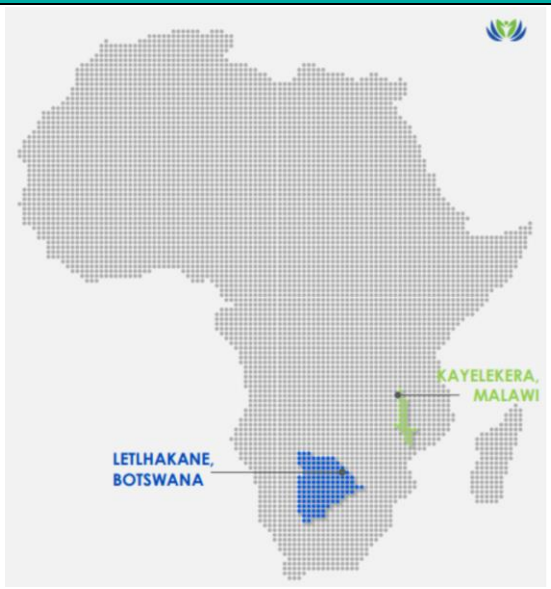
Portfolio overview

Kayelekera is a restart uranium project in Malawi with a current 23Mlb Ore Reserve and a 46.3Mlb Mineral Resource. The project operated between 2009 and 2014, during which it produced ~11Mlbs U_3O_8. It was subsequently placed on care and maintenance in 2014 by owner Paladin Energy (PDN). In 2020, LOT purchased the asset from PDN, initially acquiring a 65% interest in the project with a third party before buying the remaining 20% stake (with the Malawian Govt having a 15% free carry interest). LOT conducted a scoping study in 2020 followed by a definitive feasibility study (DFS) in 2022 for Kayelekera. Key changes to the historical operating method at the asset are anticipated to 1) include a front-end beneficiation circuit, upgrading the mill feed grade and decreasing reagent consumption, 2) include a diversified power mix drawing on grid, steam turbine, solar and battery and diesel generators vs the historical diesel only model and 3) the inclusion of an acid recovery system to recycle acid from the back-end elution circuit to the front-end leaching circuit thereby reducing overall acid requirements.

Letlhakane is a greenfield uranium project located in Botswana which LOT secured in the merger with A-CAP Energy in 2023. Letlhakane has a current Mineral Resource Estimate of 190Mlbs at an average grade of 321ppm (utilising a 200ppm cut-off grade). In 2015 A-CAP released a feasibility study for the project, which hypothesised a two-stage heap leach operation. LOT plan to optimise the Letlhakane project by focusing on higher-grade components of the ore body and implementing findings from its Kayelekera project, specifically around beneficiation, with a focus on increasing plant feed grades.

Non-core assets include the Wilconi nickel project, picked up in the A-CAP merger. We believe LOT will look to divest this asset in due course.

Figure 1 - Lotus portfolio overview



SOURCE: COMPANY DATA

Investment thesis

Recommendation

We initiate on LOT with a speculative Buy and a $0.50/sh valuation. Our investment thesis for LOT centres around the following**:**

1. **Kayelekera, a low risk uranium restart –** Restart projects have the advantage of 1) a historical operating performance track record, 2) lower capital intensity to greenfields development, and 3) they typically exist on a granted mining lease removing the need to go through the permitting approvals process. Kayelekera possesses all three of these characteristics, with a 5-year operating history producing ~11MLbs, a BPe US$125m restart funding requirement vs >$US350m for greenfields projects and a fully permitted status.

    a. **We estimate a $NPV_{10\%}$ of A$601m for Kayelekera (100%),** based off our current U_3O_8 price deck and an average annual production rate of 2.3Mlbs over 10 years. For the purpose of valuation, we apply a 10% risk discount and reduce our equity valuation by a further 15% to account for the free-carry interest the Malawian government holds. We anticipate LOT to reach FID in 4QFY24, with refurbishment beginning in 1QFY25 and taking ~15 months which should see first production towards the end of CY25. Over Kayelekeras 10-year mine life we estimate average annual EBITDA of ~A$200m and a ~70% EBITDA margin with C1 costs of US$28/lb and AISC of US$34/lb. There is upside risk to our operating costs, however cost savings in freight & logistics could offset some of that risk.

    b. Challenges of the past to be addressed – LOT identified in its 2022 DFS three main challenges which it plans to address on restarting Kayelekera. 1) Power accounted for ~18% of operating costs under the prior operation as power was sourced from diesel generators. LOT propose a combination approach of grid connection (~39% of requirements), a steam turbine feeding off the acid plant (~29%), solar & battery storage (~25%) and diesel generators (~8%). The combination is anticipated to reduce power costs by ~70%. 2) Acid consumption and the associated cost at Kayelekera was comparatively high, LOT are addressing the issue by the introduction of an additional nano-filtration process to recover up to 83% of the acid from the back-end of the plant. 3) Ore-sorting at the front end of the plant will reduce waste rock being processed in the mill thus further reducing reagent requirements whilst controlling mud-stone variability (this historically caused issues in the plants operational efficiency).

    c. Critical path items include: 1) finalisation of the Mine Development Agreement with the Malawian government which will lock down the fiscal terms upon restarting production. LOT will be looking for similar terms to what PDN had in place (see critical path items page-9). 2) Completion of ESCOM (Malawian energy utility) negotiations for tie into the local grid which accounts for ~39% of energy requirements. 3) Offtake & financing negotiations, which are reliant upon one another (debt will likely need to be secured by binding fixed price contracts) which we estimate ~US$125m in funding with a 60/40 Debt/Equity split, current long-term floor prices are US$72/lb with ceilings of ~$130/lb which would suit Kayelekera.4) Front End Engineering and Design (FEED) finalisation

which will confirm capital costs and may come ahead of the funding piece (BPe 2HFY24).

2. **Expansion in knowledge base across Letlhakane**

    a. **Letlhakane could be a long-life uranium producer –** We have constructed a notional development scenario (NDS) for the Letlhakane project based off a similar operating model to Kayelekera and Tumas (Deep Yellow Ltd, DYL – Buy spec Val$1.81). Both projects focus on front end beneficiation to upgrade mill-feed grade and reduce operating costs. We estimate a ~18 year mine life, producing up to 3.7Mlbs U_3O_8 annually and delivering an un-risked $NPV^{10\%}$ of A$607m. We utilise a 50% risk discount to account for the current status of the project.

    b. **LOT to focus on increasing high-grade clarity –** Our NDS is based off LOT's ability to successfully delineate the high-grade portion of the ore-body. We note that historical analysis from A-CAP Energy identified that at a cut-off grade of 300ppm, the Letlhakane average grade lifts to 450ppm, with a decrease in contained resources from 190Mlbs to 103Mlbs. We see a beneficiation up-lift scenario lifting the mill feed grade to +600ppm rejecting ~40% of waste material at a recovery of ~80% as a potential scenario.

    c. **Development plan –** LOT will infill drill the most economic sections of the orebody with an updated resource planned for 4QFY24. The results from this, and current beneficiation test work, will be folded into a scoping study for release by the end of CY24.

3. **Nuclear adoption gaining traction; uranium supply deficit widens**

    a. **Nuclear adoption continues** driven by a need to decarbonise whilst maintaining energy security and stability. Shifts in government policy (eg Sweden's scraping of the renewable target language) are beginning to turn around the decade of anti-nuclear sentiment, whilst investment in the next generation of reactors (small-modular reactors & micro reactors) provide safer and cost effective alternatives to the traditional large scale reactors.

    b. **62 reactors are currently under construction across the globe,** with 26 of those being in China. We estimate the anticipated annual consumption of uranium from these reactors alone to be ~38Mlbs. There are 110 reactors planned to be built and 326 proposed, which is roughly double that of the previous uranium bull market in 2007.

    c. **Supply the real risk**. We estimate current annual consumption of uranium at 169Mlbs versus estimated 2023 supply of ~139Mlbs. We previously saw a closing of the deficit towards the middle of the decade with additional production from Kazatomprom (+26Mlbs over 2024 and 2025), however that guidance has effectively been cut by 9.2Mlbs for 2024 placing considerable doubt over expansions in 2025. With no real near-term supply solution and a growing demand for uranium long-term we see a perfect storm benefiting uranium producers and developers entering the market in capturing higher prices.

Valuation & Recommendation

Recommendation

We initiate on LOT with a speculative BUY rating and a $0.50/sh valuation in accordance with our rating structure. Near term catalysts for LOT which we believe support our investment thesis include: 1) a Final investment decision (FID) to restart the Kayelekera mine, 2) finalisation of the mine development agreement (MDA) with the Malawian government, 3) project financing and offtake discussions and 4) advancement of the Letlhakane project through targeting drilling and development studies. In addition to this, we remain confident in our thesis for uranium markets, being: Nuclear presents an option to simultaneously decarbonise and meet the growing demand for electricity over the coming decades, new developments in nuclear technology (small modular reactors) will help drive adoption at the later half of this decade. Under investment in new uranium mines since Fukushima has resulted in an undersupply for raw uranium.

Valuation

Our valuation for LOT is based upon the risk adjusted $NPV^{10\%}$ of our forecast free cash flow from the Kayelekera and Letlhakane projects. We have included a notional exploration value to account for an extension to operations at Kayelekera through additional exploration at Livingstonia and for additional discoveries. We have deducted the present value of future corporate costs. We make an assumption around near-term capital requirements for Kayelekera which provides a post capital dilution valuation for the business.

Table 1 - LOT Sum-of-the-parts valuation

Ordinary Shares (basic)	**m**	**1,725**
Options in the money	m	28
Diluted	**m**	**1,752**
Sum-of-the-parts	**A$m**	**A$/sh**
Kayelekera - NPV 10%, 90% risked	$512	$0.30
Letlhakane - NPV 10%, 50% risked	$342	$0.20
Exploration/ Other/ Kayelekera extension	$100	$0.06
Corporate overheads	-$61	$(0.04)
Subtotal	**$894**	**$0.52**
Net cash (debt)	$12	$0.01
Total undiluted	**$906**	**$0.53**
Cash from options	$-	$-
Total diluted (unfunded)	**$906**	**$0.52**
Assumed raise - ($0.4 x 177m shares)	$71	1936 m
Total diluted + funded	**$977**	**$0.50**

SOURCE: BELL POTTER SECURITIES ESTIMATES

The case for LOT

Restarting Kayelekera

We have modelled the Kayelekera restart program, based on a Final Investment Decision (FID) in 2HFY24 (BPe) leading into a ~15m refurbishment program commencing in 1QFY25 which should see first production in 2QFY26. Our ramp up scenario is based off the Kayelekera DFS (Aug-22). Whilst we see risks to capital and operating costs which were last calculated in Aug-22, we see some benefits around logistic rates and potentially lower input costs which could effectively cancel out cost inflation. Importantly, Kayelekera is highly leveraged to uranium prices, with a US$15/lb increase to our long-term price of US$80/lb (LOM price US$90/lb, current spot price US$104/lb) driving a 32% increase in our unrisked NPV.

Our base case assessment sees an un-risked $NPV^{10\%}$ for Kayelekera of $603m. We have allowed for a 10% risk discount to account for unforeseen risks in returning the asset to production. Our valuation NPV is also adjusted for the 15% free carry interest held by the Malawian government. Our long-term uranium price is US$80/lb with a 10% premium for term contracts, however we see near-term tightness driving uranium prices up to US$130/lb by 2026. Our long-term AUD/USD exchange rate is $0.70.

Table 2 - Kayelekera DFS assumptions & BPe assumptions

	Unit	LOT	BPe	% Variation
Mining & production				
Life of mine	years	10	10	0%
Uranium Oxide produced	Mlb pa	2.4	2.3	-6%
Metallurgical recoveries	%	86.7%	86.7%	0%
Financials				
Capital cost	US$m	87.8	87.8	0%
Revenue (LOM)	US$m	1,447.5	2,070.2	43%
Revenue (Avg)	US$m		207.0	
Avg Uranium Price	US$ /lb	75.0	90.6	21%
KPI's				
Avg AISC	US$ /lb	37.7	34.3	-9%
NPV10% post-tax unrisked (100%)	A$m		602.9	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 2 - NPV Sensitivity to Uranium and AUD FX rates

AUD/USD FX Rate \ LOM Uranium Price - US$/lb	$ 50	$ 65	$ 80	$ 95	$ 110	$ 125	$ 140
$ 0.55	249	453	656	860	1,064	1,268	1,472
$ 0.60	228	415	602	789	975	1,162	1,349
$ 0.65	211	383	555	728	900	1,073	1,245
$ 0.70	195	356	516	676	836	996	1,156
$ 0.75	182	332	481	631	780	930	1,079
$ 0.80	171	311	451	591	732	872	1,012
$ 0.85	161	293	425	557	689	820	952

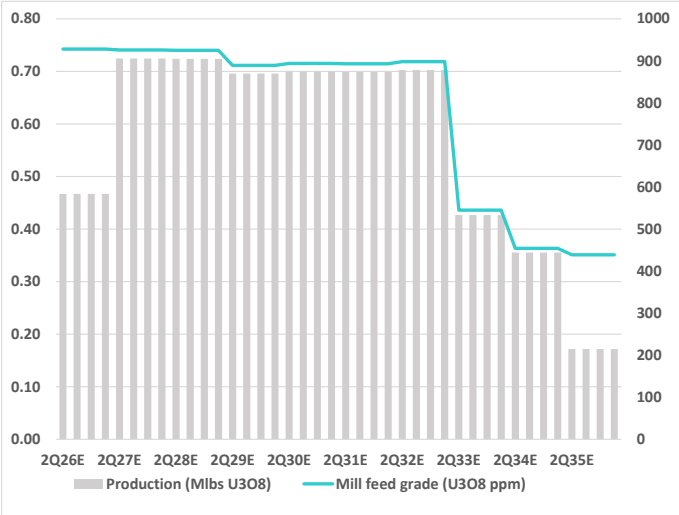
SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 3 - NPV Sensitivity to Recoveries & Opex

Processing recoveries % \ Processing cost per tonne ore treated - US$/t	$ 38	$ 36	$ 34	$ 32	$ 30	$ 28	$ 26
50%	116	278	439	601	763	924	1,086
58%	112	267	422	578	733	889	1,044
66%	107	257	407	557	706	856	1,006
74%	104	248	392	537	681	825	970
82%	100	239	379	518	658	797	936
90%	97	231	366	501	636	770	905
98%	94	224	354	485	615	746	876

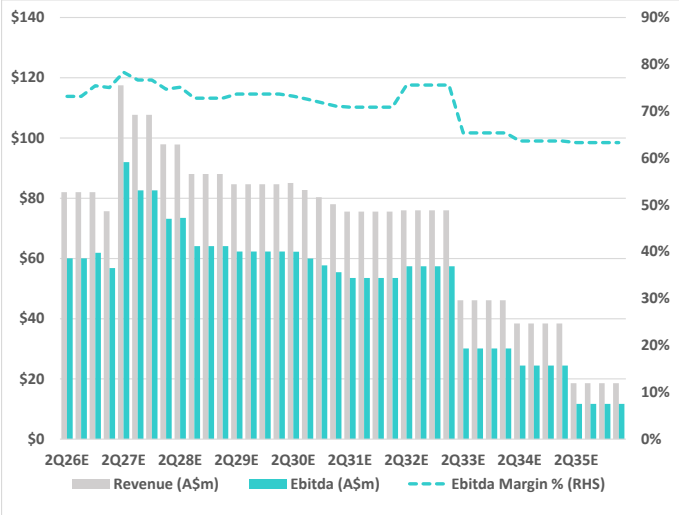
SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 4 - Production (Mlbs) & Mill feed grade (ppm U_3O_8)



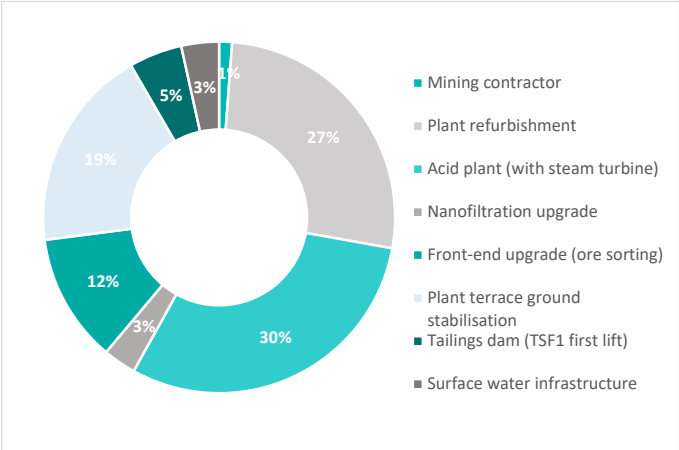
SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 5 - Revenue & Ebitda & Ebitda margin (%)



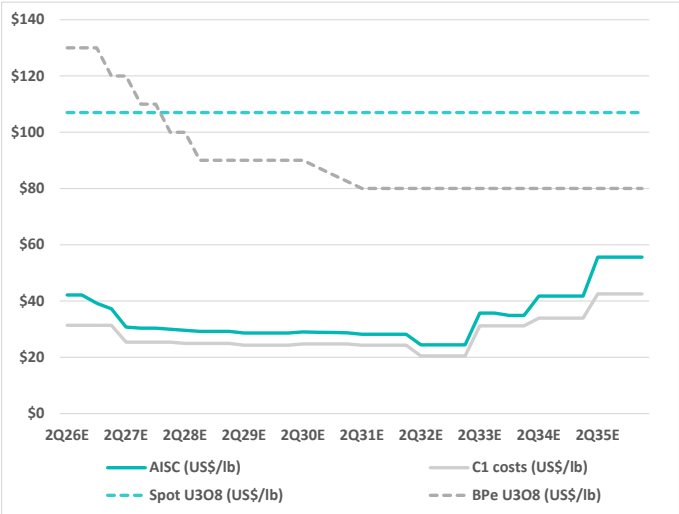
SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 6 - Capex breakdown (ex owners costs ~US$27m)



SOURCE: COMPANY DATA

Figure 7 – Opex vs Spot U_3O_8 & Bell Potter price estimates



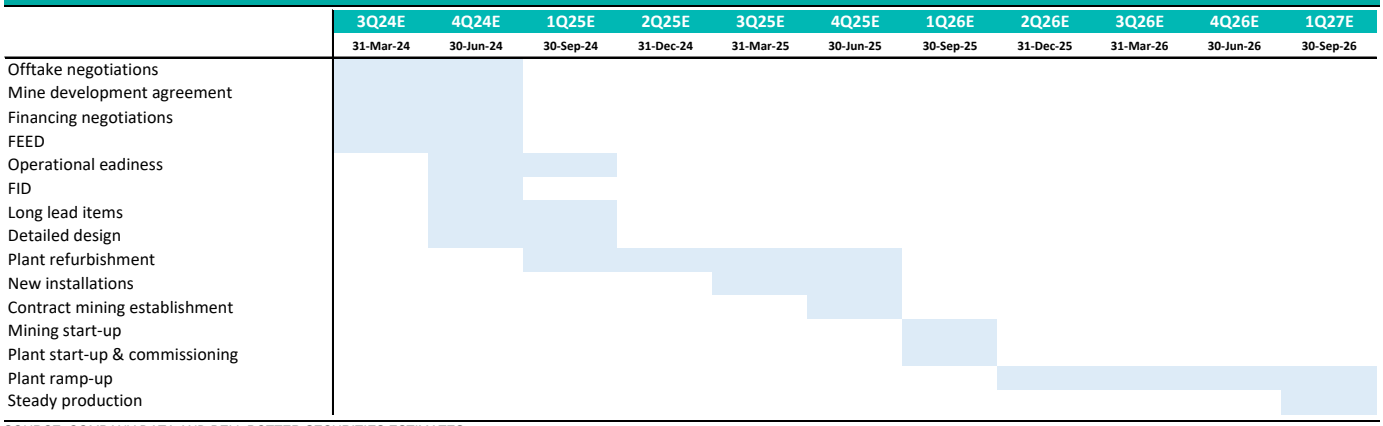
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Critical path items

We see the following critical path items ahead of the refurbishment of Kayelekera:

1. **Finalisation of the Mine Development Agreement with the Malawian Government** – This will lock in the relevant fiscal arrangements with the federal government. We believe LOT to be looking for similar arrangements to the historical agreement with PDN, which included a reduced corporate tax rate (27.5% from 30%), the removal of a resource rent tax (10%), lower initial royalty rates (from 5% to 1.5% in the initial years and 3% from year 3 onwards) and no 17.5% import VAT or import duty.
2. **Finalisation of utilities negotiations,** including power and water. The resulting outcome will be a power supply and power implementation agreement with the Malawian Electricity Utility ESCOM and will enable LOT to enact their power reduction solutions (~39% of planned power would be sourced from the Hydro powered grid).
3. **Offtake negotiations & financing –** The ultimate financing package for the ~US$125m (A$179m) restart and working capital figure will likely be determined by the level of binding offtake secured. Under our base case scenario we have assumed a 60/40 D/E scenario, which may require larger volumes signed under base-escalated offtake contracts. Whilst larger portions of base-escalated contracts will lock in margins, LOT could underperform if spot and term contract prices continue to rise. However we see the benefits of locking in a minimum level of contracts to cover the operating and financing costs of the business. We currently see the US$72/lb term price as being representative of the floor price for a contract, with a ceiling price up to US$130/lb. A contract such as this would still lock in sufficient margins over LOM for Kayelekera.
4. **Front End Engineering and Design completion –** should provide confirmation on capital costs for the refurbishment of existing plant and installation of new equipment, which were last reviewed in the 2022 DFS. We should also see a refreshed set of operating costs from the FEED program. We anticipate completion of FEED by the end of FY24, or beginning of FY25.

Figure 8 - Kayelekera indicative development timeline



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Historical operating method and changes

Kayelekera operated from 2009-2014 under its prior owner Paladin Energy Ltd (PDN, Buy Spec $1.60/sh), producing 11mlbs during that time. The key operational centred around two main issues:

1. **Power –** power under PDN ownership was sourced from diesel generators, accounting for ~18% of operating costs. Throughout its operating history there were instances of plant shutdown due to lack of availability of diesel (eg 17 Feb 2011). LOT will look at a combination of options including a tie into the national grid via a substation ~50kms from site (~39% of requirements), a steam turbine to be installed on the acid plant (~28%) solar/ battery storage (~25%) and finally diesel generators (~8%). This combination is anticipated to drive substantial cost savings as well as increasing reliability. Average power demand is estimated at 6.9MW. LOT anticipate this combination will lower power costs by ~70% from US$0.351/kWh to US$0.106/kWh.
2. **Acid constraints & cost –** The issues pertaining to acid consumption and cost under the prior operating flowsheet at Kayelekera stemmed from the high acid consuming ore which was being processed and the constraint of onsite acid production with acid being imported at times. LOT plan to address this through 1) front end ore-sorting which reduces the amount of waste (acid consuming) ore into the mill and 2) expansion & upgrading of the nano-filtration process to recover up to 60tpd of acid from the elution circuit to be recycled back to the front end of the circuit (acid recovery estimated to be ~83%). LOT assessed the current 240tpd acid plant on-site to be in poor quality, and thus plan to replace the current plant with a modular 250tpd plant.

Ultimately, these issues occurred during a sustained low-price environment for uranium which when combined with a high debt loading were the main drivers for the asset being placed into care and maintenance. The highlighted operational efficiencies should create more robust operating margins, whilst the current pipeline of support for Nuclear generates positive tailwinds for the commodity price.

Exploration potential

Whilst we haven't modelled an extension of the Kayelekera operation in our current valuation we do see optionality on drawing from satellite deposits such as Livingstonia to the southeast, which currently has a 4.8Mlb Resource and could provide a feed source to existing infrastructure at Kayelekera.

Valuing Letlhakane

The 2015 feasibility study hypothesised a two-stage heap-leach operation, focusing on a wider mineralised footprint over a long-life operation. In a Mar-23 drilling update, ACB were actively looking for ways to increase the mill feed grade and remove high acid consuming gangue before processing. Methods ACB were aiming to look at included beneficiation techniques such as spirals and dense media separators as well as sensor technologies; radiometric, XRT and hyperspectral.

Notional development scenario

We have applied some high-level assumptions to form our valuation for Letlhakane. Firstly we assume a similar style operation to Kayelekera, which focuses on a smaller and higher grade mineralised envelop, with the use of front end beneficiation. We have utilised data from both the Kayelekera DFS, particularly mass recovery and grade uplift assumptions, the Tumas DFS (DYL, 2023) and the original feasibility study (2015). Our high-level notional development scenario assumptions are provided below:

Table 3 - Letlhakane Notional Development Scenario

Mining rate	Mt	**5.00**
Strip Ratio	x	1.20
Average grade	ppm	450
Contained	kt U_3O_8	2,250
Waste rejection	%	40%
Ore sorting recovery	%	80%
Mill Feed	Mtpa	3.00
Mill Grade	%	600
Mill recovery	%	80%
U_3O_8 production	TU	1,440
U_3O_8 production	T U_3O_8	1,698
U_3O_8 production	Mlbs U_3O_8	3.74
Mine life	Years	18
Capex	A$m	580
Construction start	period	30-Sep-28
Production start	period	31-Mar-30
C1 cash cost	US$/lb	36
AISC	US$/lb	38
NPV10% unrisked	A$m	$684
Risk discount	%	50%
NPV10% risked	A$m	$342

SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 9 - Lethlekane de-risked valuation sensitivity to Uranium price (US$/lb) and AUD/USD exchange rate

AUD/USD FX Rate \ LOM Uranium Price - US$/lb	$ 50	$ 65	$ 80	$ 95	$ 110	$ 125	$ 140
$ 0.55	(276)	225	726	1,227	1,728	2,229	2,730
$ 0.60	(253)	207	666	1,125	1,584	2,044	2,503
$ 0.65	(233)	191	615	1,039	1,463	1,886	2,310
$ 0.70	(216)	177	571	964	1,358	1,752	2,145
$ 0.75	(202)	165	533	900	1,268	1,635	2,002
$ 0.80	(189)	155	499	844	1,188	1,533	1,877
$ 0.85	(178)	146	470	794	1,118	1,443	1,767

SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 10 - Lethlekane de-risked valuation sensitivity to Processing costs per tonne (US$/t) and Processing recoveries

Processing recoveries % \ Processing cost per tonne ore treated - US$/t	$ 38	$ 36	$ 34	$ 32	$ 30	$ 28	$ 26
50%	(129)	(85)	(40)	4	49	93	138
58%	80	125	169	213	258	302	347
66%	289	334	378	423	467	512	556
74%	499	543	587	632	676	721	765
82%	708	752	797	841	886	930	974
90%	917	961	1,006	1,050	1,095	1,139	1,184
98%	1,126	1,171	1,215	1,260	1,304	1,348	1,393

SOURCE: BELL POTTER SECURITIES ESTIMATES

Kayelekera overview

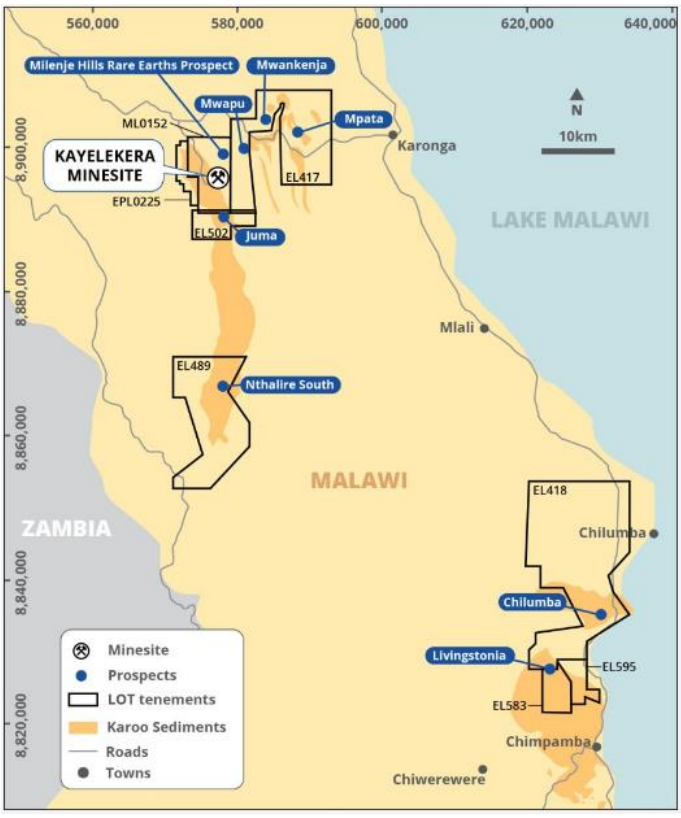
Kayelekera

The Kayelekera Uranium Project (Kayelekera or the Project) is located in the Karonga District of northern Malawi, 650km north of the national capital of Lilongwe. The Project, currently on care and maintenance, is a past producing asset having delivered approximately 11Mlbs uranium between 2009 and 2014, before its closure due to a sustained low uranium price. Following the Company's acquisition of the Project in 2020, a restart Scoping Study was completed in October 2020 which identified the key drivers for the project economics all of which have been incorporated into the Definitive Feasibility Study (Restart DFS). LOT acquired Paladin Energy's (PDN; Speculative Buy; Val. $1.60) 85% interest in the Project in March 2020, with the remaining 15% held by the Malawian Government. Kayelekera is fully permitted for production with all permits and licences in place. Prior to LOT's acquisition of the project, US$200m in capex had been spent with the infrastructure remaining in good condition. Exploration upside exists at the Project with the nearby Livingstonia satellite deposit recording a Maiden MRE of 6.9Mt at 320 ppm U_3O_8 in June 2022.

Figure 11 - Malawi overview

SOURCE: COMPANY DATA

Figure 12 - Kayelekera mine site and LOT exploration sites



SOURCE: COMPANY DATA

Resources & reserves

Table 4 - Kayelekera JORC Resource

	Tonnage (Mt)	Grade (ppm U_3O_8)	Contained Metal (Mt, U_3O_8)	Contained Metal (Mlb, U_3O_8)
Mineral resources				
Measured	0.9	830	0.7	1.6
Measured -RoM Stockpile	1.6	760	1.2	2.6
Indicated	29.3	510	15.1	33.2
Inferred	8.3	410	3.4	7.4
Total	**40.1**	**510**	**20.4**	**44.8**
Inferred - LG Stockpiles	2.2	290	0.7	1.5
Total all materials	**42.5**	**500**	**21.1**	**46.3**
Ore reserves				
Proved - open pit	0.6	902	0.5	1.2
Probable - open pit	13.7	637	8.7	19.2
Proved - RoM stockpile	1.6	760	1.2	2.6
Total	**15.9**	**660**	**10.4**	**23.0**

SOURCE: COMPANY DATA

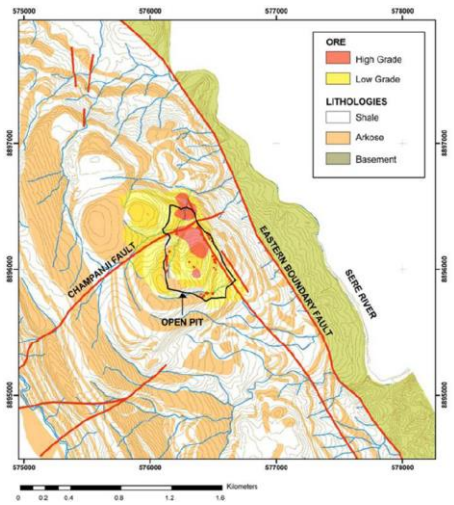
Geology

Kayelekera is a sandstone hosted uranium deposit, with the mineralisation occurring across several arkose (sedimentary sandstone) units and some mudstone units. The Eastern Boundary fault runs adjacent to the existing pit, with elevated mineralisation occurring at the contact of the Champhanji and Eastern fault which declines in grade and tonnage the further away from the fault. The depth of known mineralisation is currently 160m below surface. The uranium in primary mineralisation is present as coffinite, minor uranite and a uranium-titanium mineral referred to as brannerite.

Exploration upside

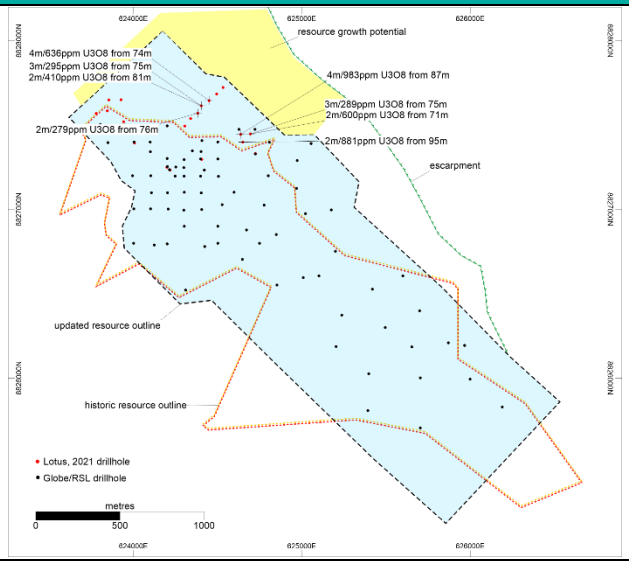
Historical airborne and ground radiometric surveys conducted in the 1980's identified 11 exploration targets. The prior owner PDN drilled 195 RC holes in 7 of the 11 targets, however no economic results were intercepted. Several prospective areas were untested, which is where LOT has focused its efforts. This includes step-out drilling beyond the known Kayelekera mineralisation and regional exploration at Livingstonia, which successfully defining a MRE of 6.9Mt @ 320ppm U_3O_8 for 4.8Mlbs. Livingstonia exploration and upside could be considered to extend the life of the Kayelekera plant for 1-2 years.

Figure 13 - Kayelekera geological structures



SOURCE: COMPANY DATA

Figure 14 - Livingstonia exploration optionality



SOURCE: COMPANY DATA

Mining

Mining is to be conducted via conventional open pit drill and blast and carried out by an independent contractor with experience in Malawi. Mining is to be conducted over the first 6 years of operation at an average rate of 7Mtpa, with stockpiled material being processed in the final years of operation. Mining is anticipated to occur over four stages, highlighted in Figure15, and specifically designed to control issues pertaining to geotechnical failures. Pit optimisation was undertaken at a uranium price of US$75/lb.

Processing

The historical process flowsheet utilised at Kayelekera involved conventional crushing, milling, ion exchange (resin-in-pulp), elution and conventional precipitation through to yellowcake. LOT plan to utilise the existing flowsheet with an adjusted front-end, incorporating scrubbing, screening and parallel ore sorters (Steinart tech) prior to feedstock entering the existing mill. The overall goal of the modifications is to lift the feed grade entering the mill by controlling the amount of mudstone and waste entering the system via effective ore sorting, thus reducing acid consumption and improving the economics of the project.

Figure 15 - Pit design & cutback stages

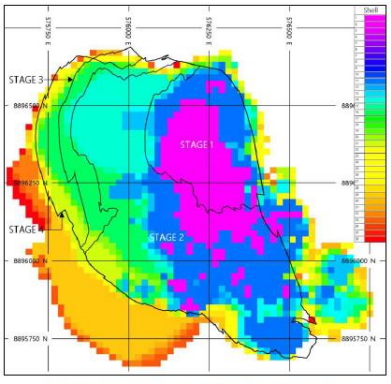


Figure 10 – Stage Pit Outlines with Nested Pit Optimisation Shells

SOURCE: COMPANY DATA

Figure 16 - Kayelekera process flowsheet

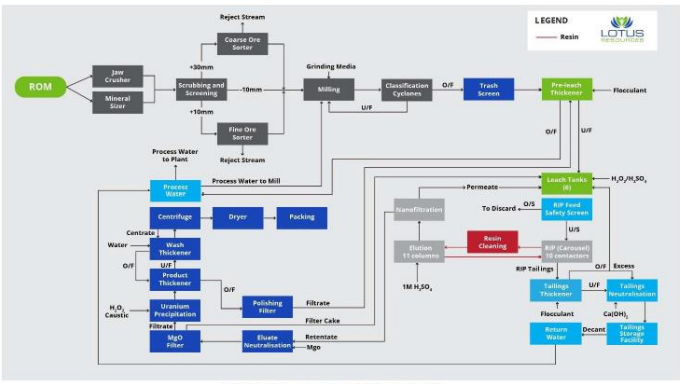


Figure 21 – Flowsheet Schematic

SOURCE: COMPANY DATA

Power

A key finding in the DFS was the historical power consumption and cost (referenced above). PDN utilised onsite diesel generators as the mines primary source of electricity. LOT will look at a combination of options including a tie into the national grid via a substation ~50kms from site (~39% of requirements), a steam turbine to be installed on the acid plant (~28%) solar/ battery storage (~25%) and finally diesel generators (~8%). Average power demand is estimated at 6.9MW. LOT anticipate this combination will lower power costs by ~70% from US$0.351/kWh to US$0.106/kWh.

Logistics

Under the DFS, LOT had highlighted the port of Beira in Mozambique (~1,300km from site) as the appropriate export location for the yellowcake produced at Kayelekera. TAM international LP (TAM) provided quotes for outbound shipment from Kayelekera at US$2.03/lb from mine site to the conversion site (either Converdyn in America, Cameco in Canada or Orano in France). As for inbound reagents, the optimal solution was via the port at Dar es Salaam in Tanzania (~600km from site). We anticipate LOT to potentially re-visit transport and logistics discussions heading into restart with possible solutions to export material through Dar es Salaam as well which could reduce transport costs further.

Background on Malawi

Malawi is a small landlocked country located in Southeast Africa bordered by Tanzania, Mozambique and Zambia with a population of over 21m people. Malawi has the eighth lowest GDP per capita in the world, according to the IMF. The country has experienced sustained peace and stable governments since it gained independence in 1964, however, in 2020 the Constitutional Court annulled the 2019 presidential election results due to evidence of fraud and malpractice. Mining contributed to 10% of GDP between 2010-2013 driven largely by the opening of Kayelekera in 2009 and high commodity prices. Since then, mining's contribution has fallen to 0.7% of GDP in 2022, despite the country's aims for mining to make up at least 20% of GDP by 2023, which was stated in its 2013 Mines and Minerals Policy. The country did not feature in the Fraser Institute's Annual Survey of Mining Companies in 2022, due to an insufficient number of responses from people in Malawi's mining industry. Nearby countries Tanzania, Mozambique, Zambia and Zimbabwe, ranked 53rd, 61st, 58th and 62nd respectively in the survey of 62 countries.

The Government of Malawi remains receptive to mining, with Minister of Mining, Monica Chang'anamuno recently stating that the country "welcome[s] investors to come explore the many opportunities here [in Malawi]" at the Africa Down Under 2023 mining conference in Australia. In her presentation, the minister outlined the incentives the country is offering foreign investors, including but not limited to:

- Guaranteed security of tenure;
- Issuing of long duration mineral titles;
- Duty waiver on exploration and mining equipment;
- Refund of input VAT;
- 100% capital deduction allowances for equipment during the initial stages of investment; and
- Accelerated depreciation allowance for equipment for the entire mine life.

The Government of Malawi have shown support for the Kayelekera Project in particular, with the Minister "excited" about the reopening of the mine.

Letlhakane overview

Overview

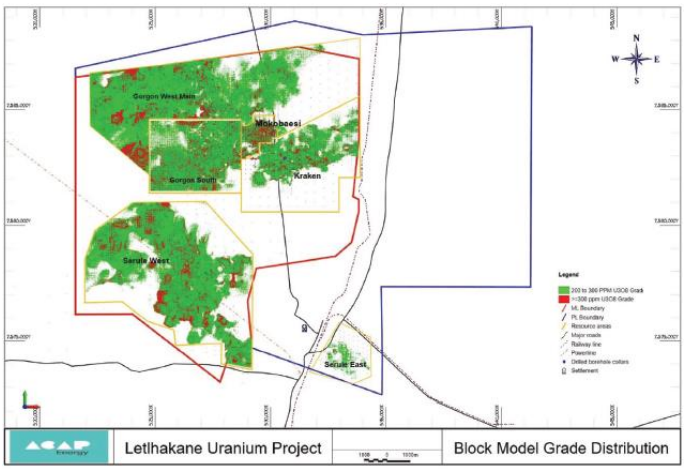
LOT merged with A-Cap Energy (ACB, delisted) in November 2023. ACB's contribution to the merged entity was a Western Australian nickel-cobalt asset (Wilconi) and the Botswana uranium asset Letlhakane.

The Letlhakane project is located in Botswana, ~50kms south of the city of Francistown. The deposit was discovered in the 1970s and since 2006 was drilled out by ACB. The current MRE stands at 268.9Mt @ 321ppm for 190.4Mlbs utilising a cut-off grade of 200ppm and is covered by an active mining lease. The orebody has a similar lithology to Kayelekera, being sandstone and mudstone hosted mineralisation, and is flat lying near surface. ACB conducted metallurgical test work on the project in 2016 via acid column leaching and developed a two-stage heap leach process flowsheet.

Figure 17 - Letlhakane project location

SOURCE: COMPANY DATA

Figure 18 - Letlhakane mining licence



SOURCE: COMPANY DATA

Table 5 - Letlhakane Mineral Resource Estimate

LETLHAKANE MINERAL RESOURCE ESTIMATE (JORC 2012)									
	INDICATED RESOURCES			INFERRED RESOURCES			GLOBAL RESOURCES		
Cut-off Grade	Mt	U_3O_8 grade ppm	U_3O_8 Mlbs	Mt	U_3O_8 grade ppm	U_3O_8 Mlbs	Mt	U_3O_8 grade ppm	U_3O_8 Mlbs
100 ppm	197.1	197	85.5	625	203	280.1	822	202	365.7
200 ppm	59.2	323	42.2	209.7	321	148.2	269	321	190.4
300 ppm	22.2	463	22.7	81.6	446	80.3	104	450	102.9

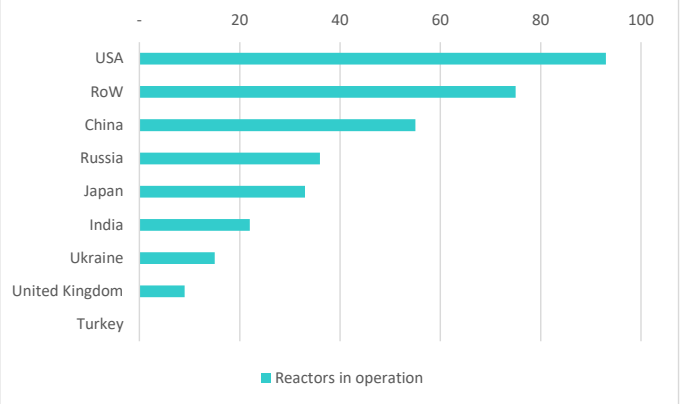
SOURCE: COMPANY DATA

Uranium & Nuclear

Right on schedule, U_3O_8 breezes through US$100/lb

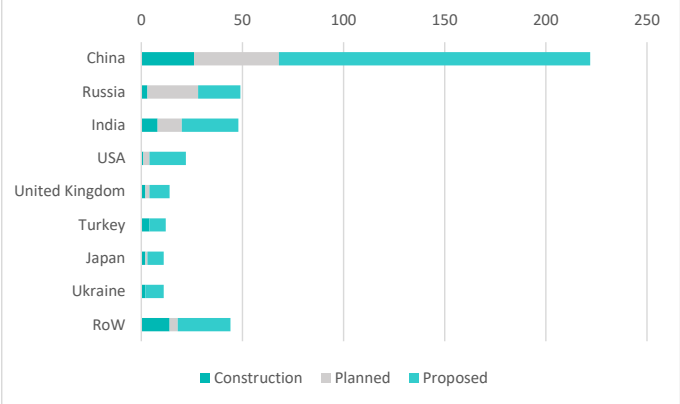
The recent production downgrades at Kazatomprom have pushed the spot price over US$100/lb for the first time since 2007. In 2023, 5 new reactors were connected to the grid, at a capacity of 5.01GW, whilst there were 5 reactors permanently shutdown totalling 6.05GW. Construction starts continued the declining trend from 10 in 2021, 8 in 2022 and 5 in 2023, as did net capacity (9.13GWe in 2022 to 5.54GWe in 2023). China remains the leader in construction volume with 26 reactors currently under construction, a net change since Mar-23, 5 reactors, totalling 5.95GWe. Longer-term demand (reactors planned and proposed) remained flat YoY with 114 reactors planned (total capacity 69GWe) and 326 proposed (total capacity 362GWe), up from 103 and 325 respectively. Canada was the outlier, adding 11 planned reactors to the pipeline (from zero in March-23). Construction leaders remain China and India, however notable Western Economies such as Canada and the UK, who recently published their roadmap to quadruple capacity by 2050, could be positive outliers. The IEA's *"Electricity 2024 Analysis and Forecast to 2026"* report forecast Nuclear capacity to grow by an additional 29GW over the next 2 years, driving nuclear generation 10% higher from 2023 levels. China's five-year plan aims to deliver 70GW of installed capacity (up from ~53GW currently). India is planning to triple nuclear capacity by 2032, equating to an additional 13GW of capacity with currently 6GW under construction.

Figure 19 - Current reactors in operation – US maintains fleet dominance



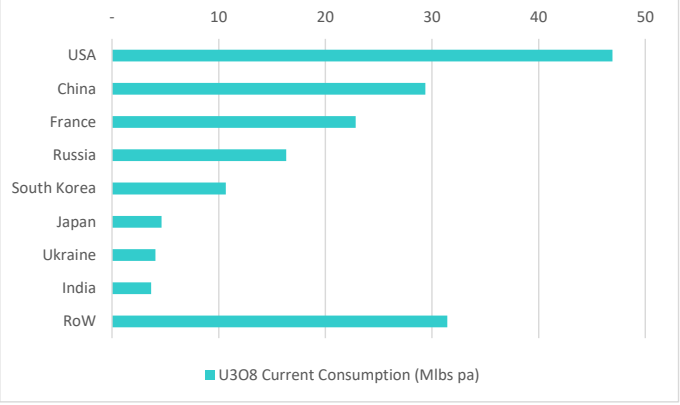
SOURCE: WNA, IAEA, BELL POTTER SECURITIES ESTIMATES

Figure 20 - Reactor growth concentrated in China & India (number of reactors under construction, planned and proposed)



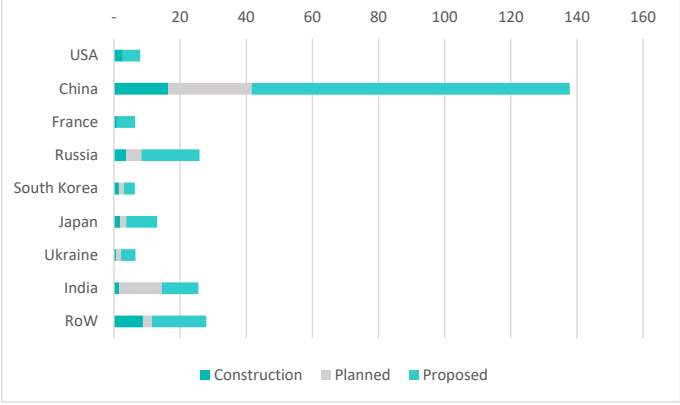
SOURCE: WNA, IAEA, BELL POTTER SECURITIES

Figure 21 – Uranium consumption unsurprisingly dominated by US, China a close second (Mlbs U3O8 annual consumption)



SOURCE: WNA, IAEA, BELL POTTER SECURITIES ESTIMATES

Figure 22 – Anticipated additional annual demand for U3O8 (Mlbs) dominated by China

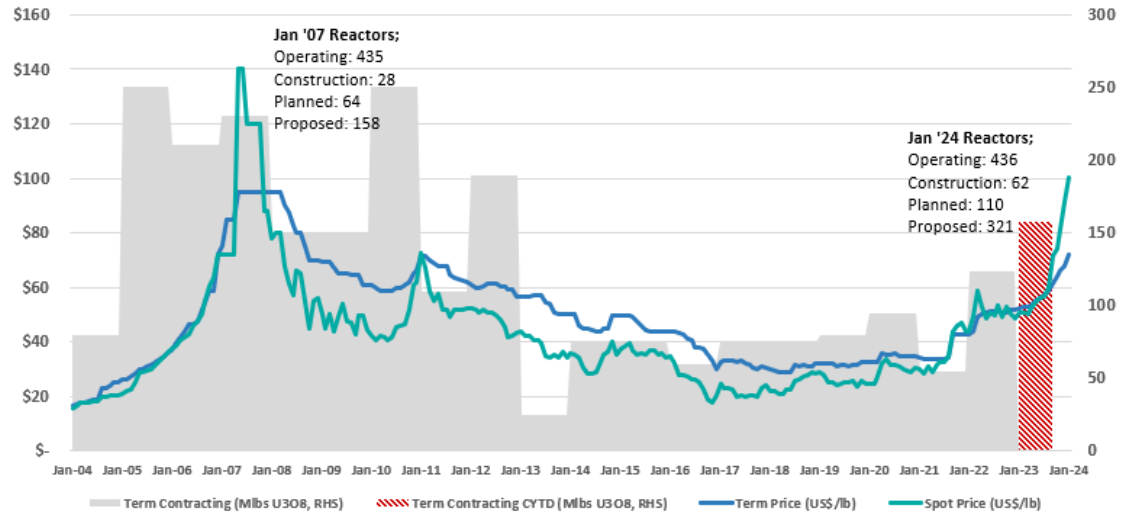


SOURCE: WNA, IAEA, BELL POTTER SECURITIES

Contracting remains robust, edging towards replacement rate

Roughly 160Mlbs of U3O8 was contracted for in 2023, up from 124Mlbs in 2022. We estimate this is slightly below the current annual consumption of 169Mlbs, with considerable catch up still required for future demand. CCO estimate ~510Mlbs have been locked-up in the long-term contract market over the last five years, vs 780mlbs consumed during that period.

Figure 23 – Price follows contracting, and we are entering contracting season…

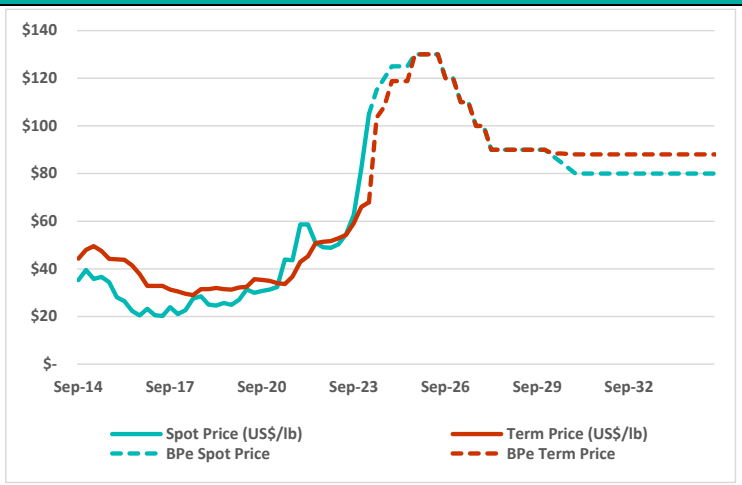


SOURCE: 1 WORLD NUCLEAR ASSOCIATION, CAMECO, PALADIN ENERGY, BELL POTTER SECURITIES ESTIMATES

What does that mean for Uranium prices?

The above analysis leads us to believe we continue to remain in the early stages of the uranium price cycle. What is different from this period to the prior period is the level of future demand. As highlighted in the above analysis, reactors under construction and proposed have roughly doubled, whilst reactors planned are up 60%. In terms of size (and ultimately estimated consumption of U_3O_8), we are yet to see a reduction in capacity, with most reactors under construction/ being connected to the grid around the 1,000 MW size. Net additions (reactors connect less reactors retired) indicates smaller reactors are being retired vs larger reactors being connected (see Reactor data below). Our forecast uranium price sees a peak at US$130/lb in FY26, before declining to US$80/lb for spot prices and a 10% premium for term contracts equating to US$88/lb.

Figure 24 – U_3O_8 Spot & Term price US$/lb; we are very early in the uranium price cycle



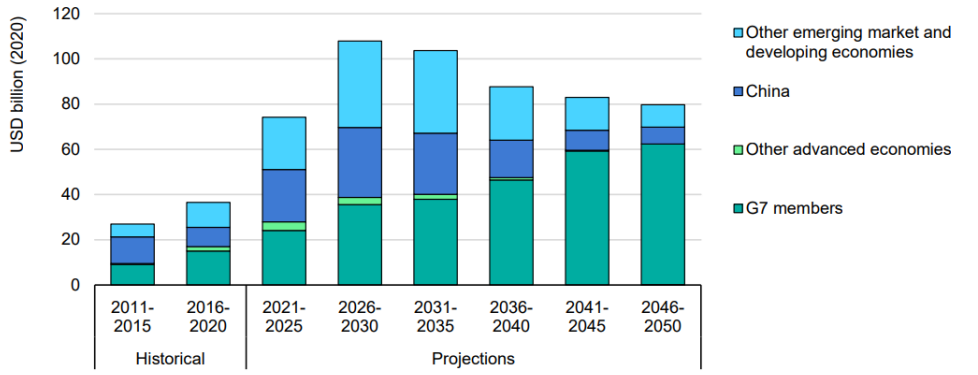
SOURCE: IRESS, CAMECO, BELL POTTER SECURITIES ESTIMATES

"IEA – Net Zero difficult without Nuclear"

- **The IEA predict nuclear capacity will need to more than double to over 800GW from the current level of 413GW** driven by uptake in emerging and developing economies. We estimate this will increase U_3O_8 demand by ~200 million pounds annually (an increase of 125%) equating to an annual addition of 7.2Mlbs per annum out to 2050.
- **Less nuclear power would make net zero ambitions harder and more expensive** – a reduction of nuclear's share of the global energy make up from 10% in 2020 to 3% in 2050 would require greater volumes of solar and wind to fill the void, which in turn requires greater storage capacity. The IEA estimates this would cost an extra US$500 billion and add US$20 billion to consumer electricity bills annually.
- **The nuclear industry needs to clean up its act and deliver new projects on time and on budget**. The capital cost for new reactors needs to reduce to US$5,000/kW by 2030 from current levels of US$9,000/kW currently. To achieve this, stable regulatory framework and efficiencies around planning and construction will be required.
- **Small Modular Reactors (SMR) could play a critical role in nuclear generation,** provided investment and government support is provided now. SMR offers several benefits to traditional large-scale reactors, specifically, they are inherently lower risk, have lower capital costs and can be produced more efficiently. A number of countries have flagged their support for SMR technology, however only a handful are currently due to begin operation this decade.
- Average annual nuclear power investment is projected to almost double in the 2021-2025 period from the 2016-2020 period. By the time we tick over to the latter half of the decade, the IEA projects annual investment in nuclear power to be in excess of US$100 billion, driven by China and emerging market adoption.
- The full document can be found here: https://iea.blob.core.windows.net/assets/0498c8b8-e17f-4346-9bde-dad2ad4458c4/NuclearPowerandSecureEnergyTransitions.pdf

Table 6 – Projected average annual investment in nuclear energy (US$)

Global average annual nuclear power investment by country/regional grouping in the Net Zero Emissions by 2050 Scenario



Sources: IEA (2021), Net Zero by 2050: A Roadmap for the Global Energy Sector; IEA (2021), Achieving Net Zero Electricity Sectors in G7 Members; IEA (2021).

SOURCE: IEA,

Table 7 - Idled uranium mining capacity

Project	Owner	Location	Production est	2023	2024	2025	2026	Est Capacity
Langer Heinrich	Paladin Energy (PDN)	Namibia	Mar-24	-	1.10	5.10	6.00	6.00
Honeymoon	Boss Energy (BOE)	South Australia	Feb-24	-	1.03	1.76	2.33	2.45
Lance	Peninsula Energy Limited (PEN)	Wyoming, USA	Mar-23	0.21	0.82	0.82	0.82	3.00
McArthur River	Cameco (TSX: CCJ)	Saskatchewan, Canada	Nov-22	10.50	12.60	18.00	18.00	18.00
White Mesa	Energy Fuels (NYSE: EFR)	Utah, USA	Jan-23	0.56	?	?	?	1.62
Kayelekera	Lotus Resources Limited (LOT)	Malawi	TBA					2.00
Alta Mesa	EnCore Energy (TSX: EU)	South Texas, USA	TBA					1.50
Nichols Ranch	Energy Fuels (NYSE: EFR)	Wyoming, USA	TBA					2.00
Smith Ranch, Crowe Butte	Cameco (TSX: CCJ)	Wyoming, USA	TBA					5.00
Rabbit Lake	Cameco (TSX: CCJ)	Saskatchewan, Canada	TBA					6.00
Willow Creek	Uranium One - not listed	Wyoming, USA	TBA					1.95
Total				**11.48**	**15.55**	**25.68**	**27.15**	**47.53**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 8 - ASX - U_3O_8 Comp table

Company	Market Cap (A$m)	Main project	Location	Project stage	Est C1 (US$/lb)	CAPEX (US$m)	Resource (Mt)	Avg Grade (ppm U_3O_8)	Contained U_3O_8 (Mlbs)	MV/Resource (A$/lb)
Paladin Energy (PDN)	3,955	Langer Heinrich	Namibia	Restarting	27	118	167	448	356	10.74
Boss Energy (BOE)	2,194	Honeymoon	South Australia	Restarting	18	81	52	620	72	29.77
Deep Yellow Limited (DYL)	1,136	Tumas, Mulga	Namibia, WA	Approaching FID	35	435	700	269	415	2.67
Bannerman Resources Ltd (BMN)	546	Etango	Namibia	DFS in progress	35	317	429	220	208	2.43
Lotus Resources Limited (LOT)	562	Kayelekera	Malawi	Approaching FID	29	50	303	345	241	2.28
Alligator Energy Limited (AGE)	263	Samphire, SA	South Australia	Scoping Study	na	na	95	230	47	4.63
Peninsula Energy Limited (PEN)	270	Lance	Wyoming, USA	Restarting	20	291	51	480	54	3.96
Berkeley Resources Limited (BKY)	143	Salamanca	Spain	PFS completed	25	170	65	427	62	1.02
Toro Energy Ltd (TOE)	54	Lake Maitland	Wiluna, WA	Scoping in progress	31	200	79	482	84	0.60
Global Uranium Ltd (GUE)	25	Tallahassee,	North America	Exploration	na	na	42	540	50	0.48
NexGen Energy CDI's (NXG)	519	Rook 1	Saskatchewan	Feasibility	6	1300	0	31000	257	0.61
Silex Systems (SLX)	1,208	GLE Tech	US	Feasibility	na	na	0	0	0	na
Elevate Uranium Ltd (EL8)	180	Koppies	Namibia	Exploration	na	na	108	200	48	1.15
Aura Energy Ltd (AEE)	151	Tiris	Mauritania	Approaching FID	29	88	113	236	59	2.38
DevEx Ltd (DEV)	135	Narbalek, U40	NT Australia	Exploration	0	0	0	0	0	na
Laramdie Ltd (LAM)	18	Churchrock	QLD/ US	Exploration	0	0	0	0	0	na
Basin Energy Ltd (BSN)	15	Geikie	Saskatchewan	Exploration	0	0	0	0	0	na
Cauldron Energy Ltd (CXU)	54	Bennet Well	WA	Scoping Study	23	82	0	360	39	1.39
Aurora Energy Metals (1AE)	25	Aurora	Oregon US	Scoping Study	0	0	0	485	51	0.43
Minimum								**200**		**0.43**
Weighted average								**1,786**		**10.68**
Maximum								**31,000**		**29.77**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Reactor data – January 2024

Table 9 - Recent reactor grid connections

Reactor Name	Model	Process	Net Capacity (MWe)	Grid Connection	Location
Ostrovets 2	VVER V-491	PWR	1110	13/05/2023	Belarus
Vogtle 3	AP1000	PWR	1117	1/04/2023	United States Of America
Mochovce 3	VVER V-213	PWR	440	31/01/2023	Slovakia
Fangchenggang 3	HPR1000	PWR	1000	10/01/2023	China
Barakah 3	APR-1400	PWR	1345	8/10/2022	United Arab Emirates
Shin Hanul 1	APR-1400	PWR	1414	9/06/2022	South Korea
Hongyanhe 6	ACPR-1000	PWR	1061	2/05/2022	China
Olkiluoto 3	EPR	PWR	1600	12/03/2022	Finland
Karachi 3	HPR1000	PWR	1014	4/03/2022	Pakistan
Fuqing 6	HPR1000	PWR	1075	1/01/2022	China

SOURCE: WORLD NUCLEAR ASSOCIATION

Table 10 - Reactors shutdown (2022 & 2023)

Permanent shutdowns	Country	MWe	Date shutdown
EMSLAND	Germany	1335	Apr-23
ISAR-2	Germany	1410	Apr-23
NECKARWESTHEIM-2	Germany	1310	Apr-23
KUOSHENG-2	Taiwan	985	Mar-23
TIHANGE-2	Belgium	1008	Feb-23
DOEL-3	Belgium	1006	Sep-22
HINKLEY POINT B-1	UK	485	Aug-22
HINKLEY POINT B-2	UK	480	Jul-22
HUNTERSTON B-2	UK	495	Jan-07
PALISADES	USA	805	May-22

SOURCE: WNA

Table 11 - Reactors under construction

Country	Mwe	Reactors	Est Annual U3O8 consumption Mlbs*
China	29,731	26	16.32
India	6,700	8	3.68
Russia	2,810	3	1.54
Turkey	4,800	4	2.63
South Korea	2,680	2	1.47
Bangladesh	2,400	2	1.32
Egypt	4,800	4	2.63
Japan	2,756	2	1.51
Ukraine	1,900	2	1.04
United Kingdom	3,440	2	1.89
USA	1,250	1	0.69
Argentina	29	1	0.02
Brazil	1,405	1	0.77
France	1,650	1	0.91
Iran	1,057	1	0.58
Slovakia	471	1	0.26
UAE	1,400	1	0.77
Total	**69,279**	**62**	**38.03**

SOURCE: WNA, BELL POTTER SECURITIES ESTIMATES

Capital Structure & Financials

Financials

LOT is a uranium exploration company, which currently has one project on care and maintenance (Kayelekera) and one early-stage development project (Letlhakane). The business is largely dependent upon support from shareholders, equity capital markets and debt financiers. The company has no source of its own cash generation or income and, as such, is classified as a Speculative investment by Bell Potter Securities. Recent annual and semi-annual cash flows for LOT are provided below:

Table 12 - AGE Historical Cash flow

Cashflow summary a$'000	2H21A	FY21A	1H22A	2H22A	FY22A
Receipts from customers	0.0	0.0	0.0	0.0	0.0
Payments to suppliers & employees	(2.7)	(2.7)	(2.8)	(3.5)	(6.2)
Other	(3.9)	(3.9)	(1.2)	(2.5)	(3.7)
Net cash flow from operations	**(6.5)**	**(6.5)**	**(4.0)**	**(6.0)**	**(10.0)**
Payments for property, plant & equipment	(0.0)	(0.0)	1.6	(0.4)	1.1
Other	(1.3)	(1.3)	(0.0)	(2.7)	(2.8)
Net cash flow from investing	**(1.3)**	**(1.3)**	**1.5**	**(3.1)**	**(1.6)**
Interest and finance costs	0.0	0.0	0.0	0.0	0.0
Increase/ (decrease) in borrowings	0.0	0.0	0.0	0.0	0.0
Proceeds from share issues	17.4	17.4	0.2	0.0	0.2
Other	3.5	3.5	0.7	0.2	0.9
Net cash flows from financing	**20.9**	**20.9**	**0.9**	**0.2**	**1.1**
Net increase (decrease) in cash	13.1	13.1	(1.6)	(8.9)	(10.5)
Cash at beginning	1.9	1.9	14.8	13.5	14.8
Net foreign exchange differences	(0.2)	(0.2)	0.3	0.3	0.6
Cash at end	**14.8**	**14.8**	**13.5**	**4.9**	**4.9**

SOURCE: COMPANY DATA

Capital structure

LOT currently has 1,725 million fully paid ordinary shares on issue. As of January 2024 LOT has 27.8 million unlisted options outstanding. The table below summarises LOT's current capital structure.

Table 13 - LOT Capital Structure

Shares on issue	m	1,725
Escrowed shares/ other	m	-
Total shares on issue	m	1,725
Share price	$/sh	0.33
Market capitalisation	$m	573
Net cash	$m	12
Enterprise value (undiluted)	**$m**	**561**
Options outstanding	m	2.5
Options in the money	m	-
Issued shares (diluted for options)	m	1,725
Market capitalisation (diluted)	$m	573
Net cash + options	$m	12
Enterprise value (diluted)	**$m**	**561**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Board & management

Table 14 - Board of Directors

Name	Position	Appointed to Board
Michael Bowen	Chairman	February 2021
Keith Bowesw	Managing Director	February 2021
Grant Davey	Non-Executive Director	June 2020
Mark Hanlon	Non-Executive Director	February 2021
Dixie Marshall	Non-Executive Director	April 2022

SOURCE: COMPANY ANNUAL REPORTS

Board of Directors

Michael Bowen – Non-executive Chairman

Mr Bowen is a partner of the national law firm Thomson Geer. He practices primarily corporate, commercial and securities law with over 40 years of experience and emphasis on mergers, acquisitions, capital raisings and resources.

Mr Bowen holds a Bachelor of Laws, Jurisprudence and Commerce from the University of Western Australia. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia since 1979 and is also admitted as a solicitor of the High Court of Australia. He is a Certified Public Accountant and member of the Australian Society of Accountants.

He is also a Non-Executive Director of Emerald Resources NL (ASX:EMR) and Non-Executive Director Genesis Minerals limited (ASX.GMD).

Keith Bowes - Managing Director

Mr Bowes is a process engineer with ~28 years' experience in metallurgy, mining operations and project development. He worked in Africa, South America and Australia for some of the world's major mining houses before moving into the small caps / junior exploration space in 2013. He has led various study teams that have developed a number of projects including the Panda Hill Niobium Project located in Tanzania, the Honeymoon Uranium Project in South Australia, Sovereign Metal's Graphite Project in Malawi and Superior Lake Resource's Zinc Project in Ontario, Canada.

Mr Bowes holds a BSc Chemical Engineering degree and is currently Managing Director for Lotus Resources and a Non-Executive Director of ASX listed company Copper Strike and is a graduate of the Australian Institute of Company Directors (AICD).

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 global Mining & Energy projects.

He is the Chairman of Frontier Energy Limited (ASX: FHE), Director of Lotus Resources Limited (ASX: LOT) and Cradle Resources Limited (ASX: CXX) and is a member of the Australian Institute of Company Directors.

Mark Hanlon - Non-Executive Director

Mr Hanlon has over 25 years of experience in the resources and resource services sector, as well as in commercial and merchant banking.

He has a broad background of senior executive experience across a wide range of industries including mining and mining services. Mr Hanlon is currently a Non-Executive

Director with ASX listed company Red River Resources Limited where he also chairs the audit and risk committee.

He is also Non-Executive Chair of ASX listed company, Copper Strike Limited.

Dixie Marshall - Non-Executive Director

Ms Marshall has 40 years' experience in strategic communications – including crisis communications, editorial media, advertising, marketing and government communications. Currently the Chief Growth Officer of Marketforce, WA's oldest advertising agency, Ms Marshall previously worked as the Western Australian Government Director of Strategic Communications, as well as for the Nine Network as a senior news anchor.

Ms Marshall is the Deputy Chair of the WA Football Commission and a Commissioner of The Australian Sports Commission, and is also a Director of ASX listed Frontier Energy Limited.

SOURCE: COMPANY WEBSITE AND ANNUAL REPORT

Executive management

Martin Stulpner – Corporate Development Manager

Martin Stulpner, CFA, MAICD has over 20 years' experience in the mining and financial services industries, including in corporate development, M&A, strategic planning, and equity research (sell side).

Martin's previous senior leadership positions include GM at Aquila Resources, where Martin had accountability for Aquila's stake in the West Pilbara Iron Ore Project (now under construction as the $3bn Onslow Iron Project), and for Aquila's South African business.

As Director at Macquarie, Martin provided equity research of Western Australian metals and mining companies to institutional investors in Australia and globally.

At Anglo American Ferrous Metals (FTSE 100), as VP of Strategy, Martin developed and led a global strategic planning team to facilitate informed strategic decision making by the Executive.

Michael Ball – Chief Financial Officer

Michael is a qualified Chartered Accountant and Fellow of the Governance Institute of Australia with over 20 years experience in finance roles, including the last 10 years as Chief Financial Officer for ASX listed resource companies.

He brings significant operational experience, including project development through construction and into production, in addition to significant capital markets experience, being involved in leading and managing several project financings. He also has considerable expertise in feasibility study preparation, operational optimisation, commodity and currency risk management and contract tendering.

SOURCE: COMPANY WEBSITE AND ANNUAL REPORT

Investment risks

Risks include, but are not limited to:

- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Lotus Resources Ltd

as at 13th February 2024

Recommendation	Initiation, Speculative
Price	$0.325
Valuation	$0.50

Table 15 - Financial summary

ASSUMPTIONS

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
COMMODITY PRICE							
Spot U3O8	US$/lb	35	53	51	91	124	130
Term U3O8	US$/t	34	44	53	74	116	130
AUD/USD	A$/US$	0.75	0.73	0.73	0.73	0.74	0.74
PRODUCTION & COST							
Production	Mlbs	-	-	-	-	-	1.4
C1 Operating cost	US$/lb	-	-	-	-	-	23

PROFIT AND LOSS

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	A$m	0.2	2.6	1.2	0.0	0.0	246.0
Expense	A$m	(6.1)	(15.4)	(10.0)	(7.3)	(7.3)	(53.8)
EBITDA	**A$m**	(5.9)	(12.8)	(8.8)	(7.3)	(7.3)	192.2
Depreciation	A$m	(0.0)	(0.0)	(0.0)	(0.2)	(0.8)	(10.9)
EBIT	A$m	(5.9)	(12.8)	(8.8)	(7.5)	(8.1)	181.3
Net interest expense	A$m	0.0	(0.1)	(1.6)	0.0	(5.2)	(7.0)
Unrealised gains (Impairments)	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	0.0	0.0	0.0	0.2	1.0	1.0
PBT	**A$m**	(5.9)	(13.0)	(10.3)	(7.3)	(12.3)	175.3
Tax expense	A$m	0.0	0.0	(0.2)	0.0	0.0	(40.9)
NPAT (reported)	**A$m**	(5.9)	(13.0)	(10.1)	(7.3)	(12.3)	134.4
NPAT (underlying)	A$m	(5.9)	(13.0)	(10.1)	(7.3)	(12.3)	134.4

CASH FLOW

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
OPERATING CASHFLOW							
Receipts	A$m	0.0	0.0	0.0	(0.0)	0.0	165.1
Payments	A$m	(2.7)	(6.2)	(3.3)	(5.4)	(5.2)	(76.5)
Tax	A$m	0.0	0.0	(0.2)	0.0	0.0	(5.1)
R&D + Exploration	A$m	(3.9)	(3.9)	(5.7)	(2.2)	(2.2)	(0.5)
Other	A$m	0.1	0.1	0.9	0.0	0.0	0.0
Operating cash flow	**A$m**	(6.5)	(10.0)	(8.3)	(7.5)	(7.4)	82.9
INVESTING CASHFLOW							
Property, plant and equipment	A$m	(0.0)	1.1	(0.5)	0.0	(118.6)	(2.6)
Mine development	A$m	0.0	(0.0)	0.0	0.0	0.0	0.0
Other	A$m	(1.3)	(2.7)	(4.5)	0.0	0.0	0.0
Investing cash flow	**A$m**	(1.3)	(1.6)	(5.0)	0.0	(118.6)	(2.6)
Free Cash Flow	**A$m**	(7.8)	(11.6)	(13.4)	(7.5)	(125.9)	80.3
FINANCING CASHFLOW							
Share issues/(buy-backs)	A$m	17.4	0.2	25.0	0.0	73.6	0.0
Debt proceeds/ (repayments)	A$m	0.0	0.0	0.0	0.2	(4.2)	(6.0)
Dividends	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	3.5	0.9	(0.9)	0.0	104.9	0.0
Financing cash flow	**A$m**	20.9	1.1	24.1	0.2	174.3	(6.0)
Change in cash	A$m	13.1	(10.5)	10.8	(7.3)	48.4	74.3

BALANCE SHEET

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
ASSETS							
Cash & short term investments	A$m	14.8	4.9	15.5	8.2	56.6	130.9
Accounts receivable	A$m	0.0	0.0	0.0	0.0	0.0	80.9
Property, plant & equipment	A$m	0.0	0.0	0.0	0.3	118.1	109.8
Mine development expenditure	A$m	59.8	46.3	39.5	39.5	39.5	39.5
Exploration & evaluation	A$m	13.6	0.0	0.0	0.0	0.0	0.0
Other	A$m	0.7	15.4	16.7	16.7	16.7	40.1
Total assets	**A$m**	88.9	66.6	71.8	64.8	230.9	401.2
LIABILITIES							
Accounts payable	A$m	0.6	1.7	0.8	0.6	0.5	0.5
Income tax payable	A$m	0.0	0.0	0.0	0.0	0.0	35.8
Borrowings	A$m	0.0	0.0	0.0	0.0	107.1	107.1
Other	A$m	65.9	50.1	37.3	37.3	37.3	37.3
Total liabilities	**A$m**	66.5	51.8	38.1	37.8	144.9	180.7
Net Assets	A$m	22	15	34	27	86	220
SHAREHOLDER'S EQUITY							
Share capital	A$m	78.1	114.9	143.5	143.5	214.9	214.9
Reserves	A$m	0.3	(31.0)	(31.6)	(31.6)	(31.6)	(31.6)
Retained earnings	A$m	(56.4)	(68.4)	(76.9)	(82.3)	(91.5)	9.3
Minority Interests	A$m	0.4	(0.8)	(1.4)	(3.2)	(6.3)	27.3
Total equity	**A$m**	22	15	34	26	86	220
Weighted average shares	m	1,006	1,326	1,412	1,936	2,645	2,645

FINANCIAL RATIOS

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
VALUATION							
NPAT	A$m	(6)	(13)	(10)	(7)	(12)	134
Reported EPS	Ac/sh	(0.6)	(1.1)	(0.8)	(0.4)	(0.5)	5.1
Adjusted EPS	Ac/sh	(0.6)	(1.1)	(0.8)	(0.4)	(0.5)	5.1
EPS growth	%	0%	81%	-27%	-52%	24%	-1197%
PER	x	0.0 x	0.0 x	-41.7 x	-86.7 x	-70.1 x	6.4 x
DPS	Ac/sh	-	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%	0%
FCF/share	Ac/sh	#DIV/0!	(0)	(0)	(0)	(0)	0
P/FCFPS	x	#DIV/0!	-32.7 x	-43.6 x	-118.1 x	-54.6 x	25.6 x
EV/EBITDA	x	-92.9 x	-43.5 x	-62.4 x	-76.2 x	-84.3 x	2.8 x
EBITDA margin	%	0%	-427%	-877%	0%	0%	78%
EBIT margin	%	0%	-428%	-877%	0%	0%	74%
Return on assets	%	-13%	-17%	-13%	-11%	-5%	39%
Return on equity	%	-53%	-71%	-30%	-26%	-14%	75%
LIQUIDITY & LEVERAGE							
Net debt (cash)	$m	(15)	(5)	(16)	(8)	51	(24)
ND / E	%	-66%	-33%	-46%	-31%	59%	-11%
ND / (ND + E)	%	-194%	-49%	-85%	-45%	37%	-12%
EBITDA / Interest	x	0.0 x	-93.1 x	-5.6 x	0.0 x	-1.4 x	27.6 x

ORE RESERVES AND MINERAL RESOURCES

Kayelekera Project (100%)	Mt	U3O8 ppm	Mlbs
Mineral Resources			
Measured	2.5	785	4.2
Indicated	29.3	510	33.2
Inferred	10.5	410	8.9
Total	**42.3**	**495**	**46.3**
Ore Reserves			
Proven	2.2	799	3.8
Probable	13.7	637	19.2
Total	**15.9**	**583**	**23.0**

DCF VALUATION

Ordinary shares (m)	1,731
Options in the money (m)	28
Diluted m	**1,758**

	Current		+ 12 months		+ 24 months	
Sum-of-the-parts valuation	**$m**	**$/sh**	**$m**	**$/sh**	**$m**	**$/sh**
Kayelekera - NPV 10%, 90% risked	512	0.30	663	0.38	730	0.42
Letlhakane - NPV 10%, 50% risked	342	0.20	342	0.20	342	0.20
Corporate overheads	(61)	(0.04)	(61)	(0.04)	(61)	(0.04)
Subtotal	894	0.52	944	0.55	1,011	0.58
Net cash (debt)	12	0.01	8	0.00	(51)	(0.03)
Total (undiluted)	**906**	**0.52**	**953**	**0.55**	**960**	**0.55**
Add Options in the money (m)	28		28		28	
Add cash	-	-	-	-	-	-
Total (diluted)	**906**	**0.52**	**953**	**0.54**	**960**	**0.55**
Assumed raise - ($0.4 x 184m shares)	71		71		71	
Total diluted + funded	**977**	**0.50**	**1,024**	**0.53**	**1,032**	**0.53**

CAPITAL STRUCTURE

Shares on issue	m	1,731
Escrow shares / other	m	-
Total shares on issue	**m**	**1,731**
Share price	**A$/sh**	**0.33**
Market capitalisation	A$m	562
Net cash	A$m	12
Enterprise value (undiluted)	**A$m**	**550**
Options outstanding (m)	m	28
Options in the money (m)	m	28
Issued shares (diluted for options)	m	1,758
Market capitalisation (diluted)	m	554
Net cash + options	A$m	-
Enterprise value (diluted)	**A$m**	**541**

MAJOR SHAREHOLDERS

Shareholder	%	m
Shenke Holdings Ltd	8%	132.1
ALPS Advisors, Inc	7%	118.9
Grant Burnaford Davey	6%	103.8
Macquarie Group Ltd	6%	100.8
	26%	**455.7**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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