



Kayelekera

**Proven** Uranium Producer

**INVESTOR PRESENTATION – NOVEMBER 2020**

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Assumptions have been made regarding, among other things: the uranium market information, the Company's peers, the Company's ability to carry on its future exploration, development and production activities, the timely receipt of required approvals, the price of uranium, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

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## MINERAL RESOURCE ESTIMATE(JORC 2012)

For information referring to the Resources in this document, refer to ASX announcements dated 26 March 2020 and 24 June 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements; and that the information in the announcement relating to exploration results is based upon, and fairly represents the information and supporting documentation prepared by the named Competent Persons.

## SCOPING STUDY

For information relating to the Restart Scoping Study, refer to ASX announcement dated 20 October 2020. The Company confirms that all material assumptions underpinning the production target and forecast financial information included in that announcement continue to apply and have not materially changed.





# Lotus Resources – Why invest?

- Lotus Resources is a low capital cost and proven option in the uranium sector through its ownership of the Kayelekera Project in Malawi
  - US\$200m spent on infrastructure at Kayelekera
  - 11Mlbs of historical uranium production
  - 37.5Mlb existing resource with limited exploration during the past 20 years<sup>1</sup>
- Positive Scoping Study confirmed Kayelekera as a low capital cost (US\$50m), long-life operation (14yrs) with additional upside identified<sup>2</sup>
- Discussions underway with multiple, major global nuclear utilities
  - 100% of historical production accepted by conversion facilities in the U.S., Canada and France
- Significant exploration upside – limited to no exploration completed during the past 20 years
- Board and management team with 40 years in uranium marketing and mining and 60 years in African mining project development and financing experience
- Uranium market poised for a significant re-rating due to impending supply and demand imbalance caused by sustained low pricing for the past decade
  - Supply in structural deficit and growing
- Significant valuation discount compared to peers

1. ASX announcement 26 March 2020  
2. ASX announcement 20 October 2020

## CAPITAL STRUCTURE

740.6m

SHARES ON ISSUE

\$67m

MARKET CAP

At \$0.09 / share

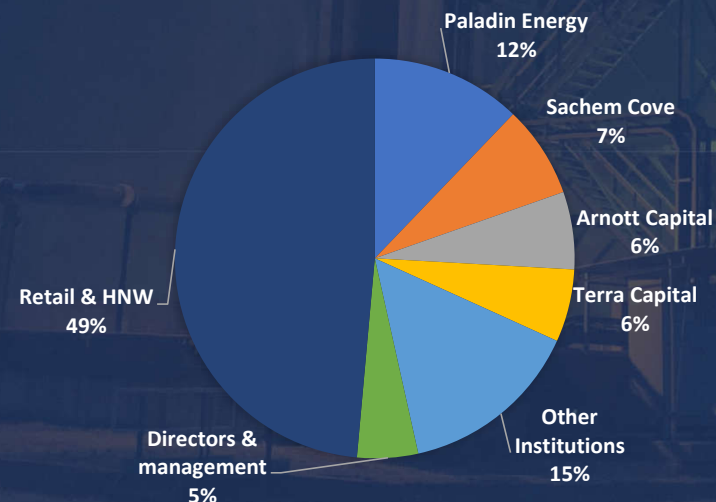
\$3.0m / \$14.6m

CASH AT SEPT 2020  
Unrestricted / Restricted

87.1m

OPTIONS

## OWNERSHIP STRUCTURE



# Kayelekera is a Proven Uranium Producer

## 1.4Mtpa processing facility

US\$200m spent on infrastructure

## Proven production

11Mlbs of production over 5 years

## Significant Resource

37.5Mlb Resource <sup>1</sup>  
~83% M&I

## Permitted for production

with strong government support

## Low C&M costs

US\$1.2M pa <sup>2</sup>  
guidance to minimise cash outflow

1 – ASX Announcement 26 March 2020; 2 – ASX Announcement – 9 July 2020 (Care and maintenance operating cost guidance at the Kayelekera Uranium Project reduced by 75% to an annualised cost of US\$1.2M from the original 2019 budget estimate of c.US\$5M).



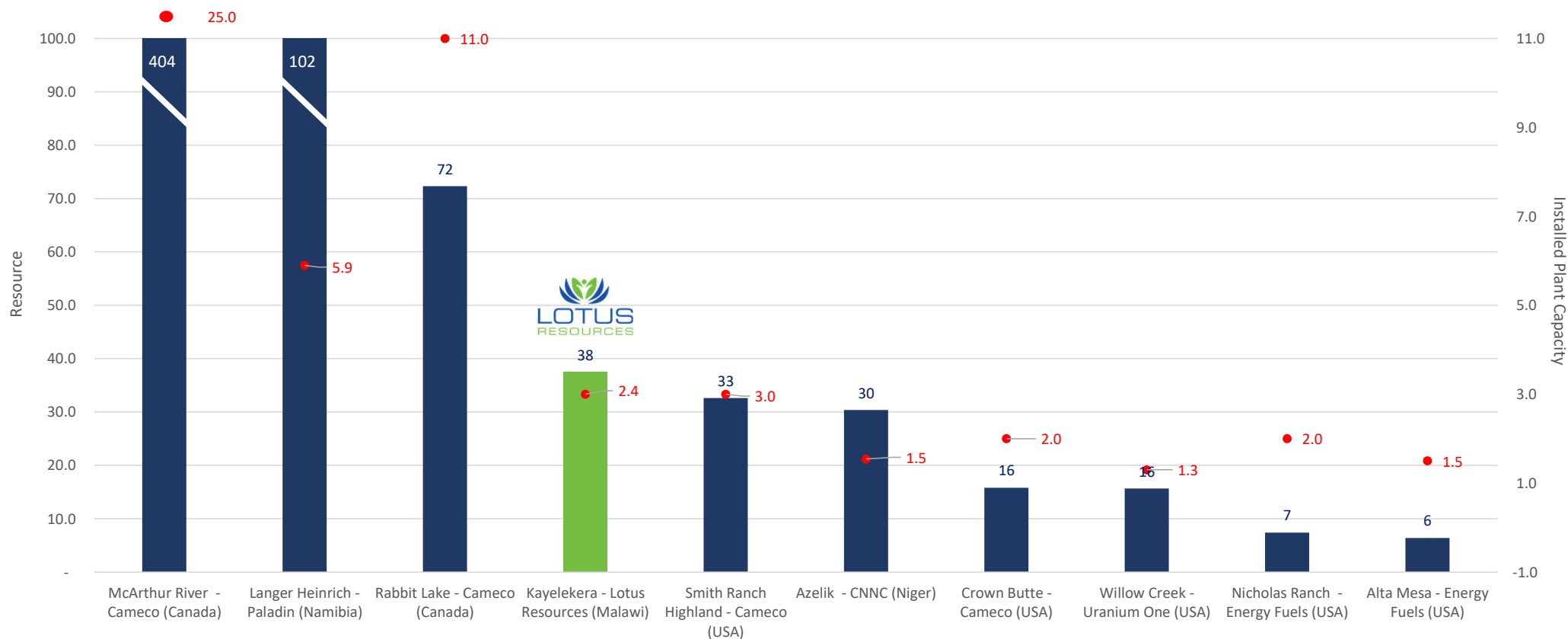
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# Established and Proven Producers First to Respond

Top 10 brownfield C&M assets that achieved commercial production



1. Mineral resource estimate - ASX announcement 26 March 2020
2. Further details are provided in the Appendix 2

■ Resource (MLbs U308)

● Installed Plant Capacity (MLbs U308)



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# Scoping Study Confirms Low Initial Capital & Rapid Start Up Potential<sup>1</sup>

- Scoping Study confirms Kayelekera can be among the first uranium projects to recommence production
- Low total initial capital cost of US\$50M, due to existing infrastructure
  - 1.4Mtpa processing facility, onsite acid plant and accommodation camp.
  - Initial capital intensity of US\$21 / lb production - one of the lowest in the industry.
- Two production scenarios initially considered:
  - Scenario 1: 8-year life of mine, producing 16.4Mlbs  $U_3O_8$  (~900ppm  $U_3O_8$ ).
  - Scenario 2: 14 years life of mine, producing 23.8Mlbs  $U_3O_8$  with treatment of stockpiles from year 8 (average head grade ~680ppm  $U_3O_8$ ).
- C1 cash costs of US\$33/lb  $U_3O_8$  with average production of 2.4Mlbs  $U_3O_8$  per annum<sup>1</sup>, and multiple opportunities identified to further reduce these costs, including:
  - Upgrading of feed materials (higher  $U_3O_8$  grades and lower acid consumption)
  - Improved options around power supply
  - Acid recovery rationalisation
  - Optimised tailings disposal options
- Following the positive outcomes of the Scoping Study work has now commenced on a Feasibility Study

1. ASX announcement 20 October 2020



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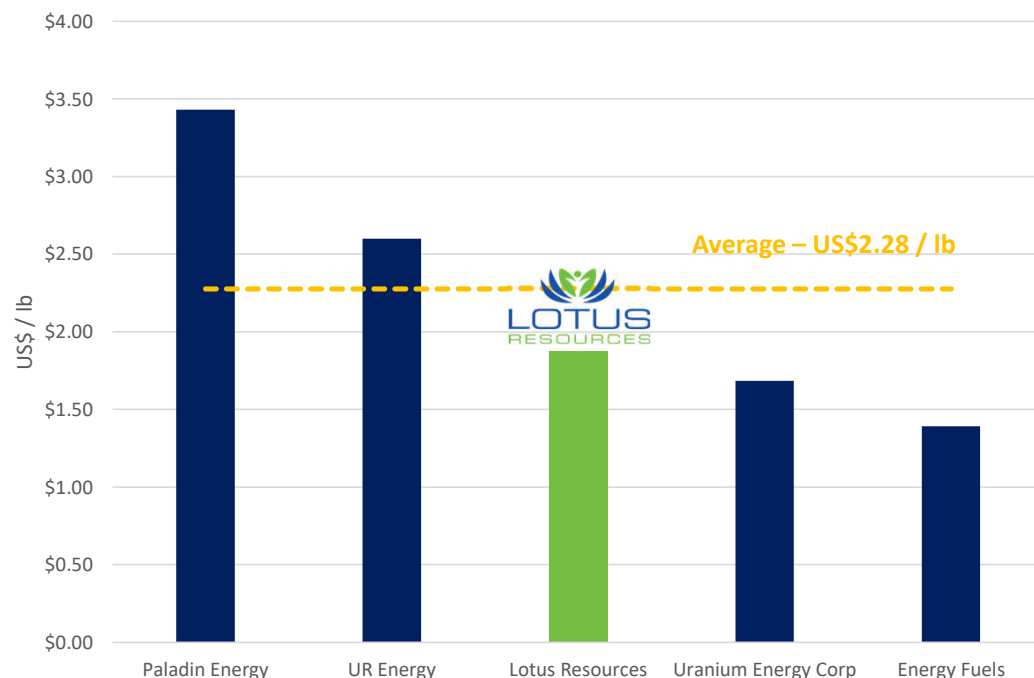
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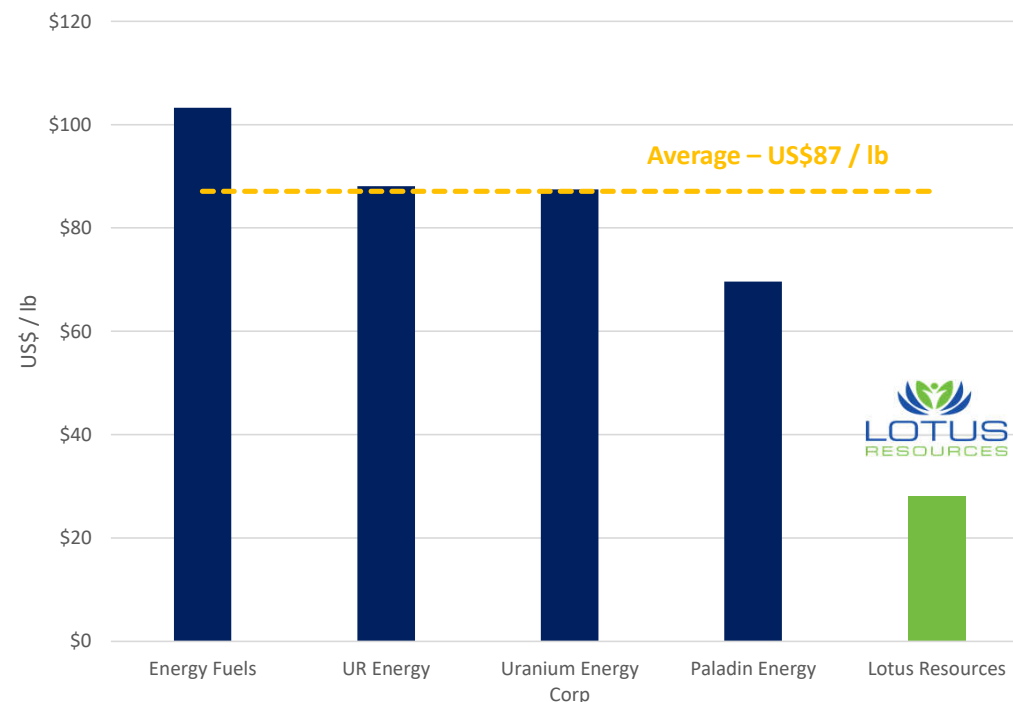
# Attractive Upside Valuation Compared to Peers

Peer group comprises brownfield assets that achieved commercial production

EV / Att. Resource<sup>1</sup>



EV / Att. Forecasted Production<sup>1</sup>



<sup>1</sup> - Further details are provided in Appendix 3



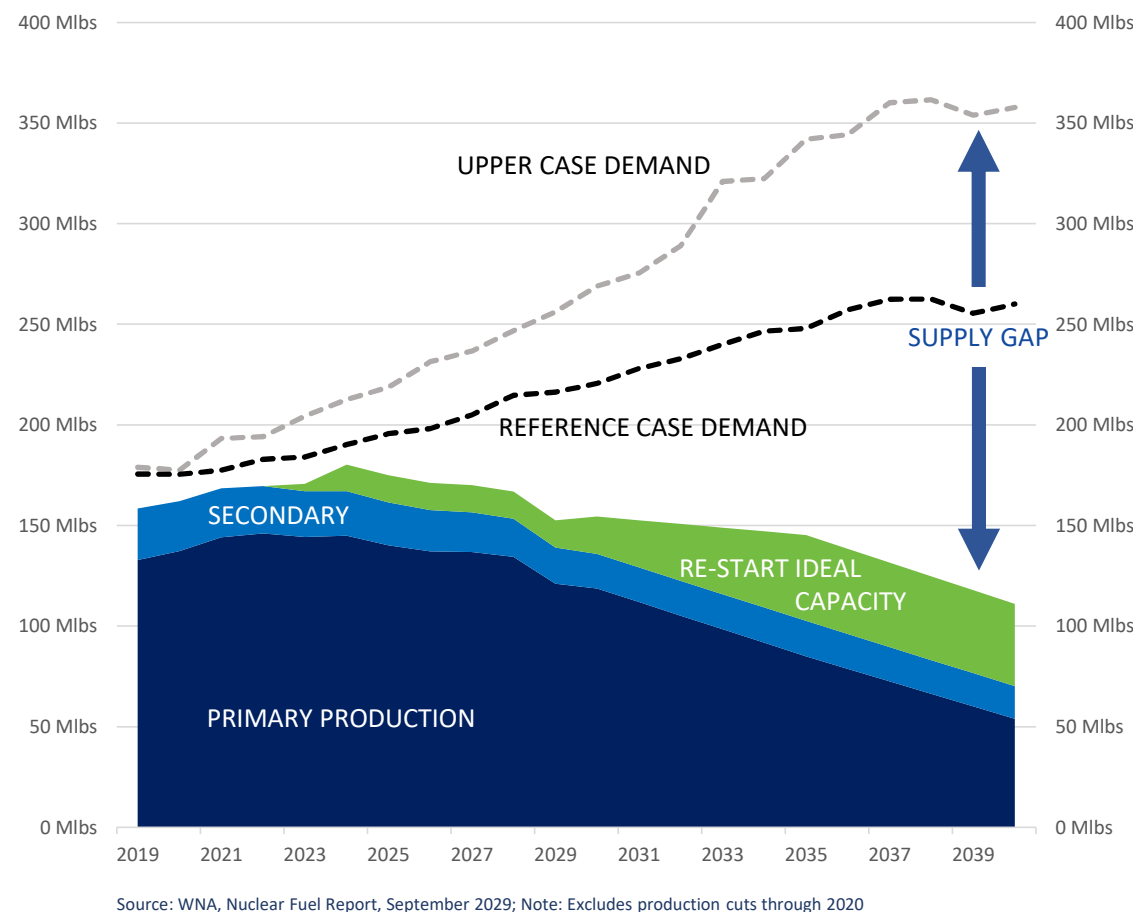
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# Uranium Positioned for Significant Re-rating

- A decade of low uranium prices has resulted in no new developments, discoveries and minimal exploration
- Supply and Demand fundamentals have significantly tightened with an estimated 30 – 60Mlbs  $U_3O_8$  per annum shortfall expected by 2024 to 2028
- COVID 19 – Affected the uranium industry arguably more than any other with significant positive effects
  - 40Mlbs of lost production in 2020 with similar losses expected through 2021
  - One of the best performing commodities in 2020 – 30% increase in spot price
  - Brought forward the impending supply deficit
- Stand off between suppliers (producers & developers) and end users (utilities)
  - Higher price required to re-start ideal assets and a further increase for new developments
  - No substitute for end users and stockpiles are falling
  - History has shown once utilities start buying to this will quickly increase the price as they want to ensure long term guarantee of supply
  - The worlds second largest producer, CAMECO, is one of the largest buyers on spot market (26.2Mlb  $U_3O_8$  acquired during first 9 month of 2020)
  - Mayors are preserving long-term value by leaving uranium in the ground and buying uranium on the spot market until pricing increases



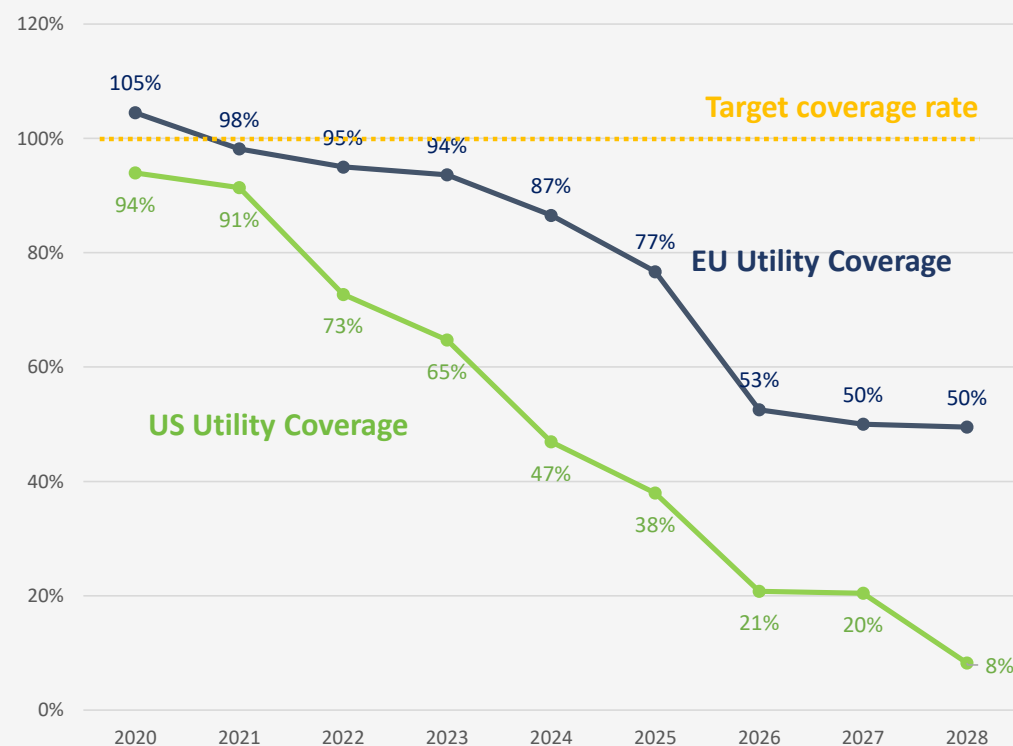


# Long-Term Contracting Cycle is Imminent

- Nuclear utilities cover their fueling needs through long-term contracts, which generally range between three to ten years.
  - Typically no more than 10% are bought on spot.
- Decreasing utility contract coverage rates are observed by the market across North America, Asia and Europe.
- Further to decreasing contract coverage rates, the market expectation for the next long-term procurement cycle by utilities is based on industry specific fundamentals:
  - Utilities need to ensure adequate long-term supply security to effectively generate electricity;
  - Nuclear fuel production and delivery cycle requires a minimum of 18-24 months; and
  - Most utility nuclear fuel inventories serve as a fuel bank for strategic purposes.
- Lotus has commenced discussions with multiple global utilities regarding long-term base loading contracts

Source: ASX announcement 25 August 2020

## UTILITIES FACING RAPID PURCHASING



Source: US Energy Information Administration, EurAtom



# Significant Price Increase Required to Meet Growing Demand

2024

ST Demand

190Mlb

Mine Supply

160Mlb

**Annual Deficit**  
**30 M lbs U<sub>3</sub>O<sub>8</sub>**

2028

LT Demand

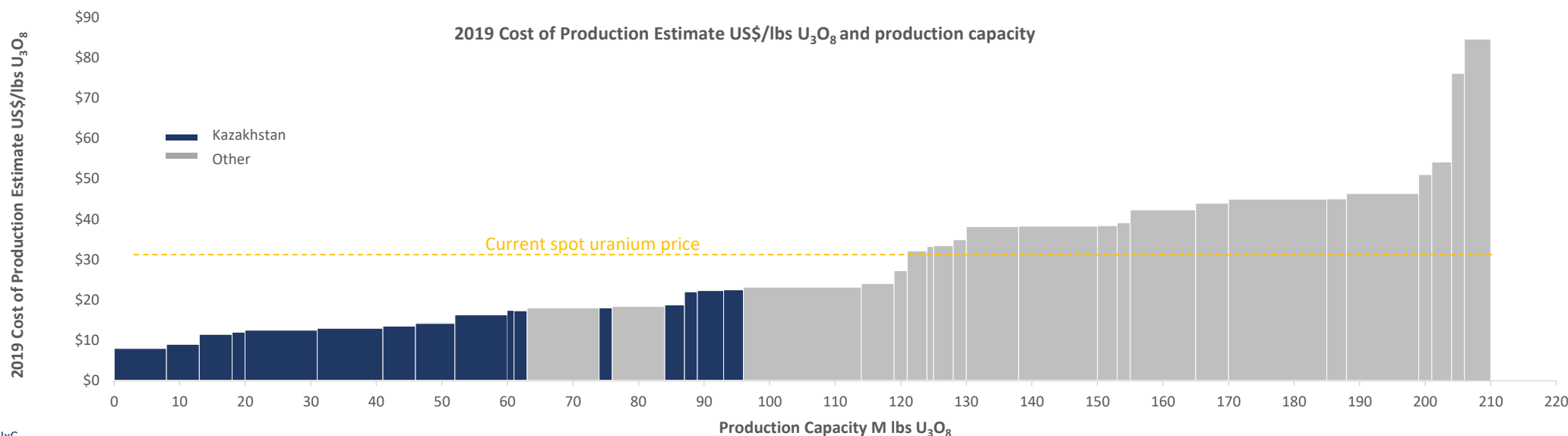
210Mlb

Mine Supply

150Mlb

**Annual Deficit**  
**60 M lbs U<sub>3</sub>O<sub>8</sub>**

Source: WNA, The Nuclear Fuel Report, September 2019; Note: Values based on the reference case rounded to the nearest 10 Mlbs U3O8



Source: UxC

Note: (1) Installed uranium production capacity represents operating and idle production capacity installed for producing projects as of August 2019; (2) Cost of production comprises operating and capital costs. Operating costs are made up of mining costs, hauling, milling, production/property taxes, environmental costs, and royalty severance tax. Capital costs are made up of acquisition cost/exploration costs, mine development costs, environmental/infrastructure costs, and general and administrative costs.



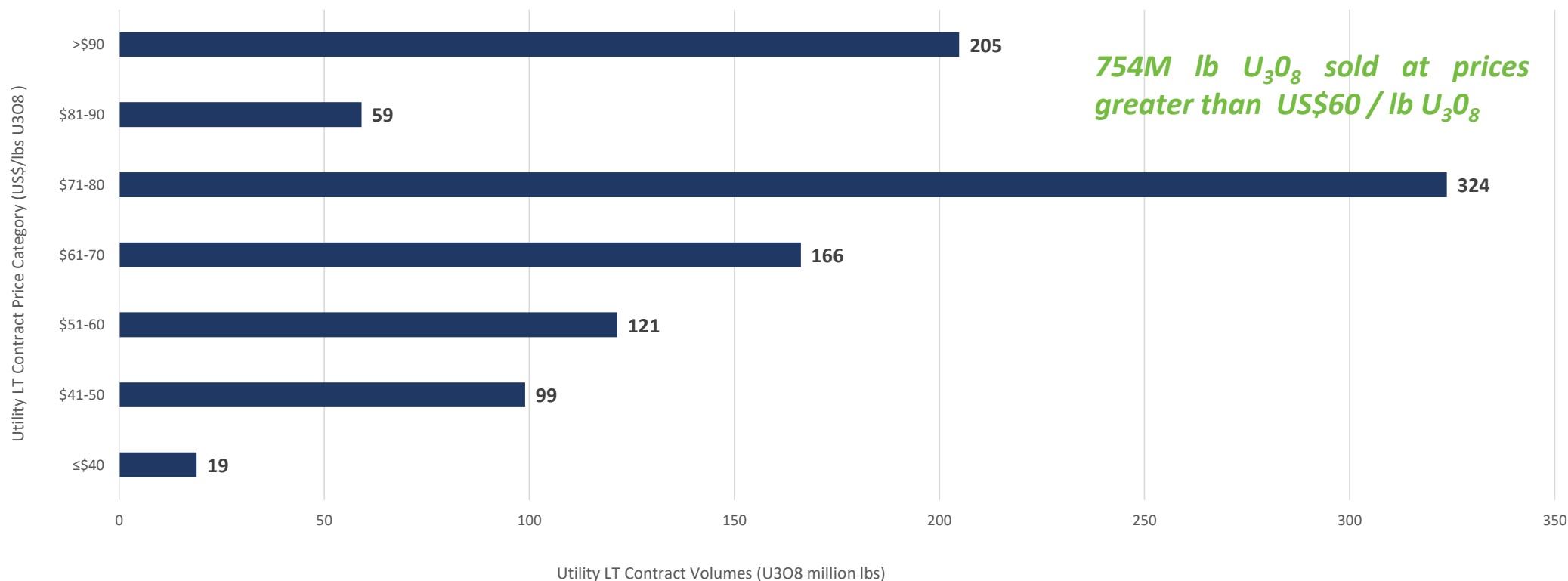
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# Favorable Long-Term Pricing During the Last Deficit Market

UTILITY LONG TERM CONTRACTING VOLUME AND PRICING (2006 – 2010)



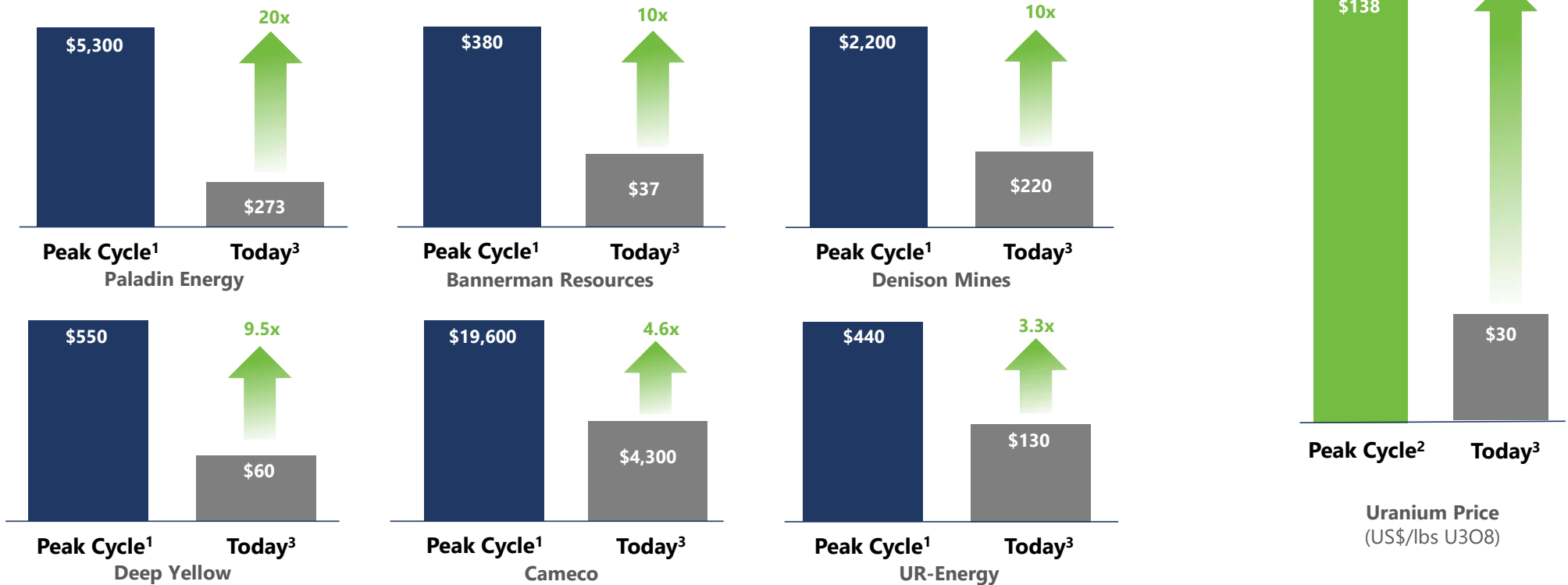
Source: UxC, Aggregate utility long-term contracting volume and price for uranium in a 5-year period from 2006 to 2010





# Peak Cycle Valuation Outweighed Commodity Prices

MARKET CAP. (\$M) / GROWTH TO PEAK (X)



Source: (1) Company peak cycle market capitalization in 1H 2007; (2) Peak cycle uranium price as of May 2007; (3) Today represents August 2020



# Lotus Well Positioned for the Next Uranium Cycle

## **Significant existing infrastructure**

Low capex to recommence production

## **Proven production**

11M lb of historical supply with sales to major utilities

## **Board & Management team**

Extensive African and uranium experience

## **Valuation Upside**

Significant valuation discount compared to peers

**STRONG PERFORMANCE THROUGH 2020 AND BEYOND**

**Scoping Study  
Completed**

**Engineering &  
Design Study**

**Uranium exploration  
& resource expansion**

**Baseload contact  
efforts**



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# Appendix 1 – Experienced Board and Management Team

Production, offtake, redevelopment and financing experience in uranium industry



**Eduard Smirnov**  
Managing Director

Eduard has significant international executive experience in the mining and metals sectors developed through his over 15-year career in the resources and financial industries. Eduard served as Uranium One's Chief Executive Officer from 2016 to 2019, responsible for uranium production, development and exploration in eight countries around the world and for the growth and management of the global utility order book.



**John Sibley**  
Non-Executive Chairman

John is a corporate director with extensive public and private company board and executive management experience in international mining and resource development, with a focus on corporate finance, M&A and governance. From 2005-2015, John served as EVP of Uranium One Inc. where he played a central role in the company's development into one of the world's leading uranium producers.



**Grant Davey**  
Non-Executive Director

Grant 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.



**Stuart McKenzie**  
Non-Executive Director

Stuart is a senior executive with extensive experience in the resources industry and financial markets, including 15 years experience working directly with resource companies in Africa.



**Keith Bowes**  
Head of Technical Committee

Keith is a highly regarded mining executive with over 25 years of experience working on project development and operations.

Keith project managed the Boss Resources' redevelopment program for the Honeymoon Uranium Mine including all study phases and technical trials of the new processing technology.



# Appendix 2 – Brownfield Uranium Assets

## Top 10 brownfield C&M assets that achieved commercial production

Project Name	Kayelekera	Langer Heinrich	Alta Mesa Project	Azelik Project	Nicholas Ranch Project	Rabbit Lake	McArthur River	Smith Ranch Highland	Crown Butte	Willow Creek
Country	Malawi	Namibia	USA	Niger	USA	Canada	Canada	USA	USA	USA
Major Owner	Lotus Resources	Paladin Resources	Energy Fuels	CNNC	Energy Fuels	Cameco	Cameco	Cameco	Cameco	Uranium One
Resource - Total (m lbs)	37.5	119.7	6.4	30.4	7.4	72.3	404.1	32.6	15.8	15.6
Current capacity of processing facility	3.0	5.9	1.5	1.5	2.0	11.0	25.0	3.0	2.0	1.3
Source:	Kayelekera Updated Mineral Resource, March 2020	Langer Heinrich Mine Restart Plan Presentation, June 2020	Energy Fuels Annual information form & 43-101	NEA: Uranium 2018: Resources, Production and Demand	Energy Fuels AIF 2019 & 43-101	Cameco AIF - 2019	Cameco AIF - 2019	Cameco AIF - 2019	Cameco AIF - 2019	Uranium One Annual Report 2019



# Appendix 3 – Valuation Peer Comparison

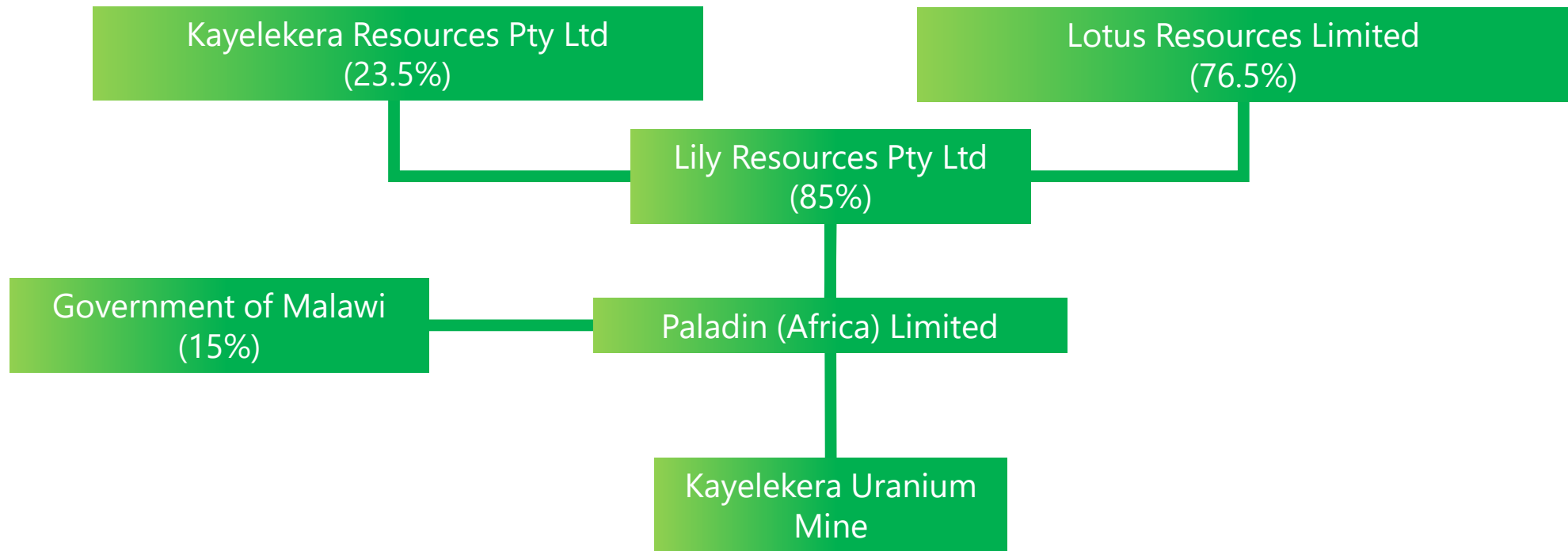
Peer group comprises brownfield assets that achieved commercial production

Company	Lotus Resources	Paladin Energy	UR Energy	Energy Fuels	Uranium Energy Corp
Ticker	LOT	PDN	URE	EFR	UEC
Exchange	ASX	ASX	TSX	TSX	NYSE
EV (US\$ m)	\$46	\$308	\$71	\$176	\$174
Project Name	Kayelekera	Langer Heinrich	Lost Creek	White Mesa / Nichols Ranch	Hub & Spoke - Texas ISR & Wyoming ISR
Country	Malawi	Namibia	USA	USA	USA
Ownership	65%	75%	100%	100%	100%
Resource - Total (m lbs)	37.50	119.70	27.10	126.14	103.89
Grade (ppm)	630	445	401	1690	547
% of Resource M&I	83%	95%	76%	61%	56%
EV/ Att. Resource (US\$ / lb)	\$1.9	\$3.4	\$2.6	\$1.4	\$1.7
Stage of Development	C&M	C&M	C&M	C&M	C&M
Type of deposit (OP / UG / ISR)	OP	OP	ISR	OP/ISR	ISR
Forecasted production (Mt pa)	2.5	5.9	0.8	1.7	2.0
EV / Att. Forecasted production (US\$ / lb)	\$28	\$69	\$87	\$103	\$88
Source:	Kayelekera Updated Mineral Resource, March 2020 / Re-start Study October 2020	Langer Heinrich Mine Restart Plan Presentation, June 2020	Annual information form / Presentation	Annual information form / Presentation	Annual information form & 43-101





## Appendix 4 – Kayelekera Ownership Structure



Note: Kayelekera Resources Pty Ltd is a third-party financial investor. Lotus Resources Limited and Kayelekera Resources Pty Ltd entered into a shareholders' agreement in June 2019 that governs the rights and responsibilities of both shareholders. The key terms of the agreement are publicly disclosed in the Lotus Resources Limited 2020 Annual Report issued on 1 October 2020.



# Appendix 5 – Kayelekera Project Development Milestones

**1982** The Central Electricity Generating Board of Great Britain discovered the Kayelekera sandstone uranium deposit

**1992** The project was abandoned due largely to the poor uranium outlook, as well as privatization of CEGB and resultant pressure to return to its core business

**1998** Paladin Energy acquired a 90% interest in Kayelekera through a joint venture with Balmain Resources Pty Ltd

**2005** Paladin acquired the remaining 10% interest in Kayelekera held by Balmain

**2005** Paladin announced the go-ahead of a Bankable Feasibility Study as a result of improved economics shown by pre-feasibility work

**2007** Development Agreement with the Malawi Government, BFS and EIA, the Mining License was granted 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** Kayelekera continued to ramp-up its production volumes and commercial production was declared from 1 July 2010

**2012** Paladin began a programme of plant upgrades towards a 3.3Mlb pa capacity with production optimization a key focus

**2013** The plant achieved record annual production totaling 2.963Mlb for FY2013

**2014** Kayelekera placed into care and maintenance in February 2014 due to low uranium prices

**2019** Lotus Resources (then Hylea Metals) agrees to acquire 65% of Kayelekera from Paladin Energy

**2020** Lotus completes the acquisition of Kayelekera from Paladin

