



Kayelekera

**Proven Uranium Producer**

**AUGUST 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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## **EXPLORATION TARGET**

For information referring to the Exploration Target in this document, refer to ASX announcement dated 2 April 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement 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.

## **MINERAL RESOURCE (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.



# Lotus Resources – Why invest?

- Kayelekera is a proven 3Mlb pa uranium operation that can rapidly and efficiently recommence production
  - US\$200m spent on capital development
  - 37.5Mlb uranium resource<sup>1</sup>
- Study to shortly commence with multiple opportunities already identified aimed at lower costs and optimising the initial capital outlay
- Significant exploration upside near mine and within outer tenements
  - Limited exploration during the past 20 years
- Attractive valuation upside
  - Valuation discount compared to peers on multiple metrics
  - Environment towards peak cycle valuations
- Experienced board with Uranium (+40 yrs) and African project (+60 yrs) development and production experience
- Uranium market poised for a significant re-rating
  - One of the best performing commodities of 2020 due to supply issues
  - Supply in structural deficit and growing

## CAPITAL STRUCTURE

710.9m

SHARES ON ISSUE

\$64m

MARKET CAP

At \$0.09 / share

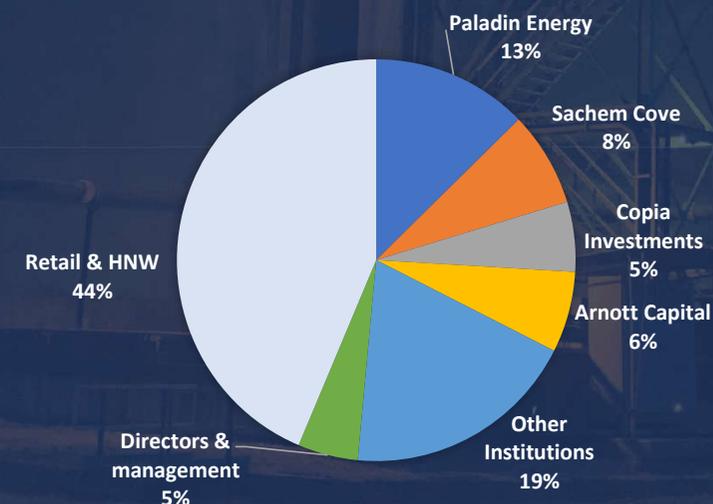
\$2.8m / \$14.6m

CASH AT 30 JULY 2020  
Unrestricted / Restricted

119.2m

OPTIONS

## OWNERSHIP STRUCTURE



1 – ASX Announcement 26<sup>th</sup> March 2020



# Kayelekera is a Proven Uranium Producer



**3Mlb pa processing facility**  
US\$200m spent on infrastructure

**Proven production**  
10Mlbs 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<sup>th</sup> 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).



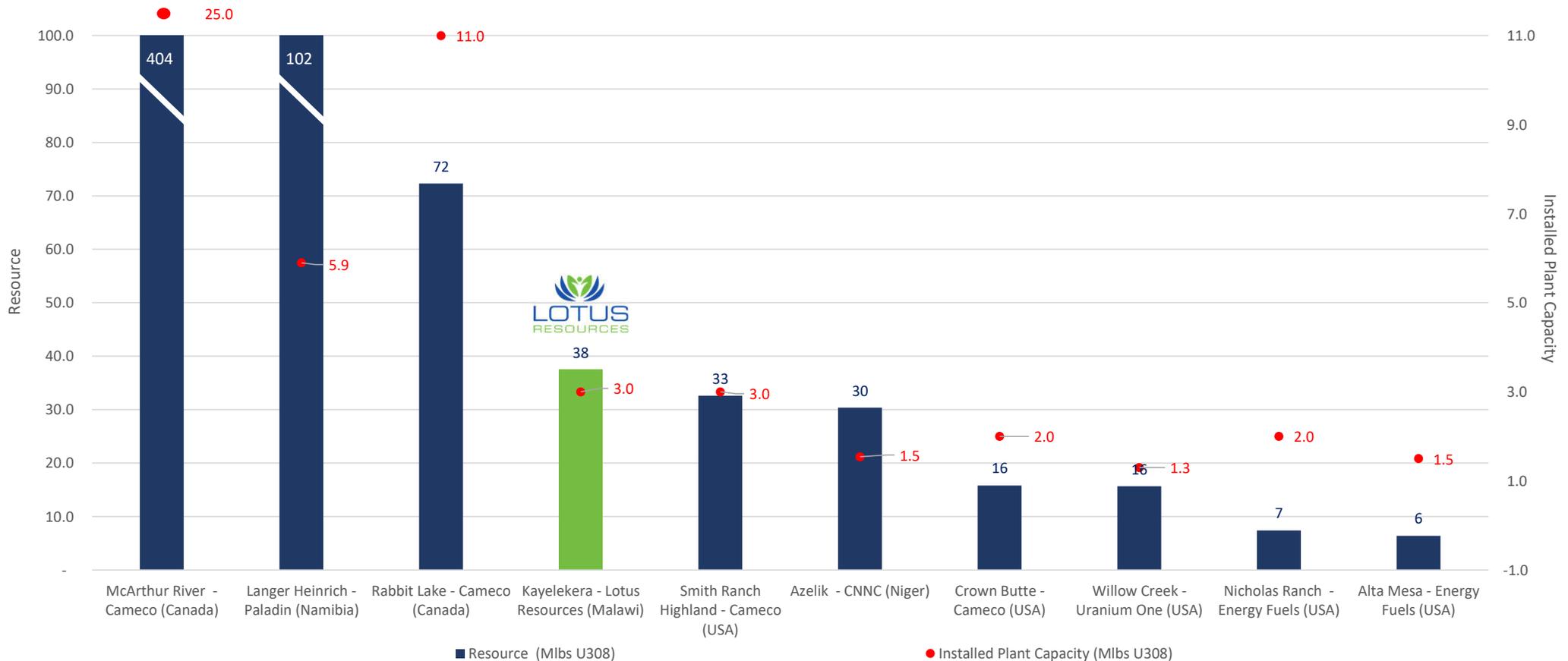
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# Established and Proven Producers will be the First to Respond

## Top 10 brownfield C&M assets that achieved commercial production (2010-2018)



Source: Appendix 1



# Pathway to Production

- Proven production and existing infrastructure
- Multiple areas identified for improvement compared to previous operation
  - *Study completed by Paladin Energy estimated US\$49.3m<sup>1</sup> capex to recommence production*
  - *Intercompany loans / potential carry forward tax losses US\$536m*
- Five staged approach to advance project towards development<sup>2</sup>
  - 1) *Develop programs of work and cost estimates to restart existing plant*
  - 2) *Investigate new technologies that could be implemented in the front-end of the circuit to upgrade the feed ores*
  - 3) *Identify further process improvements to reduce operating costs*
  - 4) *Restart feasibility study with revised mining schedule incorporating results from programs above*
  - 5) *Initiate detailed design work (FEED) to increase level of confidence in engineering design and cost estimates*
- Baseload contract discussion to shortly commence with utilities and traders
  - *Product previously supplied into North American, European and Asian markets*

1. PDN ASX announcement – 22 December 2017; 2 – LOT ASX announcement – 21 July 2020



# Untouched Exploration Potential

- Kayelekera has 37.5Mlb  $U_3O_8$  Resource<sup>1</sup> with potential to significantly extend mine life

- *Exploration target of 7 – 14MLbs  $U_3O_8$*

Note that the potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

- Limited exploration in the last 20 years
  - *Numerous radiometric anomalies have been identified over the broader project region*

## Brownfield targets

- Multiple walk up drill targets within trucking distance to facility
  - *Drill targets at Mpata, Livingstonia and Chilumba*

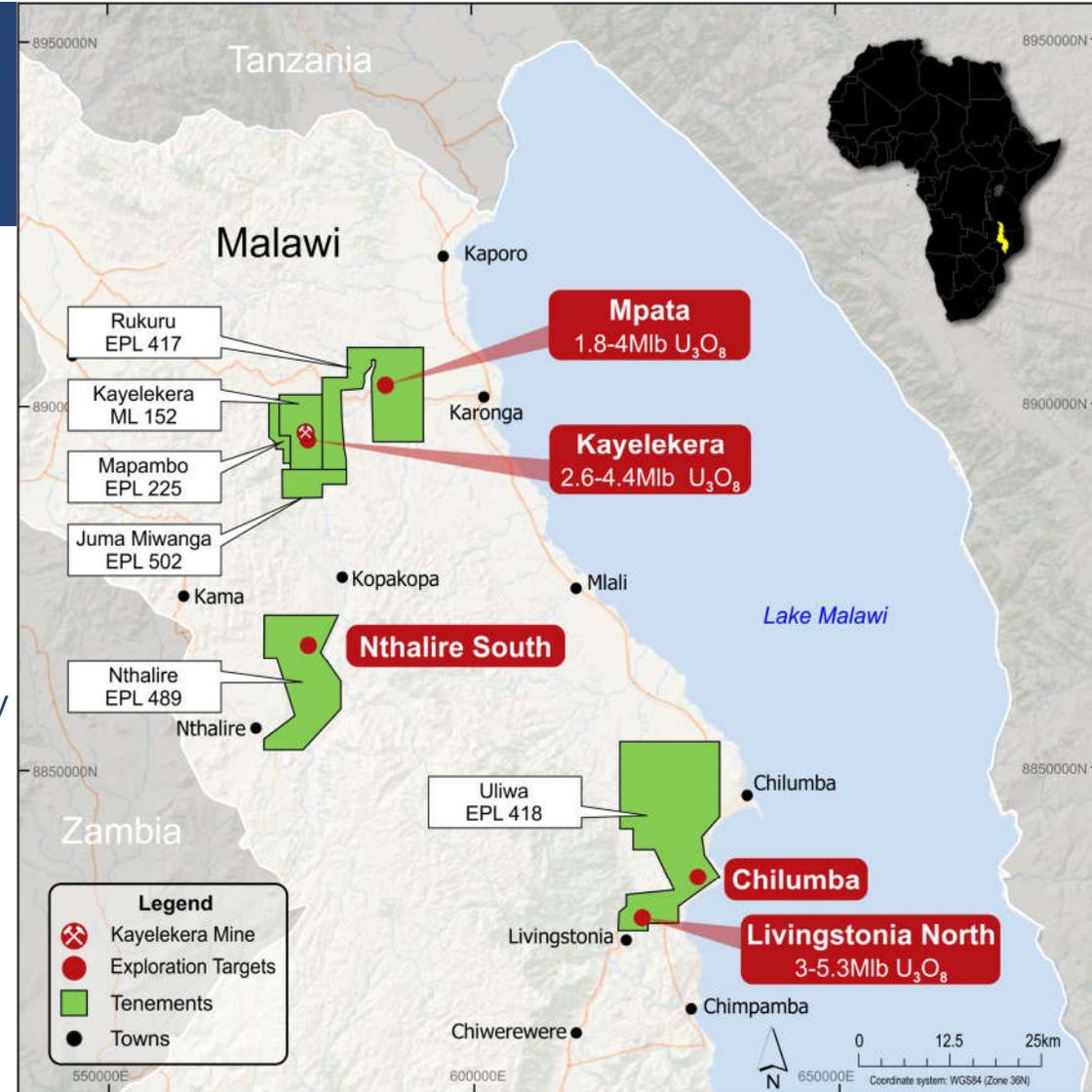
## Greenfield Targets

- Untested radiometric anomalies; structural targets in the Nthalire areas

## Other Commodities

- Rare Earth and rutile potential close to mine site<sup>2</sup>
  - *Up to 8.5% critical REO (Pr, Nd, Tb, Dy, and Y oxides)*

1 – ASX Announcement 26<sup>th</sup> March 2020; 2 – ASX Announcement – 7 April 2020

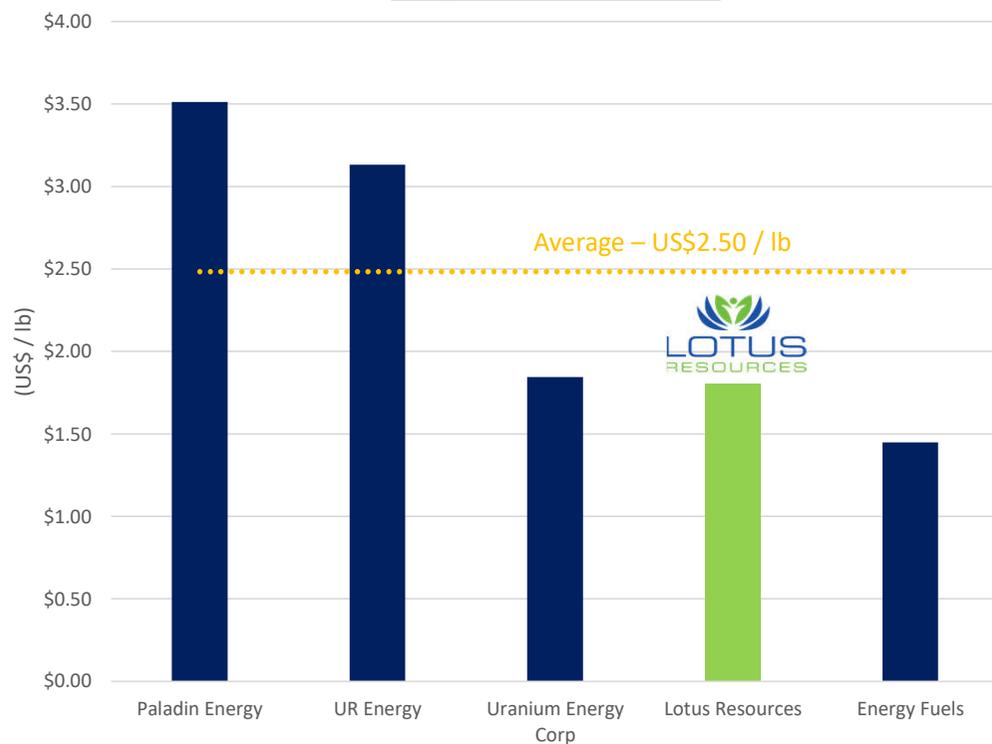


Lotus Exploration Tenements

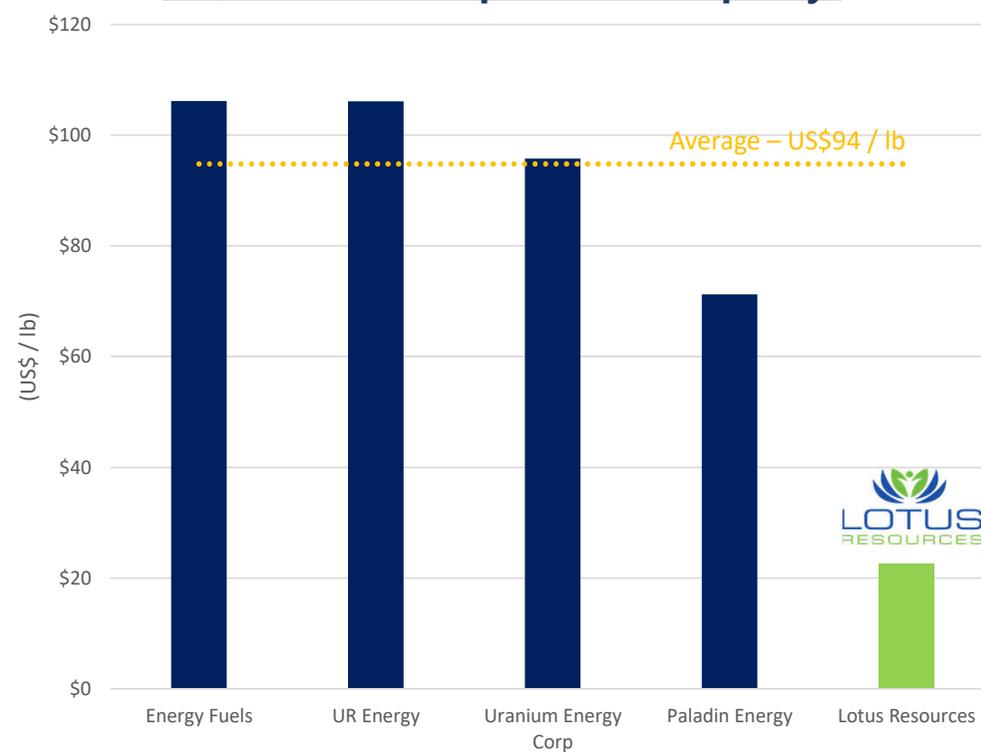


# Attractive Upside Valuation Compared to Peers<sup>2</sup>

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



**EV / Att. Installed production capacity<sup>1</sup>**

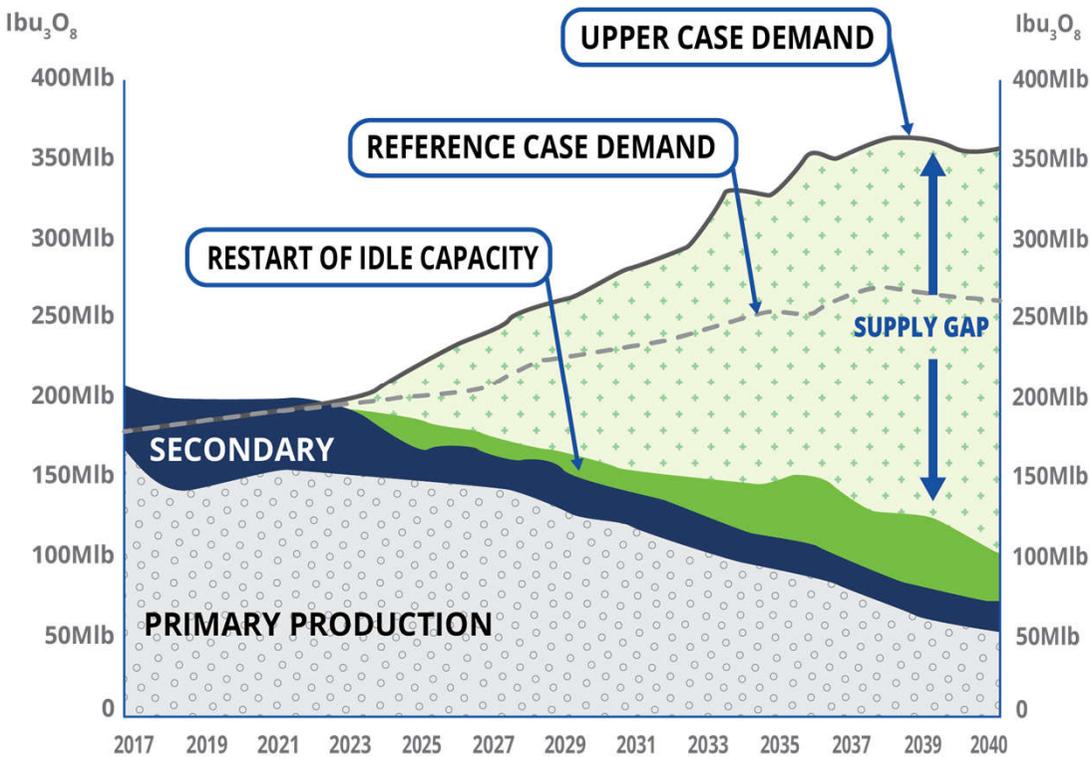


1 - Appendix 3; 2 - Peers were only those with brownfield uranium assets that have previously reached commercial production

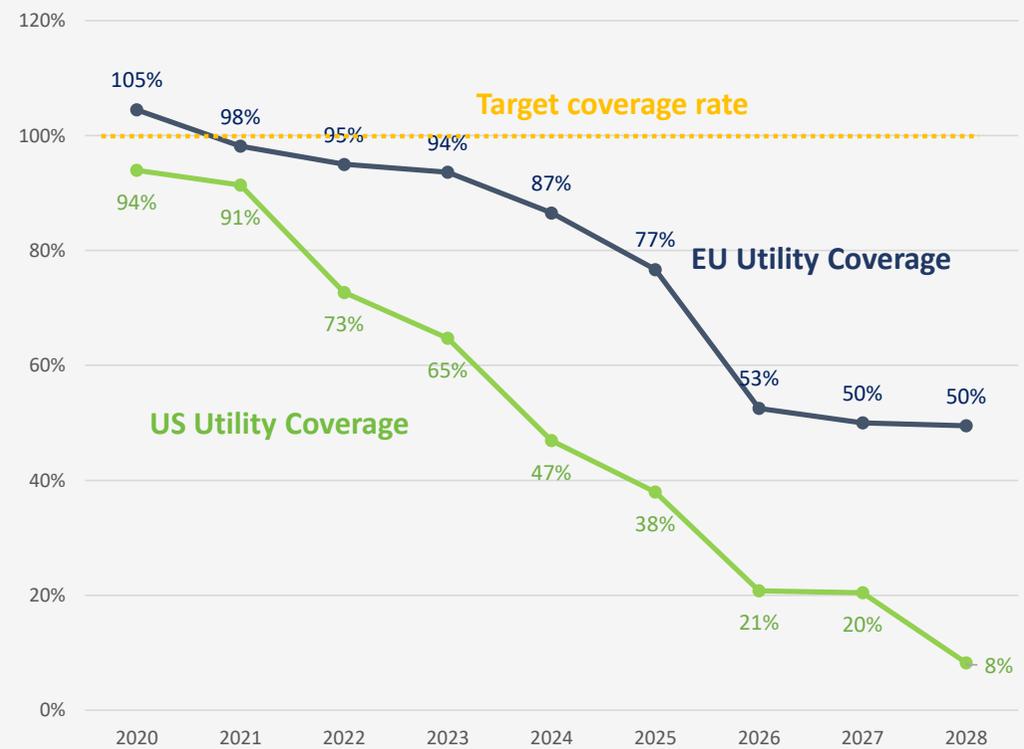


# Uranium Market is Poised for a Significant Re-rating

## STRUCTURAL SUPPLY DEFICIT AND GROWING



## UTILITIES FACING RAPID PURCHASING



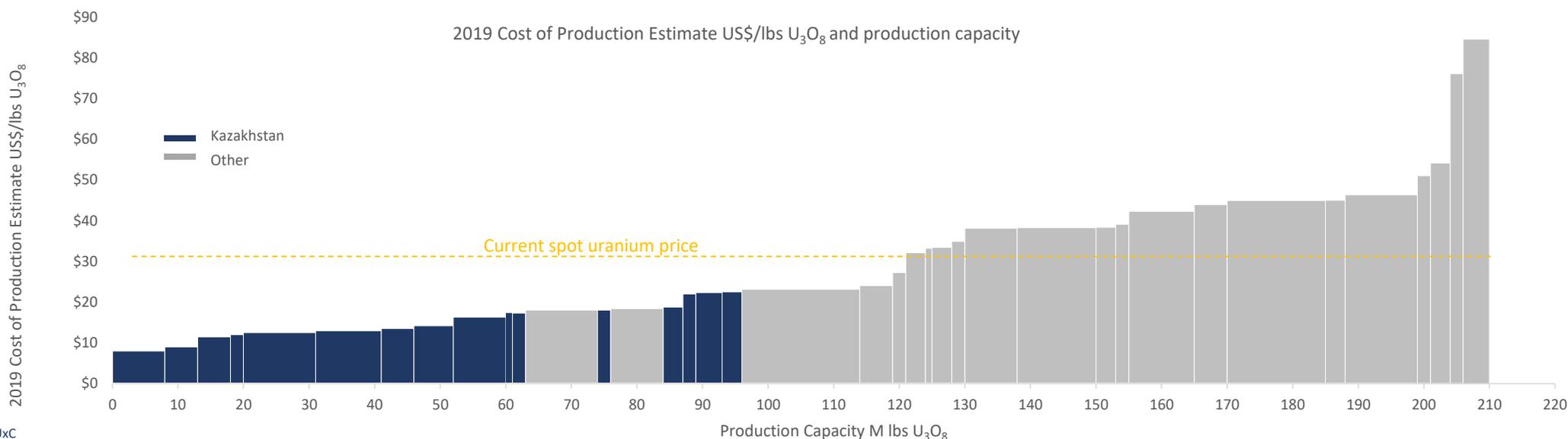
Source: WNA, The Nuclear Fuel Report, September 2019



# Significant Price Increase Required to Meet Growing Demand

2024		2028	
ST Demand	Mine Supply	LT Demand	Mine Supply
190Mlb	160Mlb	210Mlb	150Mlb
<b>Annual Deficit 30 M lbs U<sub>3</sub>O<sub>8</sub></b>		<b>Annual Deficit 60 M lbs U<sub>3</sub>O<sub>8</sub></b>	

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



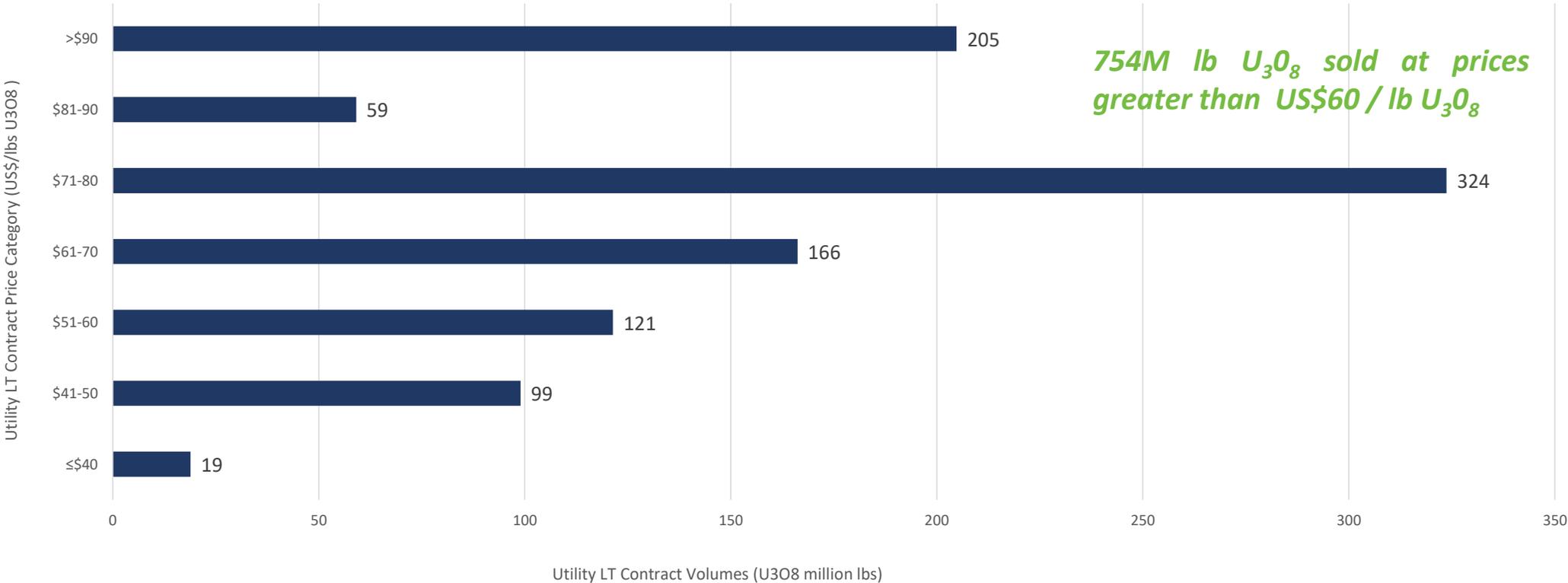
Source: UxC

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.



# Long-term Contracted Pricing During the Last Bull Market

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



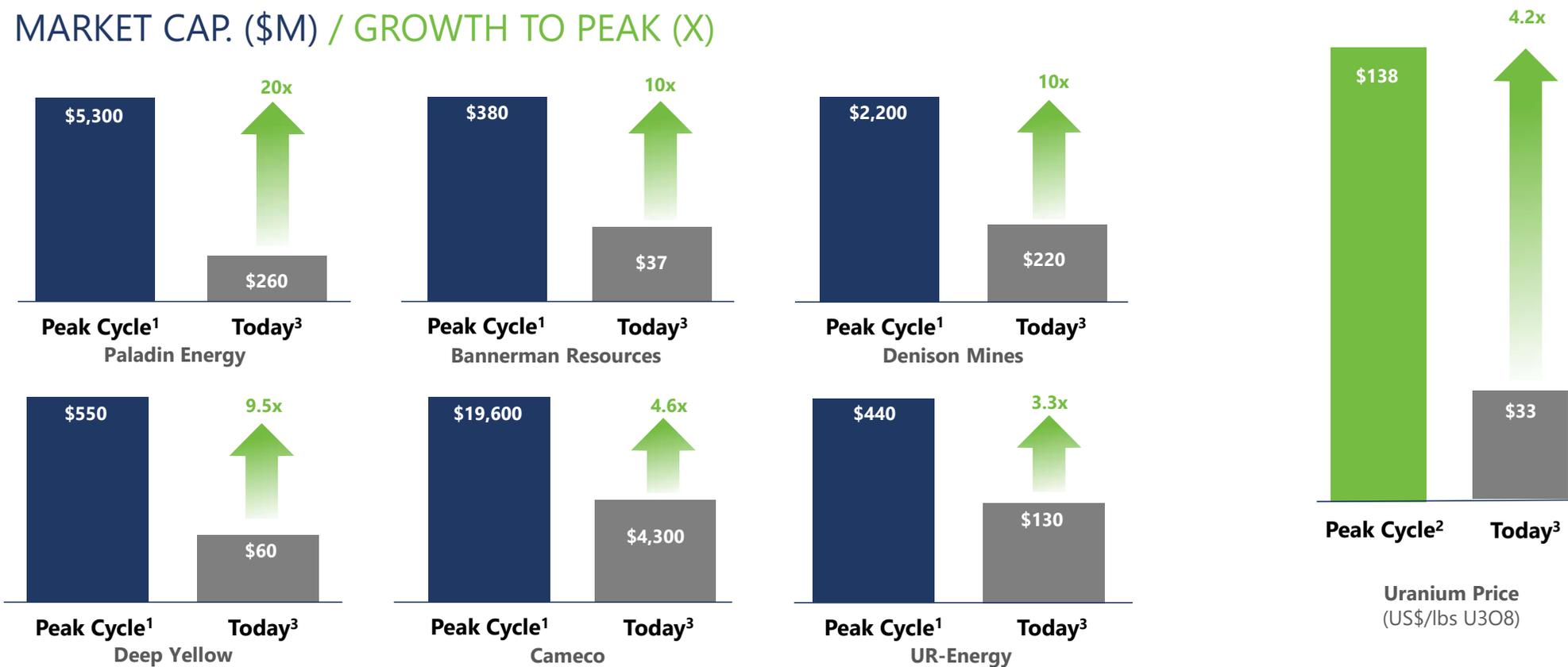
754M lb U<sub>3</sub>O<sub>8</sub> sold at prices greater than US\$60 / lb U<sub>3</sub>O<sub>8</sub>

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

10M lb of historical with sales to major utilities

## Board & Management team

Major African and uranium experience

## Valuation Upside

Significant valuation discount compared to peers

**STRONG PERFORMANCE THROUGH 2020 AND BEYOND**

Scoping Study

Engineering & Design Study

Uranium exploration & resource expansion

Baseload contact efforts



August 2020

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## CONTACT

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For further information visit:  
[www.lotusresources.com.au](http://www.lotusresources.com.au)



# Appendix 1 – Board and Senior Management

Production, offtake, redevelopment and financing experience in uranium industry



**Eduard Smirnov**  
Managing Director

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

Eduard served as Uranium One's Chief Executive Officer from 2016 to 2019.



**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.

He has over 30 years experience with 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

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

Note: Peers selected based on brownfield uranium projects in care and maintenance reached commercial production in the period 2010-2018



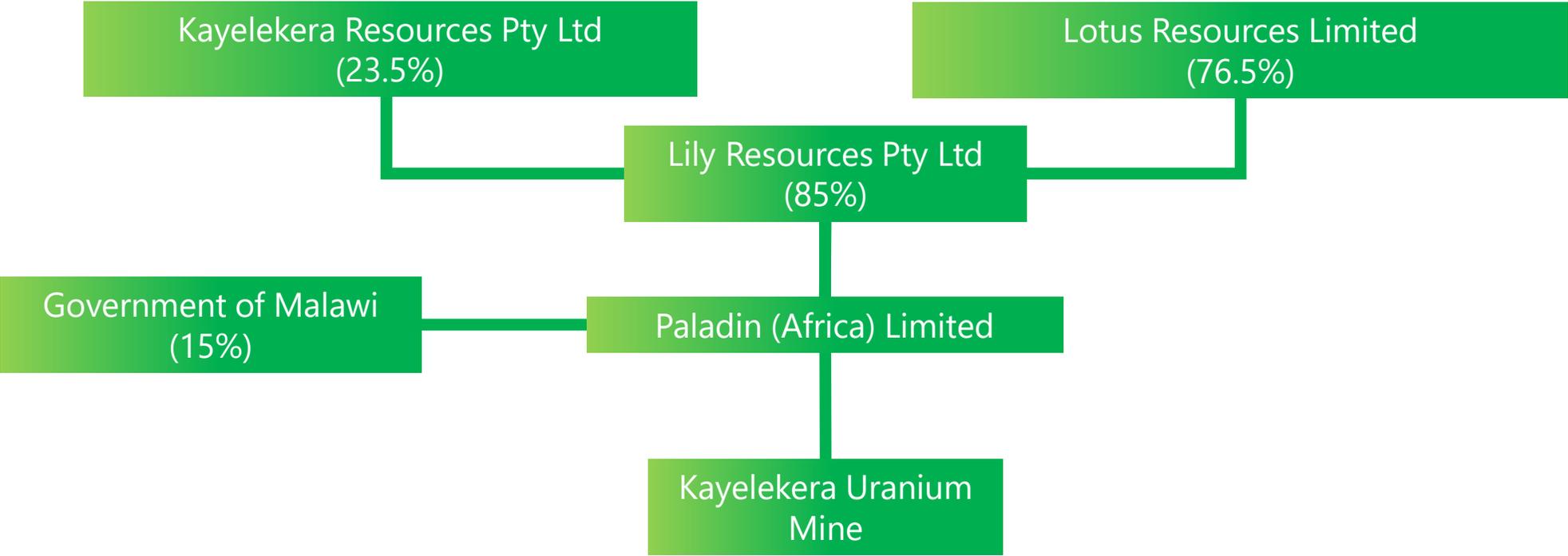
# Appendix 3 – Valuation Peer Comparison

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)	\$44	\$315	\$85	\$183	\$192
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)	\$1.8	\$3.51	\$3.13	\$1.45	\$1.84
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
Current capacity of processing facility	3.0	5.9	0.8	1.7	2.0
EV / Att. Installed production capacity (US\$ / lb)	\$23	\$72	\$85	\$38	\$95
Source:	Kayelekera Updated Mineral Resource, March 2020	Langer Heinrich Mine Restart Plan Presentation, June 2020	Annual information form / Presentation	Annual information form / Presentation	Annual information form & 43-101

Note: Peers selected based on brownfield uranium projects in care and maintenance reached commercial production in the period 2010-2018



# Appendix 4 - Kayelekera Ownership Structure



# 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 CEBG 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 the 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 3.3Mtpa capacity with production optimization a key focus

**2013** The plant achieved record annual production totaling 2.963Mtpa 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

