



Lotus Resources Limited

STOCK ASSESSMENT

ASX: LOT

January 2025



QUANTINNOVA

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A. Executive Summary

Australian Lotus Resources is an Africa-focused uranium developer with two strategic projects: the near-term Kayelekera restart in Malawi and the high-value Letlhakane greenfield project in Botswana, positioning the company to become a globally significant player in a supply-constrained uranium market.

Lotus experienced a busy period between July and October 2024, marked by key Kayelekera milestones including the signing of a mine development agreement, securing of offtake agreements, and the release of an accelerated restart plan, resulting in a successful full-funding effort.

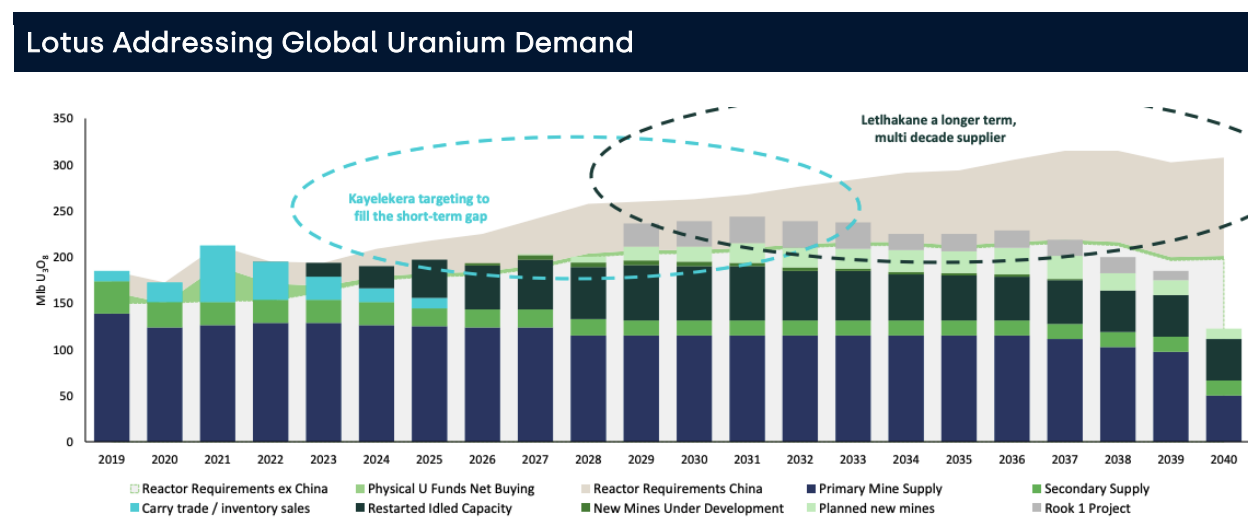
Running in parallel is the development of Letlhakane with a strategic focus of bringing it into production during Kayelekera's ten-year life. Preliminary results to date confirm its potential as a large-scale viable project.

One of the main strengths of Lotus is the strong local support in the mining friendly jurisdictions of Malawi and Botswana, which combined with positive progress in both assets, translates into high degree of investor confidence. As a result, Lotus is trading at only a modest discount, with a price to NAV ratio of 0.78x, assuming base-case uranium prices of US\$85/lb for Kayelekera and US\$95/lb for Letlhakane, indicating slight upside potential that may diminish as key milestones are achieved.



B. Key Projects and Valuation

Lotus Resources is a near-term uranium producer with two strategic long-life projects in Africa: low capital intensity brownfield uranium restart project in Kayelekera in Malawi (85% stake) and a greenfield high value project in Letlhakane in Botswana (100% stake). By combining both assets, the company aims to become a globally significant uranium producer positioning itself to capitalize on the market's long-term structural supply deficit.



Source: Lotus Resources Limited, Investor Presentation, November 13, 2024; Cantor Fitzgerald Uranium Macro Update, August 23, 2024

When Lotus last disclosed its financial position, the company reported having no debt and \$25 million in cash. It was further strengthened by a significant A\$132 million (US\$83 million) equity financing raised in November 2024, which ensures that the company is fully funded for Kayelekera restart planned in the third quarter of 2025. The market capitalization currently stands at A\$425 million (US\$266 million).

Kayelekera Uranium Project

The Kayelekera mine represents the most significant mining operation in Malawi. The production restart is de-risked by 11 million pounds of historical uranium production over 2009-2014, with \$200 million in sunk capital. With the recent revival of the uranium market, the mine is on track to return to



production with a target of 19.3 million pounds of U₃O₈, with an output of 2.4 million pounds per annum in the first 7 years of production after ramp-up (steady state).

A key milestone was achieved in July 2024 when Lotus signed the Mine Development Agreement (MDA) with the government of Malawi that guarantees 10-years of fiscal stability and demonstrates strong support from an attractive mining jurisdiction. In addition, announced in September 2024, MDA progress allowed Lotus to sign two initial uranium offtake arrangements totaling 1.5 million pounds between 2026-29.

Subsequently, In October 2024, Lotus announced the outcomes of the front-end engineering design (FEED) study, positioning the company for an accelerated restart of Kayelekera. Time to first uranium production was reduced from 15 months (2022 definitive feasibility study) to 8-10 months by phasing the completion of nonessential site infrastructure to after first production. The original production target of 19.3 million pounds of U₃O₈ over 10-year life-of-mine remains intact. Initial restart capital cost has been reduced to US\$50 million from US\$88 million, with a portion of upfront capital expenditures of US\$40 million deferred, including US\$13 million for connecting to the national grid. While the timing is not critical, as diesel gensets will be used initially, the emphasis on cost efficiency requires avoiding delays, with the grid connection EPC tender scheduled for 2025.

The focus on critical capital expenditures to accelerate the production restart has inflated the operational metrics: a steady state C1 cash cost increased from US\$29.1/lb to US\$34.5/lb and an all-in sustaining cost increased from US\$36.2/lb to US\$44.8/lb.



Definitive Feasibility Study versus Accelerated Production

| | | Definitive August 2022 | Accelerated October 2024 |
|-------------------------------------|--------------------------|---------------------------|-----------------------------|
| Initial Restart Capital | <i>(US\$ Mln)</i> | 87.7 | 49.7 |
| Deferred Capital | <i>(US\$ Mln)</i> | - | 39.5 |
| Time to Restart | <i>(months)</i> | 15 | 8-10 |
| C1 Cash Costs | <i>(US\$/lb)</i> | 29.1 | 34.5 |
| AISC Costs | <i>(US\$/lb)</i> | 36.2 | 44.8 |
| Mine Life | <i>(years)</i> | 10 | 10 |
| Total Production | <i>(U3O8 Mln of lbs)</i> | 19.3 | 19.3 |
| Avg. Steady State Production | <i>(U3O8 Mln of lbs)</i> | 2.4 | 2.4 |
| Avg. Annual Production | <i>(U3O8 Mln of lbs)</i> | 2 | 2 |

Source: Lotus Resources Limited, Investor Presentation, November 13, 2024

In short order, Lotus has secured A\$132 million (US\$83 million) through a placement and a share purchase plan in November, ensuring a fully funded Kayelekera restart. Although there was no debt component in the financing, we can reasonably expect no further equity raises. Strong financial position after the large capital raise also provides flexibility in next offtake negotiations to maximize price realization for shareholders.

Based on the revised project parameters, we estimate the post-tax NPV between US\$223 million and US\$300 million, assuming a conservative U3O8 price range between \$85/lb and \$95/lb, applying an 8% discount rate (on an 85% ownership basis).

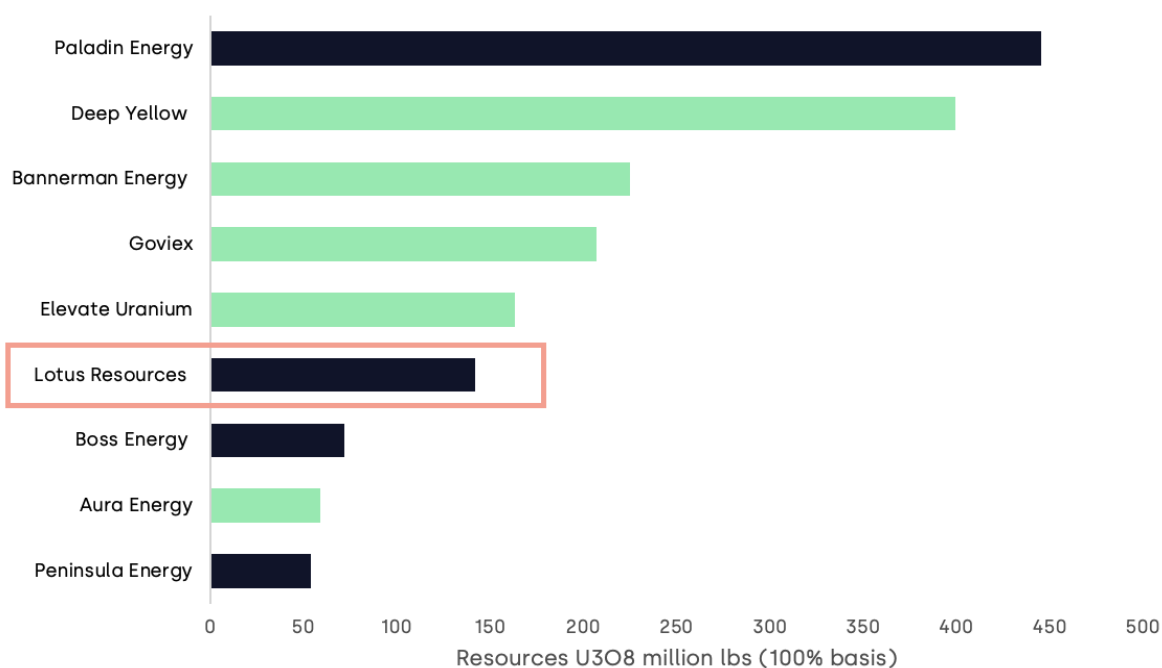
While several counteracting factors are at play – primarily the staging of upfront capital costs, which limits dilution, and the accelerated strategy, which increases operating costs and negatively impacts valuation – the key value driver remains the timing of the Kayelekera production restart. This aligns well with the growing structural supply deficit and the scarcity of uranium development projects reaching the production stage.



Letlhakane Uranium Project

Letlhakane is a greenfield uranium project that hosts one of the world's largest undeveloped uranium resources with 142.2Mt at 392ppm U₃O₈ for 113.7 million pounds of U₃O₈ deposits in a top mining jurisdiction of Botswana, number one in Africa and the fourth worldwide, based on policy, according to the 2023 Fraser Institute Perceptions Index. Post-2023 acquisition Lotus's Mineral Resources increased four-fold to 164.8 million pounds of U₃O₈, at 100% ownership basis, the fourth largest among ASX listed peers. The company has a strategic goal of bringing Letlhakane into production during Kayelekera's life.

Lotus Resources versus Peers – Mineral Resources Estimates



Source: Lotus Resources Limited, Investor Presentation, November 13, 2024

Following the acquisition, the company has been updating the mineral resource estimate as part of its plan to focus on higher grade zones, with the best prospects of economic extraction, based on a significant infill drilling program, along with various process optimization workstreams. Last revision of the mineral resource estimate in December 2024 underlined the large-scale



potential and viability of the project, increasing the indicated mineral resources estimate by 65%, with the indicated portion now standing at 50%.

Our net present value (NPV) estimate is derived from the latest preliminary technical studies and economic assessments. We take a conservative approach by incorporating risk-adjusted projections from these studies and benchmarking proposed optimization targets against the operational efficiency of peer companies. Regarding timing, the announced goal is to begin production during Kayelekera's operational life. However, in our model, we have conservatively estimated a 10-year timeline for production commencement. Based on U3O8 prices ranging from \$95/lb to \$105/lb and applying a 10% discount rate to reflect the early stage of resource evaluation, our analysis projects the NPV to range between US\$117 million and US\$174 million.

Letlhakane was acquired for over US\$50 million in July 2023 when uranium was priced at US\$55/lb, compared to a range of US\$70/lb to US\$106/lb throughout 2024. This valuation aligns with our model's long-term U3O8 price of US\$85/lb. Furthermore, 2028+ price forecasts have since been revised upward by more than 20%, according to leading market sell-side projections.



C. Net Asset Value Model

Lotus Resources' valuation was computed using a sum-of-the-parts approach, combining the Net Asset Value (NAV) of its individual assets:

- i. Kayelekera Uranium Project (85% Stake) - production estimated to start in 2025
 - a. Revenue estimate: US\$1.7 billion over 10 years, based on 19.3 million pounds of U3O8 production at a base-case price of US\$85/lb, production is set to start in 2025.
 - b. Operating Costs estimate: US\$771 million, excluding royalties, US\$854 million including royalties.
 - c. Capital Costs estimate: US\$181 million, including closure fund payments and pre-production costs.

Employing an 8% discount rate, the project's NPV is projected at US\$262 million, with Lotus Resources' 85% stake valued at US\$223 million.

- ii. Lethlakane Uranium Project (100% Stake) - production estimated to start in 2035
 - a. Revenue estimate: US\$3.6 billion over 15 years, based on 42.3 million pounds of U3O8 production at a base-case price of US\$95/lb, production start conservatively set in 10 years
 - b. Operating Costs estimate: US\$1.7 billion, excluding royalties, US\$1.8 billion including royalties.
 - c. Capital Costs estimate: US\$587 million, including closure fund payments and pre-production costs.

Employing a 10% discount rate, the project's NPV is projected at US\$117 million. In addition to the discount rate adjustment, our financial model also applies conservative assumptions across all inputs to account for



the preliminary nature of the technical and economic assessments, as no definitive feasibility study has been conducted yet.

Subsequently, the necessary adjustments were applied:

iii. Corporate Adjustment

Estimated at US\$60 million.

iv. Net Debt

The company has zero debt, net debt was negative US\$98 million, based on reported (September 2024) results with net debt of -A\$25 million, while also considering A\$132 million secured through a public offering after Q3.

This results in an Implied Equity Value of US\$379 million and the company trading at a modest discount with a price to NAV ratio 0.78x.

Summary - NAV Valuation

| U308 Price | (US\$/lb) | Consevative | | Bull Case | |
|-----------------------------------|--------------|--------------|-------|--------------|---------|
| | | 85 | 95 | 95 | 105 |
| Discount Rate | % | 8 | 10 | 8 | 10 |
| i) Asset NAV - Kayelekera (85%) | (US\$ Mln) + | 223.0 | - | 299.9 | - |
| ii) Asset NAV - Letlhakane (100%) | (US\$ Mln) + | - | 117.2 | - | 409.2 * |
| iii) Corporate Adjustment | (US\$ Mln) - | 59.7 | | 59.7 | |
| Total NAV | (US\$ Mln) = | 280.6 | | 649.5 | |
| iv) Net Debt | (US\$ Mln) - | -98.2 | | -98.2 | |
| Implied (NAV) Equity Value | (US\$ Mln) = | 378.8 | | 747.7 | |
| Shares Outstanding (2024/12/19) | (Mln) / | 2629.1 | | 2629.1 | ** |
| NAV per share | (US\$) = | 0.144 | | 0.284 | |
| Share Closing Price (2024/12/19) | (US\$) / | 0.112 | | 0.112 | |
| P/NAV | = | 0.78 | | 0.40 | |

*10% discount rate applied in both scenarios, reflecting pre-scoping study phase, Letlhakane start conservatively expected in 10 years in our model

** including new shares after capital raise in Oct 2024

Source: Quantinova Analysis and Estimates; Lotus Resources Limited Reports



D. Leadership and Shareholders

Leadership

In 2024, Lotus Resources underwent significant changes in its management team as it prepared for the Kayelekera restart. The company prioritized bringing in operational and corporate expertise while strengthening its commercial and technical teams.

Gregory Bittar was appointed in May in an advisory role focused on project financing and corporate strategy. He later assumed the role of CEO in August and joined the board as Managing Director in December. Alongside Mr. Bittar, Lotus appointed Michael da Costa, a seasoned resource executive, as COO to oversee project delivery at Kayelekera. Mr. da Costa's responsibilities include ensuring operational readiness at both the site and corporate levels, facilitating the company's transition to a fully operational uranium producer, and overseeing progress on the Letlhakane project.

The appointment of Mr. Bittar as CEO reflects the strides Lotus has made toward becoming the next global uranium producer since his appointment. Under his leadership, the company has outlined an accelerated restart plan, secured project financing, and advanced operational goals. Meanwhile, Keith Bowes, who served as Managing Director for over four years, transitioned to the role of Technical Director in August before resigning in December for personal reasons. Mr. Bowes will remain with the company for the next three months, with his replacement yet to be announced, a development that warrants close attention.

Mr. Bittar brings a wealth of experience, having held senior executive, advisory, and board roles across investment banking, metals and mining, and energy companies. Most recently, between 2021 and 2024, he served as Non-Executive Chairman of ASX-listed gold development companies Kingwest Resources and Brightstar Resources, the latter of which acquired Kingwest. He has also been a Non-Executive Director of Australian upstream oil and gas company Horizon Oil since 2017. Earlier in his career, following nearly a decade at Morgan Stanley in Sydney, where he held various roles, including as Executive Director, Mr. Bittar briefly served as Managing Director of Sherwin Iron from 2010 to 2011.



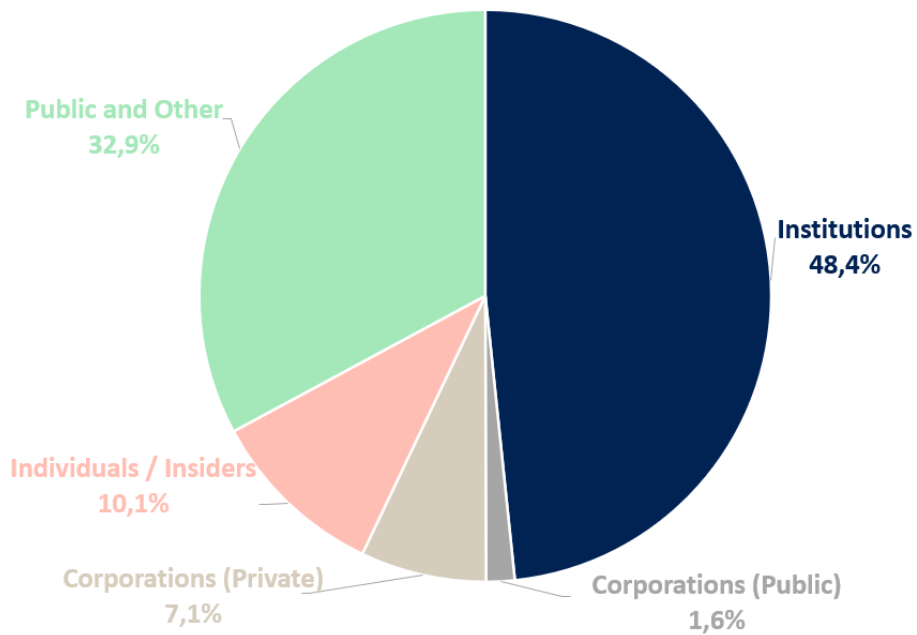
The company later entered voluntary administration in 2014. Additionally, he held roles as Non-Executive Director of EC&M Limited (2012-2019) and Non-Executive Chairman of Millennium Minerals (2014-2020), both of which faced financial challenges leading to insolvency proceedings. Despite few setbacks, Mr. Bittar's extensive background enabled Lotus to secure a placement in November 2024, facilitating an accelerated production restart at Kayelekera and strategically positioning the company within a supply-constrained uranium market.

As of the latest SG&A reporting, the remuneration of key management personnel, including performance-based components, aligns with industry benchmarks for peer companies.

Shareholders

Almost 50% of shares are held by institutions, while insiders own 10% of shares.

Ownership Composition



Source: S&P Capital IQ, December 17, 2024



Substantial Shareholders

| Name | Last Notice | Total Shares | Shares Held (%) |
|--|-------------|--------------|-----------------|
| 1. HSBC Custody Nominees (Australia) Limited | 02/09/2024 | 268,863,214 | 11.38 |
| 2. Paradice Investment Management Pty Ltd | 13/12/2024 | 221,901,813 | 9.39 |
| 3. Citicorp Nominees Pty Limited | 02/09/2024 | 217,637,841 | 9.21 |
| 4. Sprott Inc and each of its controlled bodies corp | 11/12/2024 | 155,437,799 | 6.58 |
| 5. Grant Davey | 21/11/2024 | 150,218,458 | 6.36 |

Source: ASX Announcements, Company Reports, Quantinova Analysis

Grant Davey, who has served as Executive Director since 2024 (previously a Non-Executive Director), is the fifth-largest shareholder of the company.

Directors' Interest

| Director | Last Notice | Direct Shares | Indirect Shares | Options |
|---|-------------|---------------|-----------------|-----------|
| Gregory Bittar (CEO, Managing Director) | 12/12/2024 | - | 270,000 | 8,000,000 |
| Grant Davey (Executive Director) | 21/11/2024 | - | 150,218,458 | 2,000,000 |
| Michael Bowen (Non-Executive Chairman) | 21/11/2024 | - | 5,370,000 | 3,000,000 |
| Dixie Marshall (Non-Executive Director) | 30/06/2024 | 800,000 | - | 2,000,000 |
| Mark Hanlon (Non-Executive Director) | 30/06/2024 | - | 6,500,000 | 2,000,000 |

Source: ASX Announcements, Company Reports, Quantinova Analysis

The interests of both executives, Mr. Davey and Mr. Bittar, reflect a significant stake in the company's future performance. Combined with the overall 10% insider shareholding, this indicates an acceptable alignment of shareholder incentives.



E. Investment Thesis

We anticipate rising uranium prices, which enhances Lotus Resources' appeal. The company is well-positioned with near-term, fully-funded production at Kayelekera, complemented by the significant long-term potential of Letlhakane, placing it strategically within a supply-constrained uranium market. Additionally, both assets benefit from strong local support in mining-friendly jurisdictions. At a share price of A\$0.18, the market capitalization stands at A\$425 million (US\$266 million), reflecting a modest discount with a price-to-NAV ratio of 0.78x, indicating a high degree of investor confidence. The upside potential appears limited unless there is a substantial positive catalyst, such as a rise in uranium prices. It may tighten further with key milestones anticipated in 2025, including the Kayelekera restart, grid connection progress, and the Letlhakane scoping study update.



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