

Equity | Australia

April 29, 2021

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF)

VIRIATHUS®

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Company Description:

Lotus Resources Limited holds an 85% interest in the Kayelekera Uranium mine in Malawi. The Project previously operated and produced 11Mlbs of uranium between 2009 and 2014 before it closed due to a sustained low uranium price. The Project hosts a current resource of 37.5Mlbs U₃O₈ and the Company completed a positive Restart Scoping Study in 2020 which demonstrated that Kayelekera can support a viable long-term operation and has the potential to be one of the first uranium projects to recommence production in the future.

Key Investment Points:

- Fourth largest uranium operation currently on care and maintenance.
- Low total initial capital cost of US\$50M, due to existing infrastructure. Initial capital intensity of US\$21/lb production - one of the lowest in the industry.
- The Company is currently building its ESG profile through several ongoing initiatives, in parallel with an updated communication strategy.
- Brownfield Potential - six anomalous radiometric targets found within 3km of the mine site with no historical drilling and a cluster of radiometric anomalies defined outside the mining license area within 10km of the mine site.
- Greenfield Potential - there is little drilling outside a 10km radius from the mine site with ~675 km² of Greenfield opportunity available for further exploration.
- High-grade rare-earth elements (REE) were identified at the Milenje Hills, approximately 2 km north of Kayelekera. An exploration program including fieldwork, trenching and drilling along with preliminary metallurgical testing is planned.
- Uranium and REE exploration for 2021 will consist of ~5,000 metres RC drilling to start in Q2 2021 and will test near uranium targets (2-4 km from Kayelekera processing facility) and the Milenje Hills target.
- There have been no Covid related issues reported on site and the site has operated for 2,461 Lost Time Injury Free Days
- The Company is prepared for the next uranium cycle with a strong cash reserve (A\$29 million – March 2021) which is sufficient cash to cover expenditure until 2023.
- Uranium is the only current, realistic energy source that provides zero-carbon emissions for global utilities base load power requirements.
- According to the forecast by multiple analysts, there is a large supply and demand gap for uranium through 2025-2040.

Financial Data (AUD):

Share Price:	0.130
Market Capitalization (mln):	128.45
Shares Outstanding (mln):	950.10
Float (mln):	542.79
Average Volume (90 Day approx.):	2.71
52 Week Range:	0.052 – 0.180
Exchange:	ASX



Recent Milestones:

- The Company completed a Restart Scoping Study in late 2020 that highlighted Kayelekera can be among first uranium projects to rapidly and effectively recommence production. The study estimated low capital costs of just US\$50M, due to Kayelekera's existing infrastructure, including a 1.4Mtpa processing facility, onsite acid plant and accommodation camp, and an initial mine life of 14 years. The Company has commenced a number of technical studies that will lead into a Feasibility Study to be commenced in mid-2021.

Corporate Contact Information:

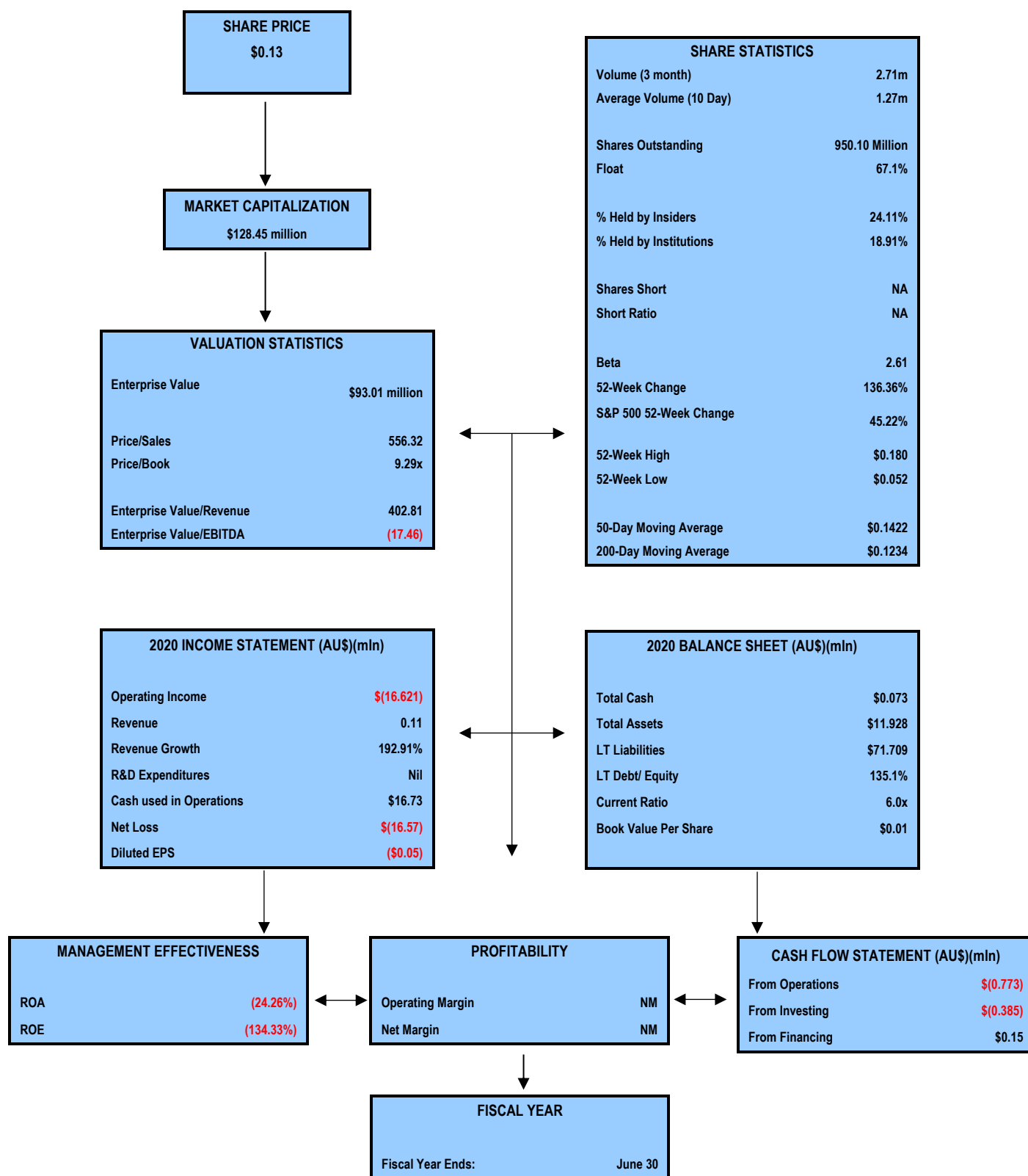
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Balance Sheet (AUS) (Mil)	June 2020
Cash	0.073
Assets	82.189
Shareholders' Equity	6.081
Non-Current Liabilities	71.709
NCL to Equity Ratio	135.1%

P&L Data AUS (Mil)	2019	2020
Revenues	0.037	0.11
R&D	Nil	Nil
Pre-tax Loss	0.821	16.57
Net Loss	0.821	16.57
EPS	(0.01)	(0.05)

Cash flow: (AUS) (Mil)	2019	2020
From Operations	0.73	0.773
Used in Investing	4.41	0.385
From Financing	3.995	0.15
Net Change in Cash	1.145	1.008

Financial Metrics



Industry Overview

URANIUM MARKET GROWTH

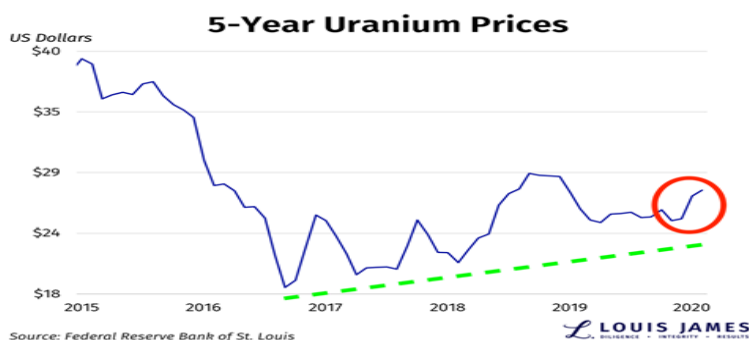
- Uranium is a silvery-grey metal with slightly weak radioactive properties. It decays, slowly emitting alpha particles.
- The Uranium Committee monitors the global uranium and electricity production from nuclear power as these are the major driving factors for uranium exploration and development, especially in the U.S.
- Kazakhstan is the biggest uranium producer, accounting for 42% of uranium production in 2019. The U.S. ranks among the top 10 producers.
- Uranium produced from mines accounts for about 90% of the requirements in the power utility sector.
- The products of recycling and stockpiles built-up account for the difference in supply, but these are reducing.
- In the U.S., uranium production has dropped in the last few years. According to the United States Energy Information Administration (EIA), the country produced 170,000lbs of U₃O₈ (65.4 tU) as uranium concentrate from all domestic sources in 2019. This is 89% less than that in 2018. Likewise, the output in 2018 was below that of 2017 by around 33%.
- The significant factors affecting the uranium markets in the medium term are licensing of nuclear power plant lifetime extension and the economic attractiveness of operating older reactors.

Uranium – Prices on the Rise

- Uranium was highly priced in the late 1970s before a slump in the 1980s and 1990s.
- Spot prices of Uranium rose again from 2003-2009, following which they have been trading lower until 2019.
- In 2020-2021, Uranium prices started climbing again.



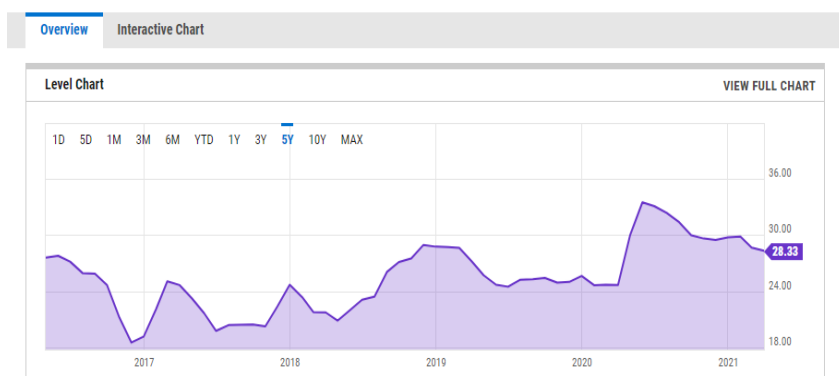
Source: Federal Reserve Bank of St Louis



Source: Federal Reserve Bank of St. Louis

Uranium Spot Price

28.33 USD/lb for Mar 2021

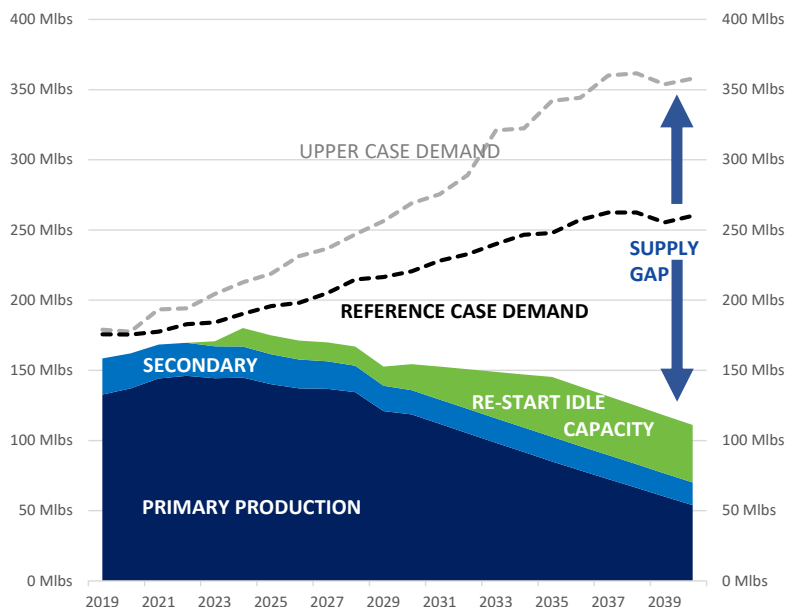


Sources: Ycharts

Uranium – Demand and Supply

- Between 2024 and 2028, a 30-60 Mlbs of shortfall per annum of U3O8 is expected by Lotus Resources, creating a tightened situation in demand and supply.
- There has been a significant impact on the uranium industry due to the COVID 19 pandemic, with positive outcomes
 - Production loss of ~40 Mlbs in 2020 and similar losses are estimated through 2021
 - With a 30% increase in the spot price, Uranium is one of the best-performing commodities in 2020
 - Highlighted forthcoming supply deficit
- A deadlock between producers and utilities
 - For advancing developments and restarting idle assets, Uranium prices should surge.
 - Commercial inventory is wearing out, and there are no substitutes for end-users.

Uranium positioned for significant re-rating



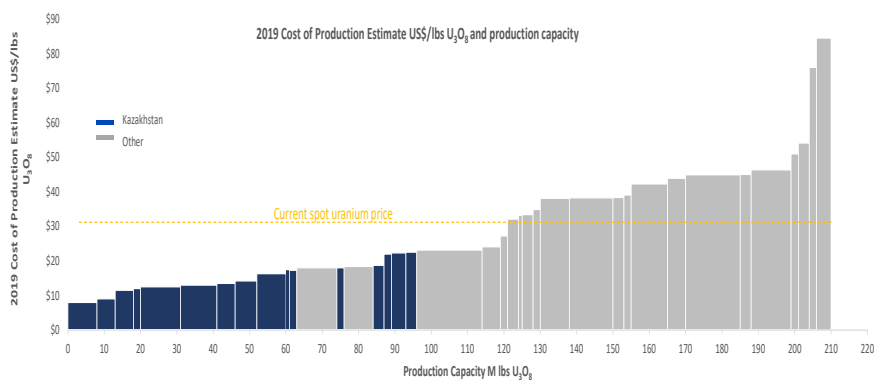
Source: WNA, Nuclear Fuel Report Note: Excludes production cuts through 2020

2024	
Short-term Demand	Mine Supply
190Mlb	160Mlb
Annual Deficit	
30Mlbs U₃O₈	

2028	
Short-term Demand	Mine Supply
210Mlb	150Mlb
Annual Deficit	
60Mlbs U₃O₈	

Significant price increase required to meet growing demand

Uranium – Cost Curve



Source: Company Presentation

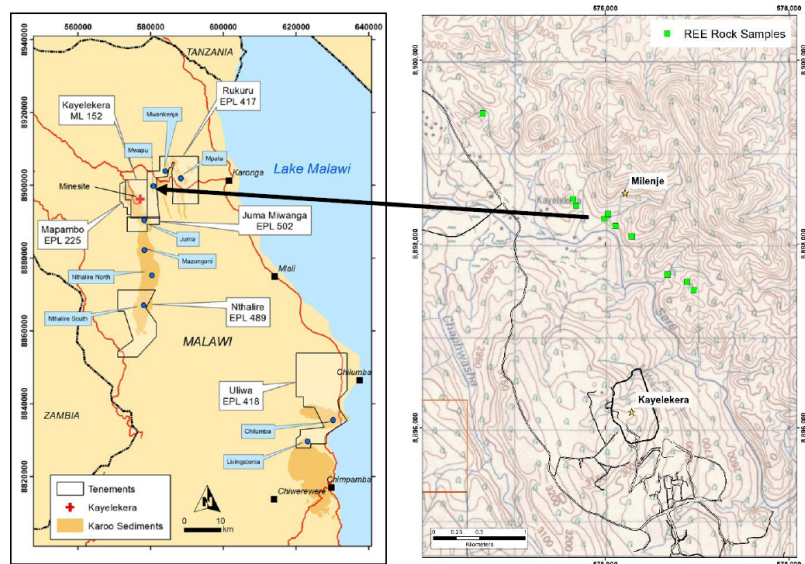
Company Overview

Lotus Resources Limited is a mineral exploration and development company based out of Australia. The company holds an 85% ownership in Kayelekera Uranium Project located in northern Malawi, Africa, and considers it their key asset.

Kayelekera can be first uranium project to recommence production.

Technical studies underway in order to optimise current functioning

Feasibility study to complete during 2022.



The Company has recognized the importance of ESG for a developing company and has implemented an ambitious plan to grow its ESG profile. They have already taken several initiatives in this direction, with a clean water project in Karonga town, initiatives to better school infrastructure, and minimizing GHG emissions through less reliance on diesel generators.

KAYELEKERA PROJECT

- Discovered in 1982, Kayelekera uranium deposits are spread across 157 kms with excellent exploration potential, a high-grade JORC 2012 compliant Mineral Resource and an existing open pit mine.
- The mine work officially started in April 2009 and produced 10.9Mlbs of uranium from 2009-2014.
- The mine is currently in care and maintenance due to sustained low uranium spot price so as to preserve shareholder value. *(It's an industry term)*
- Based on the geological review in 2020 the Mineral Resources of the mine were updated and delivered a 31.5% increase in reported resources.
- Kayelekera can be one of the first uranium projects to recommence production.
- The existing infrastructure is supporting low initial capital requirements.
- Kayelekera has huge brownfield potential with six anomalous radiometric targets within 3kms of the mine site with no historical drilling.

Management & Board of Directors

Keith Bowes
Managing Director

Keith Bowes is a respected mining executive with more than 25 years of experience in project development and operations in Africa, South America, and Australia across a broad scope of commodities. Keith's uranium experience includes the management of all study phases and new technology trials for Boss Resources' Honeymoon Uranium mine in South Australia. He was instrumental in driving improvements by utilizing two innovations that have redefined the Honeymoon opportunity (leach chemistry and IX resins).

Michael Bowen
Non-Executive Chairman

Michael 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. He is also a Non-Executive Director of ASX listed company Omni Bridgeway Limited, where he is chair of the remuneration committee and a member of the audit and risk, corporate governance and nomination committees. 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.

Grant Davey
Non-Executive Director

Grant Davey 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. More recently, he has been involved in venture capital investments in several exploration and mining projects and has been instrumental in the acquisition and development of the Honeymoon uranium mine in South Australia, the Panda Hill niobium project in Tanzania, the Superior Lake zinc project in Ontario, the Cape Ray gold project in Newfoundland and recently the acquisition of the Kaylekera Uranium mine in Malawi from Paladin. Grant is currently a Company Director for Cradle Resources Limited (CXX), Superior Lake Resources (SUP), Lotus Resources (LOT) and is a member of the Australian Institute of Company Directors (AICD).

Mark Hanlon
Non-Executive Director

Mark Hanlon is associated with assets and asset administrations, commercial and merchant banking for more than 25 years. He is also the Non-Executive Chair of the ASX listed firm Copper Strike Limited. Hanlon has senior leadership experience across various businesses, including mining and mining administrations. Currently, he is a Non-Executive Director with the ASX recorded organization Red River Resources Limited. He also has a seat on the audit and risk committee.

Adam Kiley
Corporate Development

Adam Kiley has over 15 years' experience in the mining sector with a depth of experience in providing corporate and financial advisory services to ASX listed companies in both Australia and the United Kingdom.

Chris Knee
Chief Financial Officer

Chris Knee is a qualified Chartered Accountant with 15 years' experience in a multinational accounting firm and senior finance roles across the resources industry with projects in Africa, Canada and Central Asia. He has a range of experience across a variety of disciplines including joint venture agreements, conducting due diligence, complex international tax structure, financing transactions, accounting and compliance. Chris currently provides CFO services to companies Matador Capital, as well as being the current CFO of Graphex Mining and the former CFO of Manas Resources Limited.

Income Statement

For the Fiscal Period Ending	12 months Jun-30-2017	Reclassified 12 months Jun-30-2018	12 months Jun-30-2019	12 months Jun-30-2020
Currency	AUD	AUD	AUD	AUD
Revenue	0.012	-	-	-
Other Revenue	0.016	0.19	0.037	0.11
Total Revenue	0.028	0.19	0.037	0.11
Cost Of Goods Sold	-	-	-	-
Gross Profit	0.028	0.19	0.037	0.11
Selling General & Admin Exp.	1.097	0.905	0.791	3.949
Exploration/Drilling Costs	0.805	0.247	0.072	-
Stock-Based Compensation	-	-	-	-
R & D Exp.	-	-	-	-
Depreciation & Amort.	-	-	-	-
Impair. of Oil, Gas & Mineral Prop.	3.2	0.798	-	12.782
Other Operating Expense/(Income)	-	-	-	-
Other Operating Exp., Total	5.102	1.949	0.863	16.73
Operating Income	(5.074)	(1.759)	(0.826)	(16.621)
Interest Expense	-	-	-	-
Interest and Invest. Income	-	0.026	0.004	0.007
Net Interest Exp.	-	0.026	0.004	0.007
Currency Exchange Gains (Loss)	-	-	-	-
Other Non-Operating Inc. (Exp.)	-	-	-	-
EBT Excl. Unusual Items	(5.074)	(1.734)	(0.821)	(16.614)
Merger & Related Restruct. Charges	-	(0.438)	-	-
Impairment of Goodwill	-	-	-	-
Other Unusual Items	-	-	-	0.044
EBT Incl. Unusual Items	(5.074)	(2.171)	(0.821)	(16.57)
Income Tax Expense	-	-	-	-
Earnings from Cont. Ops.	(5.074)	(2.171)	(0.821)	(16.57)
Earnings of Discontinued Ops.	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-
Net Income to Company	(5.074)	(2.171)	(0.821)	(16.57)
Minority Int. in Earnings	-	-	-	-
Net Income	(5.074)	(2.171)	(0.821)	(16.57)
Pref. Dividends and Other Adj.	-	-	-	-
NI to Common Incl Extra Items	(5.074)	(2.171)	(0.821)	(16.57)
NI to Common Excl. Extra Items	(5.074)	(2.171)	(0.821)	(16.57)
Per Share Items				
Basic EPS	(0.25)	(0.04)	(0.01)	(0.05)
Basic EPS Excl. Extra Items	(0.25)	(0.04)	(0.01)	(0.05)
Weighted Avg. Basic Shares Out.	20.049	56.521	100.139	361.566

Balance Sheet

Balance Sheet as of:	Jun-30-2017	Jun-30-2018	Jun-30-2019	Jun-30-2020
Currency	AUD	AUD	AUD	AUD
ASSETS				
Cash And Equivalents	2.226	1.081	0.073	16.497
Total Cash & ST Investments	2.226	1.081	0.073	16.497
Accounts Receivable	-	-	-	-
Other Receivables	0.082	0.102	0.064	0.241
Total Receivables	0.082	0.102	0.064	0.241
Prepaid Exp.	-	-	-	0.341
Other Current Assets	-	-	-	0.03
Total Current Assets	2.309	1.183	0.137	17.108
Gross Property, Plant & Equipment	0.996	11.766	11.905	65.258
Accumulated Depreciation	(0.184)	(0.207)	(0.114)	(0.177)
Net Property, Plant & Equipment	0.812	11.558	11.791	65.081
Other Long-Term Assets	-	-	-	-
Total Assets	3.121	12.742	11.928	82.189
LIABILITIES				
Accounts Payable	0.005	0.319	0.187	0.448
Short-term Borrowings	-	-	0.15	-
Curr. Port. of LT Debt	-	-	-	1.456
Curr. Port. of Leases	-	-	-	0.027
Other Current Liabilities	0.014	0.06	0.05	0.937
Total Current Liabilities	0.019	0.379	0.387	2.869
Long-Term Debt	-	-	-	10.281
Other Non-Current Liabilities	-	-	-	61.428
Total Liabilities	0.019	0.379	0.387	74.577
Common Stock	33.148	43.791	43.791	57.158
Additional Paid In Capital	0.229	1.018	1.018	1.018
Retained Earnings	(30.322)	(32.493)	(33.314)	(51.427)
Treasury Stock	-	-	-	-
Comprehensive Inc. and Other	0.046	0.046	0.046	(0.668)
Total Common Equity	3.102	12.363	11.541	6.081
Minority Interest	-	-	-	1.531
Total Equity	3.102	12.363	11.541	7.612
Total Liabilities And Equity	3.121	12.742	11.928	82.189

Cash Flow

For the Fiscal Period Ending	12 months Jun-30-2017	12 months Jun-30-2018	12 months Jun-30-2019	12 months Jun-30-2020
Currency	AUD	AUD	AUD	AUD
Net Income	(5.074)	(2.171)	(0.821)	(16.57)
Depreciation & Amort.	0.027	0.021	0.008	0.063
Impair. of Oil, Gas & Mineral Prop.	3.2	0.798	-	12.782
Depreciation & Amort., Total	3.227	0.819	0.008	12.845
(Gain) Loss From Sale Of Assets	-	(0.155)	-	-
Asset Writedown & Restructuring Costs	0.002	-	-	-
Stock-Based Compensation	0.181	0.438	-	-
Other Operating Activities	-	0.0	-	(0.726)
Change in Acc. Receivable	(0.072)	(0.02)	-	-
Change in Acc. Payable	(0.172)	0.36	0.001	1.149
Change in Other Net Operating Assets	0.01	-	0.038	(0.548)
Cash from Ops.	(1.898)	(0.73)	(0.773)	(3.85)
Capital Expenditure	(0.258)	(4.566)	(0.385)	(4.47)
Sale of Property, Plant, and Equipment	-	0.156	-	-
Cash Acquisitions	-	-	-	14.643
Divestitures	-	-	-	-
Invest. in Marketable & Equity Secur.	-	-	-	-
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-
Other Investing Activities	-	-	-	-
Cash from Investing	(0.258)	(4.41)	(0.385)	10.173
Short Term Debt Issued	-	-	0.15	-
Long-Term Debt Issued	-	-	-	-
Total Debt Issued	-	-	0.15	-
Short Term Debt Repaid	-	-	-	(0.15)
Long-Term Debt Repaid	-	-	-	(0.056)
Total Debt Repaid	-	-	-	(0.206)
Issuance of Common Stock	4.234	4.014	-	10.786
Total Dividends Paid	-	-	-	-
Special Dividend Paid	-	-	-	-
Other Financing Activities	(0.114)	(0.019)	-	(0.479)
Cash from Financing	4.119	3.995	0.15	10.101
Foreign Exchange Rate Adj.	-	-	-	-
Net Change in Cash	1.963	(1.145)	(1.008)	16.424

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