THE CONTRARIAN

Issue #1

March 2022

Dear Investor,

Please find below your preview sample of **The Contrarian** newsletter. The Contrarian is a monthly newsletter, where we share our knowledge and current investment thesis with like-minded readers.
We cater to an audience of readers, who have dedicated themselves to a private investing approach as their preferred pathway to financial independence. That independence will come in different shapes and forms as you navigate through different stages in life: you may have recently started your first graduate job after university and be saving for your first home deposit or you be planning for an early retirement in your 50s after decades of a professional career.

The question is: What to buy? Navigating the dynamic and volatile market environment is challenging and what might have worked in previous years (such as buying popular US tech stocks) would have already lost you a significant amount of money in 2022.

The Contrarian provides stock market guidance and insight into our own portfolio decisions with a monthly publication containing the following sections:

1. Macro Outlook

A section, where we look top down at the current macro-economic situation in the world and identify and introduce sector opportunities for our readers. We aim to enter sectors near cyclical lows, where they offer best value, and remain invested until the risk/reward drops below our threshold.

Entering a beaten-down sector requires conviction, which can only be gained by doing research into the fundamentals. Famously, conviction "cannot be borrowed", rather it must be earned by oneself (Ian Cassel).
In this sample edition of The Contrarian, we share one such sector opportunity with you: **The Uranium Market.**

Once we have identified and entered a sector, we provide regular updates in our newsletter on current developments and potential exit strategy.

2. Portfolio Additions

Based on our conviction of a certain sector opportunity, we analyse the companies in the sector and provide one or more "BUY" decisions for companies that we are investing in and believe will outperform their peers in the sector.

A "New BUY" will start with a short "Summary & Recommendation as we believe if we cannot make the case for a company in half a page, then we cannot make it at all. This is followed up by a detailed write-up on company valuation and outlook.

In this sample edition of The Contrarian, we share three companies in the Uranium sector with you: Aura Energy, Lotus Resources & Bannerman Energy.

3. The Contrarian Portfolio

This table gives an overview of our current buy recommendations across past newsletter editions. We capture basic information and historic returns over time.

4. Update on Current Holdings

Once a company has entered our investment portfolio, we provide regular updates highlighting current developments and our take on valuation and outlook.

We expect to be invested for the medium to long term (12 – 36 months) in our chosen companies, however there are a multitude of possibilities that could trigger us giving a "sell" recommendation.

5. Contrarian College

In this section we take and answer readers' questions around investing in general and provide both short educational articles & practical tips such as:

- Which broker is the most cost effective for investing in my country?
- What should I do with my Kiwisaver?

- Should I pay off my mortgage or invest in the stock market?
- How do I valuate a company, what methods should I use?

Why invest with The Contrarian?

Limitations on investments such as minimum market capitalisation, policy mandates (environmental, societal, governance) or insufficient liquidity prevent larger funds from entering certain sectors or companies.

At the Contrarian we specifically hunt for investment opportunities without such limitations. As private investors, no company is too small for us, and no sector is untouchable. We are not interested in average steady returns from dividend stocks or bonds. We are looking for asymmetric investment opportunities, where the risk is limited and defined, but the upside is exponential. We often find these in forgotten sectors that are currently very unpopular, where any spark of life will lead to large returns.

"Contrarian" (noun) **-** a person who opposes or rejects popular opinion, especially in stock exchange dealing.

We aim to invest in companies and sectors before the large funds are allowed to touch them and before most retail investors become aware of them. Once the sector/company is large enough for the funds, and well-known enough for retail, they will invest and drive the share price higher as a result.

We buy today what everyone else will be buying in 12-months' time.

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thecontrarian.nz@gmail.com

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MACRO OUTLOOK

Uranium - The Silent U

A large supply deficit is building in the uranium market. Excess supply has depressed the uranium price for many years. The sector has been carelessly underinvested due to the low price. In the coming years there will not be enough uranium to power the nuclear reactors of the world.

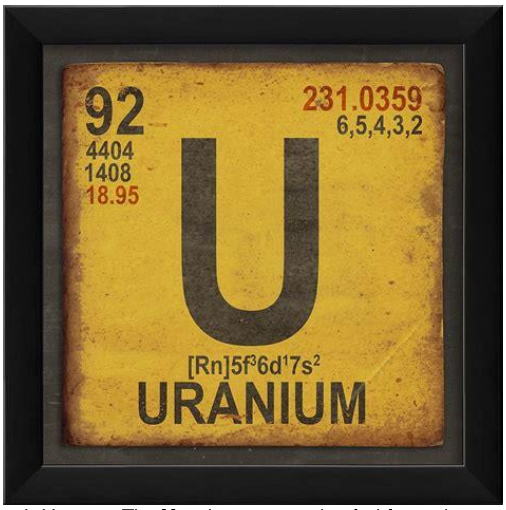


Figure 1. Uranium. The 92nd element is used as fuel for nuclear reactors [wayfair.com]

The uranium market is unique to other markets as it is relatively small but trades a commodity which is so essential to many countries' power generation. It also takes a long time for new supply to be brought into the market. It takes 5-15 years from first exploration of a uranium deposit, through design, permitting and construction to first production of uranium. A "green" crazed world is slowly waking up to nuclear power as the cleanest efficient form of power. To achieve large increases in wealth, one must buy today what everyone else will be buying in 6-12 months' time. Early investors in the last uranium bull market enjoyed returns in excess of 1000% in the space of 2-3 years.

We believe that there are once-in-a-lifetime opportunities for capital appreciation in the current uranium market.

Historic Events

Nuclear meltdown. Reactor failure. Mushroom cloud. In the past, nuclear has been a dirty word associated with horrific accidents such as Chernobyl and Fukushima. However, this stigma is misplaced and was built by misreporting of the media. While many died in the Fukushima disaster, only one person was killed as a direct result of the nuclear reactor meltdown. The other deaths were associated with the earthquake and tsunami. In fact, the meltdown of the nuclear reactor and subsequent containment showcased effective emergency procedures which *prevented more deaths* and widespread radiation poisoning.

The management of the Chernobyl nuclear power plant and the Soviet government had many chances to contain the radiation and prevent many deaths. However, to do that would be to admit failure and unfortunately this was not an option for the Communists. Thus, the situation was allowed to escalate until it became the disaster which the world knows all too well.

Figure 2. Worker in radiation suit cleans up debris in Chernobyl Russia [thenation.com]

When regulated and with the appropriate safety measures in place, nuclear power is *the most efficient and green source of energy* currently available on the blue planet.

Nuclear Power

Nuclear power is one of the cleanest sources of energy currently available to mankind. Figure 3 shows nuclear having one of the lowest CO_2 emissions per GJ of energy produced.

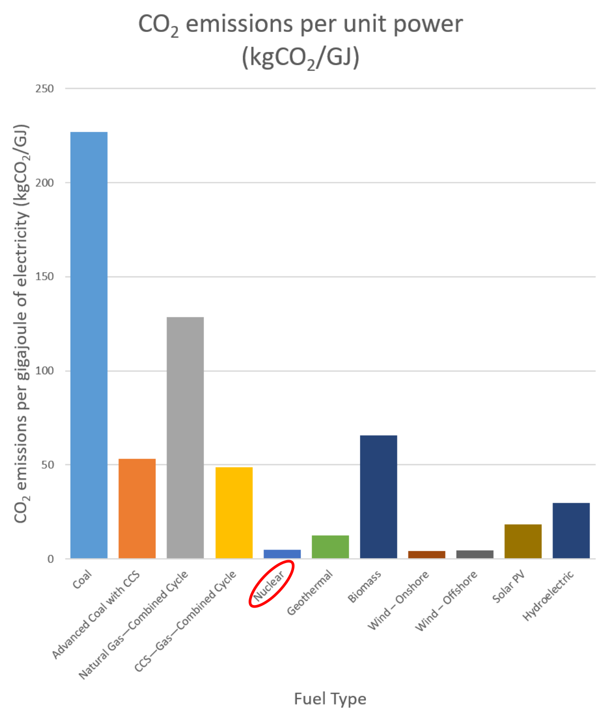


Figure 3. Carbon Emissions per unit power for various power sources [Cambridge University Press, 2015]

The chart in figure 4 (below) shows the energy return on investment for different power sources. Nuclear power has the highest 'energy return on energy invested' (EROEI) out of all the power sources. This means that the electricity output to end users (homes and businesses etc) is ***75 times*** the energy required to mine the uranium fuel, build the nuclear reactor and run the reactor. Compared to other "renewable" energy sources, such as wind or solar, nuclear power is by far the most energy-efficient power source.

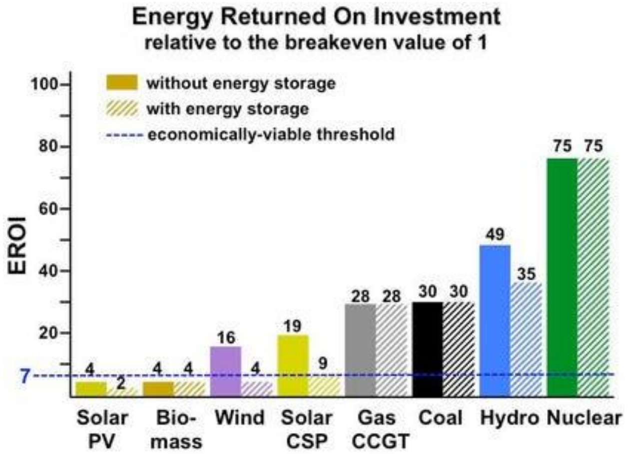


Figure 4. Energy return on invested for various power sources [Forbes.com 2015]

Combined with nuclear power's low CO_2 emissions, its high EROI makes it the most effective way to lower carbon emissions while maintaining the high level of energy consumption which the western world currently enjoys.

Uranium

Uranium is the radioactive fuel source used in reactors worldwide and occurs naturally in its oxide U_3O_8 often called "Yellow Cake". From here U_3O_8 will be referred to as "uranium".

Figure 5. "Yellow Cake" (U_3O_8) in a 42-gallon drum [ibankcoin.com]

U_3O_8 is bought and sold by producers and power plants usually via long-term supply contracts. Uranium is also bought and sold on the global "spot" market. The "spot price" is the price agreed by the market and fluctuates based on supply and demand dynamics. Long-term supply contracts' pricing is determined in reference to the "spot price".

The current and supply and demand dynamics which forecast the return of a new bull market are summarized below.

Supply

The sources of supply of uranium to the market are from uranium mining (primary) and existing stockpiles (secondary). Uranium spot price is currently below the cost to mine it. Most miners require a price of above $65/pound to be profitable. Current price $42.7USD/pound (15 Feb 2022). Only a handful of miners with very low costs (due to mine geology, location etc) have been able to mine profitably for the last 8 years. Primary supply has been limited since the last bull market due to the low spot price so many existing stockpiles have been slowly diminished to top up the mined supply.

Demand

All operating nuclear reactors require fuel. Due to the high upfront cost to build a reactor and the relatively low cost (3-5% of operating cost) of uranium fuel, a reactor would not regulate its operation/capacity based on fuel price. The only significant change in the demand for uranium is the building/decommissioning of new/old reactors.

The EU is slowly waking up to this fact. Nuclear power has recently been approved in the European Union Taxonomy scheme. The building and running of nuclear power plants will be eligible for various tax benefits and subsidized finance for projects. Investment funds in the EU with "green" mandates will now be able to invest in uranium production and nuclear power. This will allow large amounts of money from investment banks and pension funds to flow into the sector.

In September 2021, China announced its intention to build 150 reactors by 2050. Many other countries are starting to see nuclear energy for what it is… Clean, efficient and reliable power generation.

Figure 6 (below) displays the supply vs demand for the uranium market forecasted by the World Nuclear Association. While the exact details of future forecasts by world associations are not generally very accurate, the trend shown below is quite compelling.

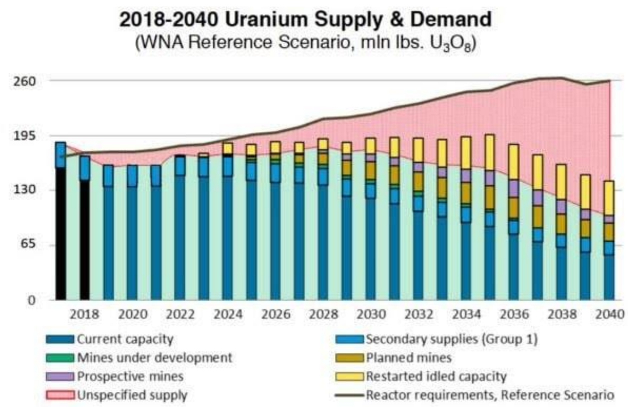


Figure 6. Forecasted uranium supply and demand [worldnuclear.org]

Sprott Physical Uranium Trust

Enter the largest commodities investment company in the world. Sprott Asset Management currently has more than 10 billion USD in assets under management (AUM) in physical precious metal funds (gold, silver, platinum etc). *[sprott.com]*

In 2021, Sprott took over management of the Uranium Participation Corp (UPC) and changed its name to the Sprott Physical Uranium Trust (SPUT).
Sprott's goal in acquiring this trust was to allow investors to easily invest in physical uranium in a similar mechanism to their precious metal funds. Sprott are forecasting a rise in the uranium price and are offering their investors a chance to capitalize on the next bull market.

SPUT is an investment vehicle which accepts cash from investors and buys physical uranium on the spot market at the current spot price. The physical uranium is then safely stored.
The introduction of SPUT to the uranium spot market has created another (somewhat artificial) source of demand for uranium. However, there is a catch. They don't sell. They only buy. There is currently no mechanism to allow SPUT to sell uranium on the spot market and Sprott have announced their intention to keep it that way.

The purpose of SPUT is to remove pounds of uranium from a tight spot market to encourage an increase in the spot price. Due to the relatively small size of the uranium spot market compared other more widely traded commodities such as gold or oil, a small increase in demand can create a large impact on the spot price.

This effect was shown in August 2021 when SPUT began trading on the Toronto Stock Exchange. The spot price went from $30/pound to $50/pound in 4 weeks as a result of Sprott purchasing 10 million pounds. Uranium stocks appreciated 30-150% in that same month. The spot price and uranium stocks have since settled down from the hype of August last year and are ready for the next inflow of money into the uranium sector.

Bull/Bear Cycles

Like other commodities, the spot price of uranium fluctuates up and down based on the current supply vs demand. These fluctuations are called cycles. One cycle will include a bear market (price is low/decreasing) followed by a bull market (price is high/increasing).

The last bull market was in 2007 where the spot price reached $130 USD per pound. In the following years, the spot price dwindled down to a low of $20/pound until its recent run last year up to $50/pound. Most uranium miners require a consistent spot price of $65/pound to produce profitably. Therefore, extra supply will not hit the market until the spot price has risen significantly.

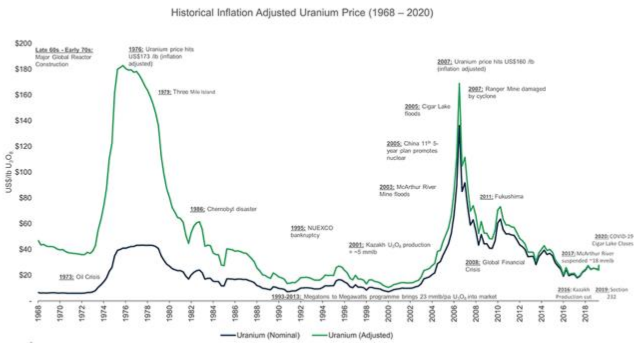


Figure 7. Uranium (U_3O_8) historical spot price adjusted for inflation [yellowcakeplc.com]

The total value of all uranium stocks in last bull market reached 150 billion USD in 2007 *[reuters.com]*. The current market cap of all uranium stocks as of Feb 2022, is ~35 billion USD. Adjusted for inflation, an equivalent price increase would see the market cap reach 200 billion USD; *an increase of 478% [in2013dollars.com].*

Stocks which are well positioned to capitalize on the bull market could see share-price appreciation of above 10 times if the total uranium market cap were to emulate the last bull market.

Further reading

https://www.theassay.com/articles/feature-story/uranium-and-nuclear-energy-powering-ahead/

https://world-nuclear.org/information-library/nuclear-fuel-cycle/uranium-resources/uranium-markets.aspx

https://palisadesradio.ca/justin-huhn-big-bets-being-placed-in-the-uranium-market/

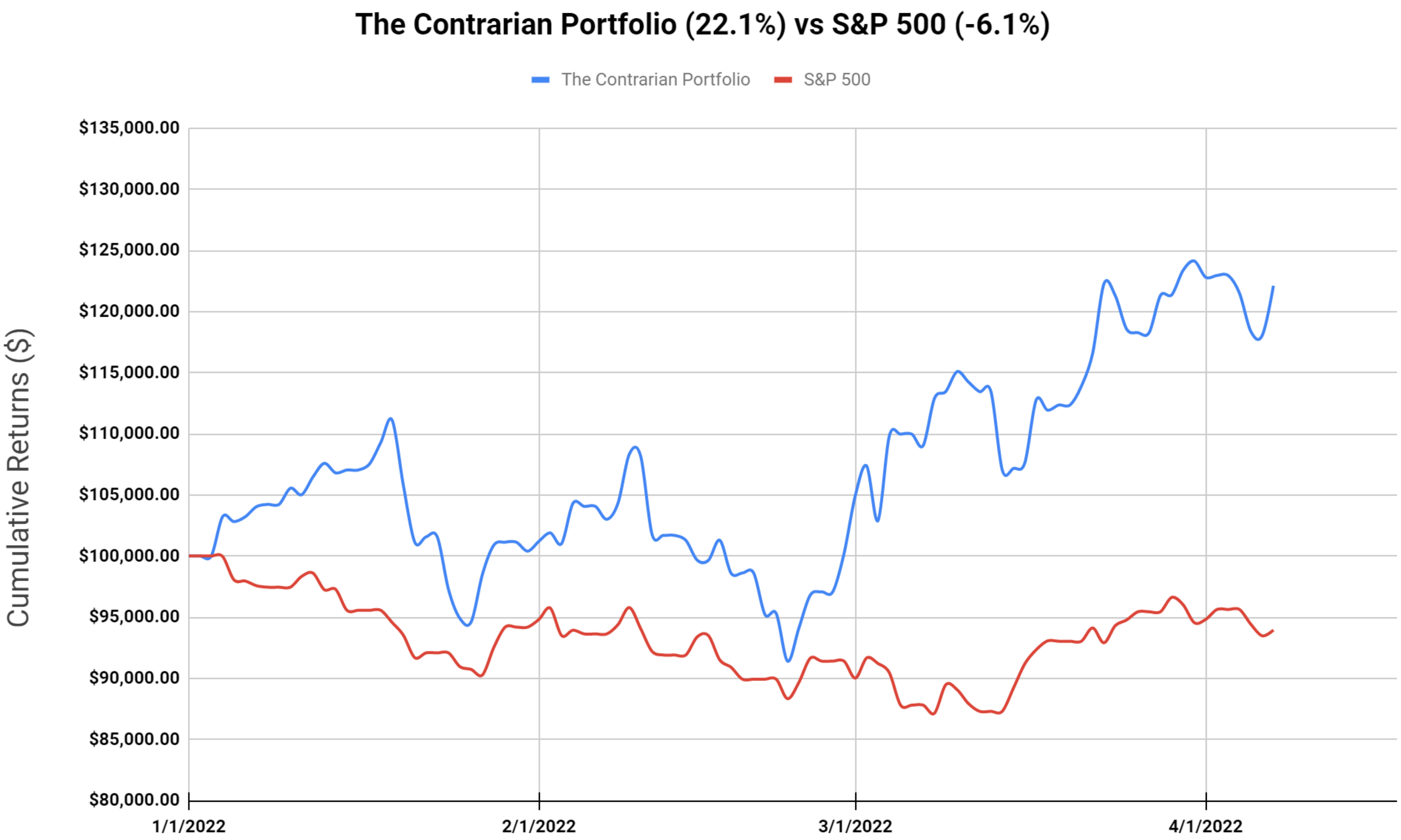
The Contrarian Portfolio

Table of Current Holdings

Current advice	Company	Ticker	Initial Recommendation		Share Price ($AUD)	Market Cap ($m AUD)	Total Return (%)	Sector
			Date	Price ($AUD)				
BUY	Aura Energy	**AEE**	1/03/2022	0.305	0.305	142	0%	**Uranium**
BUY	Bannerman Energy	**BMN**	1/03/2022	0.245	0.285	345	16%	**Uranium**
BUY	Lotus Resources	**LOT**	1/03/2022	0.305	0.445	445	46%	**Uranium**
Undisclosed							22%	**Oil**
Undisclosed							-5%	**Oil**
Undisclosed							25%	**Oil**
Undisclosed							15%	**Fertilizer**
Undisclosed							11%	**Fertilizer**
Undisclosed							0%	**Precious Metals**
Undisclosed							37%	**Rare Earths**

1. "Share Price" as at 01/04/22
2. Total average return for all holdings from initial recommendation to 01/04/22 is 18%
3. "Undisclosed" stock holdings are part of the full portfolio of "The Contrarian" and are available to subscribers upon signup

Portfolio Returns - Year to Date



BUY: Aura Energy (ASX:AEE)

Figure 1. Share Price Development from Dec 2020

Market Capitalisation (1/03/22)	Share Price (1/03/22)
$160m (AUD)	$0.305 (AUD)

Summary of Investment Case

Aura Energy are one of the few uranium developers which hold a current Definitive Feasibility Study (DFS). Their resource in Mauritania is low-cost and low CAPEX (Capital Expenditure) and can be producing uranium within 2 years of a final investment decision. However, Aura are not rushing into building their mine. They plan to expand the resource, upgrade production, and update the DFS while allowing time for the uranium price to appreciate to a sustainable level.

At $160 million AUD market capitalisation, Aura is valued based on its small potential production of 1 million pounds per annum. The market also still partially values Aura Energy as a failure based on their Swedish foray into the uranium sector. Meanwhile, Aura plans to upgrade their resource, decrease their operating costs and mine uranium on a scale which rivals some of the larger developers.

While more speculative, if Aura deliver on their promises and achieve the resource and production upgrade they will be valued at many multiples from their current market cap. Combined with a uranium bull market, we believe Aura Energy could rerate and appreciate 5-10x from here.

History

Aura Energy was founded in 2007 during the last uranium bull market and have had a presence in Mauritania, Africa since 2010. Their current focus is the Tiris Uranium Project in Mauritania. Aura also owns a large uranium and vanadium resource in Sweden. Since the Swedish mining ban, the Haagan project has been largely ignored while Aura has focused on Tiris. Nonetheless, the Haagan Project has seen significant capital investment from Aura which the company does not intend to leave unrecovered.

Tiris Uranium Project

The Tiris uranium resource is a medium sized uranium deposit located in the desert region of Mauritania. The current resources sit at 55 million pounds of U_3O_8. Aura are currently focused on expanding the resource via a drilling programme in H1 2022.

The low operating costs and capital expenditure required to build the mine are what makes this project unique. Requiring very little effort to extract the uranium from the ground, the ore sits a few metres below the surface of the desert. While other projects
involve underground drilling and blasting many metres underground, the Tiris resource is essentially buried in the sand 2m below the surface.

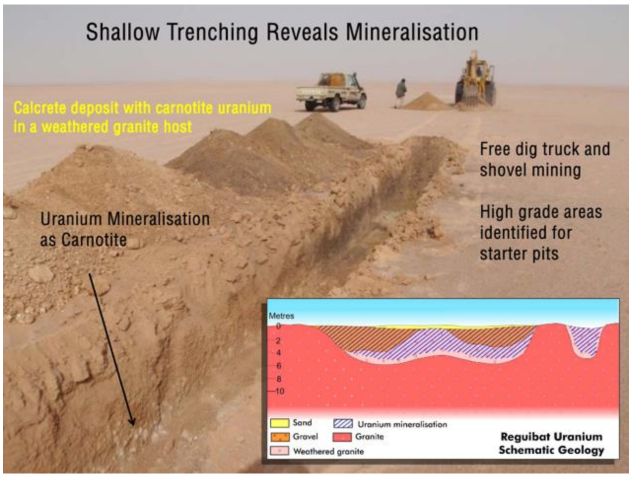


Figure 1. Shallow ore body at Tiris [AEE presentation]

With a capital cost of US$74 million and an operating cost of US$25.81/lb, the Tiris project is a low-cost producer. Of the US$74 million capital cost, US$20 million is already available via a debt financing package set up in 2021.

The project has a current Definitive Feasibility Study (DFS) of which the cost calculations were updated in August 2021. A DFS is a study carried out by a developer to the assess costs and profitability of a mining project. Most equivalent projects in the uranium sector at a similar stage have a DFS which is 2-5 years old. When these studies are updated, the costs will generally increase substantially due to the inflation and supply chain issues which have been running rampant in the last two years.

While the current DFS is based on a production rate of 1 million pounds per annum (mlb pa). Aura have announced that they are targeting 3 mlb pa and are investigating the option to upgrade to 5 mlb pa. An increase in production rate will increase the capital cost of the project, but due to the shallow, easily-accessed deposit, the increase should not be excessive. The increased cashflow resulting from the increases production will increase Aura's market cap. A 5 mlb pa production capacity would set Aura as a top tier uranium producer in the same echelon as Paladin Energy and other companies with market caps many multiples of Aura's.

Recently Aura announced that the Tiris Uranium Project may also produce vanadium as a by-product. Defining a resource of 18.4 million pounds of vanadium pentoxide, Aura have stated that the vanadium is located within the same ore as the uranium at Tiris. Vanadium's main use case is in the production of steel. However, it is growing in popularity as a "green metal" due to its use in vanadium redox batteries. The production of vanadium as a by-product will increase the profit of the mine significantly. By-products generally result in a very small increase in the operating cost because of efficiencies gained in the mining process.

Figure 2. Vanadium's primary use is in steel manufacture

Risks

All mining projects carry a certain level of risk and Tiris is no exception. The geographical location of the Tiris project is in itself a risk to the project for two reasons. Water in the desert and African countries are more susceptible to unrest, civil wars and other such events which make life hard for a foreign mining company.

Water is a vital part of the uranium mining process. Located in the desert south of the Sahara, the Tiris project is not expected to have water readily available onsite. However, Aura announced in 2021 that their exploration for the molecule of life had discovered water below the surface of the desert. While this is good news, we will continue to watch the water story carefully as there has been minimal detail released regarding quantity and transporting water from the closest source could prove very damaging to Aura's low operating cost.

Figure 3. Water drilling at Tiris Uranium Project

Aura also has a slightly shady history. It is rumoured that shareholders of the 2010's found that they were exposed to significant dilution through multiple capital raises with very little forward progress resulting from the extra cash.

A capital raise is the debt-free solution to the problem of running out of cash while a company is not mining a product to sell. The absence of debt may seem like a positive outcome; however, the mechanism is erosive to existing shareholder value. Creating new shares, the company sells them on the market for cash. This action increases the market cap of the company without increasing the intrinsic value of the company. Therefore, the shares which were held before the capital raise are worth slightly less. This is called dilution. A good management team will action few capital raises and pay close attention to the timing of each raise.

Despite Aura's management restructuring last year which brought new faces to the board table, we are also wary of the impact of capital raises without forward progress. We look forward to seeing Aura take unambiguous steps toward mining uranium as the uranium price reaches sustainable levels.

Other projects

Many other uranium mining companies have ancillary projects which are not their current focus. Usually these projects are exploration tenements with a sniff of precious metals from the 1980's but no definitive results to announce. Companies rarely hold a project of equivalent or greater size to their main focus. Aura has both.

The Haagan Uranium Project is one of the largest undeveloped uranium resources (800 mlbs) in the world but was put on hold indefinitely when Sweden banned uranium mining in 2018. The Haagan project also boasts a mega vanadium resource of 15.2 billion pounds with a high-grade zone of 1.1 billion pounds. The vanadium resource alone is enough to be the sole focus of a mining company. In a recent announcement, Aura stated that they have *"appointed a leading consultancy group (Diplomat Communications) to work with the Swedish government and other relevant stakeholders in relation to advancing the Haagan Project." [Aura media release 01/03/22].* Aura are seeking to capitalise on the recent movement in the EU of labelling nuclear power as "green". if the consultants cannot come up with a favourable outcome for the uranium resource, Aura may seek to divest the Haagan vanadium asset.

The Archean Greenstone Belt is an area in Mauritania which has historically produced millions of ounces of gold. Aura holds 125km^2 of exploration tenements in this area only 36 km from an existing mine. Neil Clifford, who has previously successfully explored for more than 25 million ounces of gold, was recently appointed by Aura to lead an exploration programme to drill their tenements.

Figure 4. Gold exploration drilling rig [miningandconstruction.com]

Peer Comparison

Aura energy can be producing uranium in 2 years from acquiring funding and making a final investment decision. *[DFS Aug 2021]*

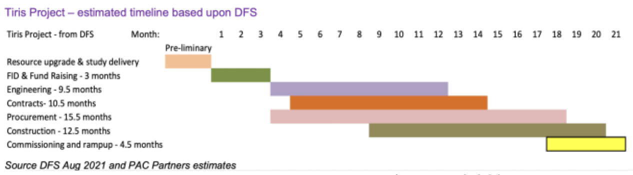
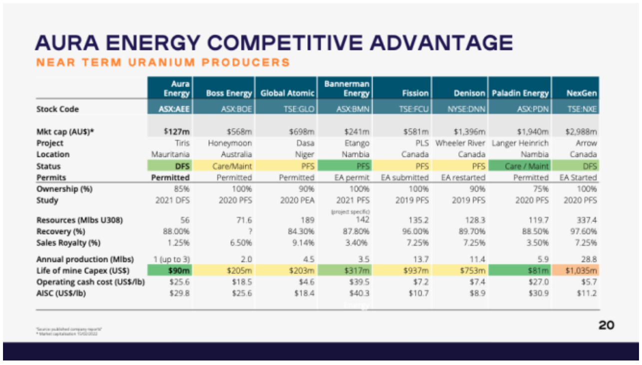


Figure 5. Tiris Project Timeline [Aura DFS 2021]

There are currently only a handful of developers who have DFS projects. Most of these projects are forecasting production in 2025 or a roughly 3-year development timeline. Aura is planning to achieve production in 2 years. A detailed peer comparison can be found in Aura's latest presentation (download link here): https://www.auraenergy.com.au/investor-centre/#presentation



AURA ENERGY COMPETITIVE ADVANTAGE
NEAR TERM URANIUM PRODUCERS

	Aura Energy	Boss Energy	Global Atomic	Bannerman Energy	Fission	Denison	Paladin Energy	NexGen
Stock Code	ASX:AEE	ASX:BOE	TSE:GLO	ASX:BMN	TSE:FCU	NYSE:DNN	ASX:PDN	TSE:NXE
Mkt cap (AU$)*	$127m	$568m	$698m	$241m	$581m	$1,396m	$1,940m	$2,988m
Project	Tiris	Honeymoon	Dasa	Etango	PLS	Wheeler River	Langer Heinrich	Arrow
Location	Mauritania	Australia	Niger	Nambia	Canada	Canada	Nambia	Canada
Status	DFS	Care/Maint	PFS	PFS	PFS	PFS	Care / Maint	DFS
Permits	Permitted	Permitted	Permitted	EA permit	EA submitted	EA restarted	Permitted	EA Started
Ownership (%)	85%	100%	90%	100%	100%	90%	75%	100%
Study	2021 DFS	2020 PFS	2020 PEA	2021 PFS	2019 PFS	2019 PFS	2020 PFS	2020 PFS
Resources (Mlbs U308)	56	71.6	189	(project specific) 142	135.2	128.3	119.7	337.4
Recovery (%)	88.00%	?	84.30%	87.80%	96.00%	89.70%	88.50%	97.60%
Sales Royalty (%)	1.25%	6.50%	9.14%	3.40%	7.25%	7.25%	3.50%	7.25%
Annual production (Mlbs)	1 (up to 3)	2.0	4.5	3.5	13.7	11.4	5.9	28.8
Life of mine Capex (US$)	$90m	$205m	$203m	$317m	$937m	$753m	$81m	$1,035m
Operating cash cost (US$/lb)	$25.6	$18.5	$4.6	$39.5	$7.2	$7.4	$27.0	$5.7
AISC (US$/lb)	$29.8	$25.6	$18.4	$40.3	$10.7	$8.9	$30.9	$11.2

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Figure 6. Aura Peer Comparison Details

When compared against its uranium-developer peers Aura is already undervalued based on its uranium resources alone. Few other companies in the market have a by-product which can be exploited to significantly increase profitability.

Due to its rocky past and recent delisting from the ASX, Aura Energy is currently widely unknown in the uranium space. Equivalent projects are trading at 1.5-2x Aura's current share price. The market could be pricing in the risks associated with the African jurisdiction and desert location of Tiris but we believe that Aura will rerate higher in comparison to peers once they become more prominent in the uranium sector.

Potential Upside

There are many aspects of Aura which we believe are not currently reflected in the share price.

Aura are currently focused on expanding the resource at Tiris. If they can add to the defined resource at Tiris, a higher production rate and longer mine life will be supported which will increase cashflow and rate of return of the project. Potential financiers of the project will also be happier to lend money for the development of the project if the mine life and rate of return are high. The timing of this exploration programme is impeccable. Management have seen the shift in sentiment and move in the uranium spot price over the last half year and decided it is time to act. However, proceeding with the mine development too early could prove imprudent. Seeing that the bull market is only just beginning, Aura have thus patiently decided to expand their uranium resource in readiness for the forecasted spot price movements.

If Aura expand the resource and can profitably produce their goal of 5 mlbs pa we would expect their share price to appreciate 2-3x from here at the current spot price. Any movement in the spot price will be an added bonus and will translate to substantial share price appreciation for Aura.

The Haagan project has lain dormant for many years. Notwithstanding, the EU have bestowed their illustrious "Green" label on nuclear power. With the sudden change in sentiment, Aura are hoping that Sweden will be more supportive of uranium mining going forward.

Producing 29.8% of its power comes from six nuclear reactors Sweden are not anti-nuclear. *[wikipedia.com]* Due to the recent global events, state owned utility Vattenfall has announced that they are no longer taking nuclear fuel deliveries from Russia. *[nucnet.org]*

Figure 8. Ringhals nuclear reactor in Sweden, operated by Vattenfall [Courtesy of Vattenfall]

With the coming uranium shortages, utility companies will see their options decreasing and price increasing. In a world where energy security is fast becoming the top priority, one would think that the Swedish Government will be tempted to exploit the giant uranium resource sitting in their backyard. The opposition party in Sweden is pro-nuclear and elections are upcoming in September 2022. While we believe that *the chances of Sweden overturning the mining ban are low,* the aforementioned events could constitute the perfect storm for Aura Energy.

Figure 7. Swedish Parliament House in Riksdag, Stockholm

Currently, we believe that the Haagen project is not priced in to Aura's share price. The market puts very little value on their Swedish asset because the millions of pounds of uranium are held captive underground by the fetters of bureaucracy. Should the ban be overturned, the impact on Aura's value and share price would be a black swan rerate. The market could rate a company with the ownership of a uranium resource of that size as a billion-dollar company. This could result in 5-10x in the period of weeks.

However, the probability of Sweden lifting the ban is slim and would be an added bonus on top of an already strong Tiris project. *To clarify, we are not holding Aura Energy for the Haagan Project!* Even without their Swedish asset, Aura Energy can become a top tier uranium producer in this bull market.

Conclusion

Aura Energy has been in the uranium sector since the last bull market. Their projects are not without risk but the potential returns from exploration, increase in production and make an investment Aura very asymmetric with regard to risk/reward. The potential rewards currently far outweigh the risks. The base-case scenario is that Aura would stay at status quo and become a small producer of uranium. However, the uranium bull market will translate to an increase in value and modest share price appreciation regardless. If Aura succeeds in expanding their resource, increasing their production rate or obtaining a favourable outcome in Sweden, the capital appreciation could be life changing.

BUY: Lotus Resources (ASX:LOT)

Figure 1: Share Price Development (Start: January 2021)

Market Capitalisation (19/02/22)	Share Price (1/03/22)
$360m (AUD)	$0.310 (AUD)

Summary of Investment Case

Uranium miner Lotus Resources represents our "low-risk" pick to take advantage of the uranium fundamentals. The Kayelekera uranium mine in Malawi is significantly de-risked with the DFS around the corner (Q3 2022) confirming low capital expenditure required for re-start of the mine.

We like the clear and realistic pathway into production for the company with complete DFS, off-take agreements and financing decision expected in 2022, plant refurbishment and upgrades planned for 2023 and production coming on as early as in the first half of 2024, which will provide Lotus the ability to take full advantage of spot market pricing.
With its previous production history and perceived low risk, Lotus will be one of the first companies who nuclear fuel buyers will negotiate off-take agreements with, presenting a clear advantage over higher risk developers of new mines.

At current share price levels around $0.310 AUD, we believe the recent 30% pullback from all-time highs in October/November 2021 followed by a break-out pattern represents a good buying opportunity with limited downside risk.

Introduction

Lotus Resources Limited engages in the exploration and development of mineral properties in Australia and Malawi. Its flagship property is the 85% owned **Kayelekera Uranium project** located in northern Malawi, Africa, containing a recently upgraded mineral resource of 46.3Mlbs.

History of Kayelekera

The Kayelekera uranium asset is a historically proven resource, which in its past life was operated by Paladin (ASX:PDN) and sold off when Paladin struggled with its balance sheet. It was commissioned by Paladin in 2009 during the last uranium bull market, ramped up production in the following years and achieved a peak annual production of 3Mlbs in 2013. In 2014 the decision was made to put the project into care and maintenance due to sustained low uranium prices, which ultimately led to Paladin's downfall and the requirement to sell off the project in June 2019 to Lotus (then known as Hylea Metals)
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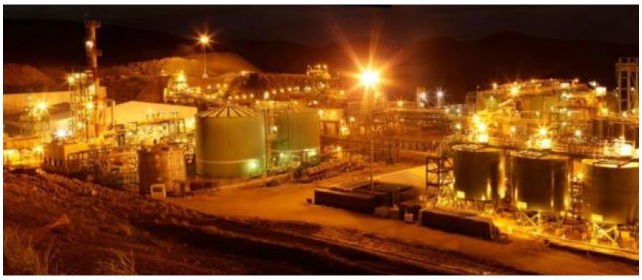

Figure 2: Kayelekera mine site, Malawi

The historical capital expenditure to build & commission the mine was $200m USD, which considering inflation since then, equates to approximately the current market capitalisation of Lotus.
The current mine infrastructure includes an existing open pit, waste dumps, existing ore and ROM stockpiles, water ponds, 1.4Mtpa processing plant, tailing storage facility, acid plan and accommodation camp. With the site on care and maintenance, recent studies have determined that the existing facilities are in good condition.

Jurisdiction of Malawi

Malawi is an east African country, which declared independence from the UK in 1964. It neighbours Tanzania, Mozambique, Zambia & Zimbabwe.
The remaining 15% interest in Kayelekera project (85% owned by Lotus) is directly by the government of Malawi. It had supported the project through a 2007 Development Agreement that provided a stable fiscal environment for the first 10 years of the project. The Kayelekera mine has made substantial fiscal contributions to Malawi and provides opportunities for employment and improvements to social infrastructure. It was estimated that Kayelekera provided up to 2.5% of the country's GDP when it was operational, thus the government wishes to see the project return to production and will provide strong support for it.

Current Developments

The company conducted a restart study in 2021 establishing the refurbishment capital cost at $50m USD, which is one of the lowest initial capital costs in the industry. It has since then been working on a Definitive Feasibility Study (DFS) for the project, which is due to be completed in Q3 2022. The DFS is looking to improve the operating and capital costs compared to initial re-start study, focusing on three items in particular:

1) **Ore Sorting and Resource Upgrade:** The company has just announced an upgraded Mineral Resource Estimate for the Kayelekera Project with a 23% increase compared to previous estimate. The resource upgrade was a result of recent expansion drilling in addition to positive ore sorting test work.[1]
2) **Power Study:** Multiple improvements are investigated to upgrade from the historical operation, which was 100% based on diesel generators. This includes a connection to the local power grid and solar/wind options to target reduced CO2 emissions and cost.
3) **Acid recovery and leach optimisation:** Testing is being conducted to achieve better acid utilisation and nanofiltration for acid recovery for further cost reduction potential.

Further to the Kayelekera project, Lotus has recently acquired the Livingstonia uranium project, which is located 90km from Kayelekera, and has the potential to become a future satellite operation. A 30-hole (~4000m) drilling program was completed in late 2021 and results are due in Q1 2022. Another regional target was identified in Chilumba, which is currently being drilled with results due for Q2 2022.

Lotus also conducted drilling for **Rare Earth Oxides (REO)** at Milenje hills, which is located in close proximity (2km) to Kayelekera. These assay results are due for Q1 2022 and providing attractive grades could provide an additional pathway to crystalize shareholder value in the Rare Earth space, where global demand is rapidly increasing.

Financial Position

As of 31/12/21, Lotus had cash of $27.3m with the cash balance decreasing by $1.8m for the Q4 2021 quarter.
This equates to approx. 3 years of funding at current spending levels, which are primarily going towards DFS study and exploration drilling.
The company appears funded for the foreseeable future and given the low capital expenditure required for restart of Kayelekera compared, we are optimistic that Lotus will be able to finance this project largely via debt with minimal dilution to the shareholders via capital raising.

Valuation & Outlook

We believe Lotus trades at a significant discount compared to its peers in the uranium market for the following reasons:

1) Proven commercial production history (peak annual production of 3Mlbs in 2013)
2) Infrastructure and licensing in place with strong government support as part owner (15%)
3) Low capital expenditure requirement ($50m USD) and quicker re-start compared to new developments
4) Kayalekera inflation adjusted replacement capital cost ($200m USD) is greater than current Lotus market capitalisation ($300m AUD)
5) Significant discount to peers despite being the 4th largest proven uranium asset, refer to *Figure 4* for peer comparison

The market currently values Lotus like a developer of an uranium asset, when in reality the company is a returning producer with a proven asset under a different name. Its peers will require many multiples of both Lotus' capital expenditure and timeframe to develop their mines, whilst Lotus will be able to negotiate offtake agreements in 2022 benefiting from the rapidly improving fundamentals in the uranium market. Such offtake agreements will be partially

[1] ASX:LOT Announcement "Kayelekera Resource Increases by 23% to 46.3Mlbs U308", 15/02/22

referenced to the uranium spot market price, which we expect to significantly increase over the course of the next years as outlined in our uranium thesis macro piece.
Whilst already economical at current spot market prices ($45USD/lbs), the project and share price evaluation are highly sensitive to uranium prices. We expect each $5USD/lbs increase in spot market pricing to lead to a $0.05AUD increase in share price.

U308 spot price ($USD/lbs)	Implied Lotus Share Price ($AUD)
$45	$0.23
$50	$0.28
$55	$0.33
$60	$0.38
$65	$0.43
$70	$0.48
$75	$0.53
$80	$0.58
$85	$0.63
$90	$0.68

Figure 3: Price Sensitivity Table

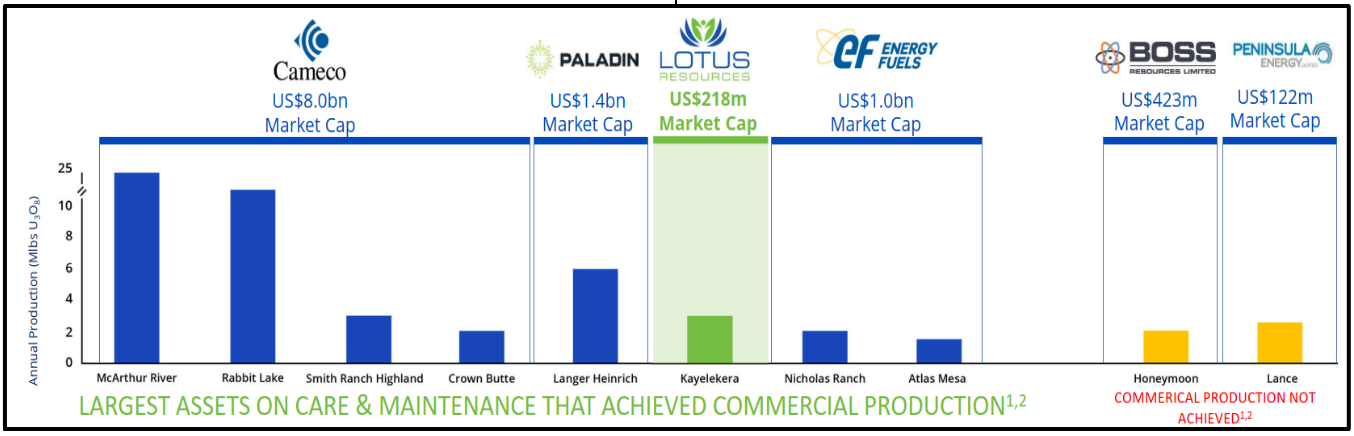

Figure 4: Peer comparison with other uranium mine assets on care & maintenance

BUY: Bannerman Energy (ASX:BMN)

Figure 5: Share Price Development (Start: January 2021)

Market Capitalisation (1/03/22)	Share Price (1/03/22)
$300m (AUD)	$0.245 (AUD)

Summary of Investment Case

Uranium developer Bannerman Energy is our "call option" on a high uranium price due to its strong leverage to the price.
With the smaller Etango-8 project and the optionality for the larger Etango-20 project, Bannerman retains flexibility to navigate the market to its needs.

We like its setup in the prime uranium jurisdiction Namibia and believe CEO Brandon Munro will either manage to bring the smaller Etango-8 into production in this cycle OR realize a complete buyout of the full scale project to the Chinese, who see Africa as their backyard to secure energy & resource independence.

At current share price levels of around $0.245 AUD, Bannerman is still trading significantly lower than in September/October 2021, with significantly better fundamentals in the market at present. Any shares under $0.30 AUD are a good buying opportunity

Introduction

Bannerman Energy is a uranium development company listed on the Australian Stock Exchange (ASX). Its flagship asset is the advanced Etango Uranium Project located in the Erongo Region of Namibia.

History of Bannerman in Namibia

Bannerman has carried out extensive exploration and feasibility activity on the Etango project over the course of the last 15 years.
The original plan during last uranium cycle was to develop the Etango project as an elephant sized project with a throughput of 20Mtpa. A Definitive Feasibility Study (DFS) was completed in 2012 followed by a DFS Optimization Study in 2015 and the build of a Heap Leach Demonstration Plant on site in 2015, which validated metallurgical parameters on an industrial scale.
However, in this time period the uranium market had already shifted to a bear market and the project went into hibernation.

Jurisdiction of Namibia

Namibia is the premier uranium investment jurisdiction in Africa with a 45-year history of uranium production and export, excellent infrastructure and support for uranium mining from government and community.
Namibia is the world's 4th largest producer of uranium and has a strong reputation as an ideal development jurisdiction due to its high political stability, security, strong rule of law and assertive development agenda.

The country has a variety of uranium producers (Paladin Energy) and Explorers/Developers (Deep Yellow, Forsys, Elevate Uranium) operating on its lands.

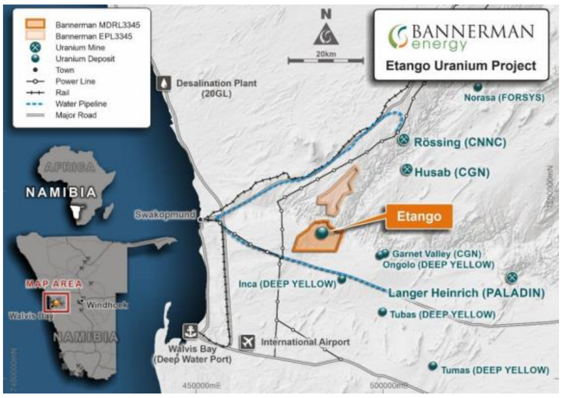

Figure 6: Etango Project in Namibia

With the Deep Water Port of Walvis Bay and International Airport in close proximity to exploration tenements, Namibia's infrastructure in the region is well regarded.
The Namibian Government is a 5% shareholder in Bannerman Energy, which adds to the government support.

Current Developments

After the experience of trying to bring online the large capital expenditure project Etango-20 (20Mtpa throughput, approx. $900m USD Capex), Bannerman Energy reviewed their approach and opted to work towards a smaller scale version of the project called Etango-8 (8Mtpa throughput, approx. $270m USD Capex), which would ultimately produce an average of 3.5 Mlbs per annum over the course of a 15-year initial mine life.

The company completed a Pre-feasibility study (PFS) in August 2021 confirming the projected economics of the project. The Etango-8 Definitive Feasibility Study is expected to be released in Q3 2022, which will enable off-take agreement and financing negotiations. Following engineering process and construction, ramp-up of production is envisaged for late 2025.

Financial Position

Bannerman's cash balance at 31/12/21 was A$9.2 million, the company has no debt.
Total exploration and development expenditure for the quarter was $684,000, which included work on the DFS.
With current expenditure levels the company is funded through to DFS completion, and we are not expecting a capital raising in the next quarters.

Risks

Due to its size, the Etango-8 project could encounter difficulties obtaining funding to build the mine. An increase in the uranium price will make funding much easier to come by for a project of this scale.

Bannerman trades at a relatively high valuation based on current uranium pricing. The risk that the uranium price does not increase to a sustainable level is very low. We expect Bannerman to continue to trade at a premium as the bull market continues

An African jurisdiction will always be a red flag for some potential investors. Namibia, however, is a special case. It is one of the only African countries in which self-driving while on holiday is encouraged, making it one of the safest African countries. The government frequently loses court cases. There is no history of civil unrest and uranium has been mined there for over 40 years.

The high operating cost could pose a risk to the project if technical difficulties are encountered. However, given the long history of the project, management have had ample time to finalise the technical details of the uranium extraction process. Cost inflation is expected to affect the CAPEX of the project. The upcoming DFS will include up-to-date costs so Bannerman will not be reliant on old cost calculations like some other companies.

Valuation & Outlook

With a current market capitalization of $345m AUD, the company trades approx. at the post-tax Net Present Value (NPV) of $222m USD indicated in the PFS. This would suggest an overvaluation since the company has no off-take agreements in place, no finished DFS and no financing secured.

However, we like Bannerman as an investment for three reasons:

1. Leverage to the uranium price

As a higher-cost mine, the project is uniquely sensitive to the uranium price. The baseline NPV of $222m USD in the PFS was calculated at $65/lbs U308 (current spot market price: $60/lbs).
A 10% increase in uranium price would result in a +50% movement in NPV. At a spot price closer to $100/lbs, which we believe is well possible, the NPV of the project quickly becomes multiples of the baseline estimate as illustrated in below table (based on PFS study numbers).

U308 spot price ($USD/lbs)	NPV8 (Etango 8)
$ 65.00	222
$ 71.50	333
$ 78.00	444
$ 84.50	555
$ 91.00	666
$ 97.50	777
$ 104.00	888
$ 110.50	999

Figure 7: NPV Sensitivity Table

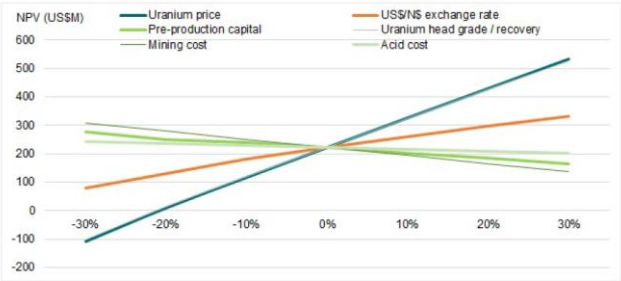

Figure 8: Valuation and Return Sensitivity Table (From: Etango-8 Pre-Feasibility Study)

2. Etango-20 upgrade OR buyout

Bannerman's total resource is of massive scale (208Mlbs). The Etango-8 project retains flexibility to expand to the larger throughput post operations commencing. The larger sized Etango-20 project could conservatively double the above calculated NPV. With this scale of resource, Bannerman is an attractive target for a complete buyout of the project.

A historic example from last uranium bull run is Australian company Extract Resources, which sold its flagship project Husab mine in 2012 for $AUD 2.2bn to a Chinese entity. Husab mine contains approx. 300Mlbs, with production of up to 15Mlbs per annum possible.

With the current emerging theme of energy security becoming more prevalent and China's large commitment to nuclear (building 150 reactors over the next 15 years), a takeover bid from China for the Etango project is a real possibility to take into account.

3. Management

CEO & Managing Director Brandon Munro is as smart as they come. He has over 20+ years' transactional and financing experience as a corporate lawyer and resources executive. As Co-Chair of World Nuclear Association Nuclear Fuel Demand sub-group, he is well connected within the industry, and he has lived in Namibia for over five years. His background in Mergers & Acquisitions makes us believe he is well prepared to steer the company towards an eventual Chinese buy-out, which would realize large value for shareholders.

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