LOTUS RESOURCES LIMITED

(Formerly Hylea Metals Limited)

A B N 38 119 992 175

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR

31 DECEMBER 2019

LOTUS RESOURCES LIMITED
ABN 38 119 992 175

Interim Financial Report - Half Year Ended 31 December 2019

Contents

CORPORATE DIRECTORY

Directors	Mr Simon Andrew Mr Tim Kestell Mr Mark Milazzo	Managing Director Non-Executive Director Non-Executive Director
Company Secretary	Ms Amanda Burgess	
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Website Address	www.lotusresources.com.au	
Auditor	RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth WA 6000	
Solicitor	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth, Western Australia, 6000	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000 Telephone: + 61 8 9323 2000 Facsimile: + 61 8 9323 2033	
Securities Exchange	ASX Limited Exchange Plaza 2 The Esplanade Perth, Western Australia, 6000 ASX Code: LOT	

DIRECTORS' REPORT

The directors present their financial statements of Lotus Resources Limited (formerly Hylea Metals Limited) ("Lotus") and its subsidiaries ("consolidated entity") for the six months ended 31 December 2019 and the auditor's review report thereon:

Directors

The directors of the Company at any time during or since the end of the half-year and until the date of this report are:

Name	Period of directorship
Mr Tim Kestell *Non-Executive Director*	Director since 7 September 2017 (date of appointment)
Mr Mark Milazzo *Non-Executive Director*	Director since 7 March 2018 (date of appointment)
Mr Simon Andrew *Managing Director*	Director since 2 January 2019 (date of appointment)

Review of Operations

Lotus Resources Limited (formerly Hylea Metals Limited) (the "Company") is a Perth based exploration company which listed on the Australian Securities Exchange in February 2009 (ASX: LOT).

The Company was pleased to announce on 24 June 2019 it had entered into an agreement with Paladin Energy Ltd (ASX:PDN) to acquire a 65% interest in the Kayelekera Uranium Project ("Kayelekera" or "the project") in Malawi.

The acquisition is an excellent opportunity for Lotus as Kayelekera is a world class uranium asset that has produced over 10.9Mlb of uranium and represents an opportunity to use the past production information to re-engineer certain mining and engineering processes in order to reduce the overall Capex and Opex of the operations. The Company is optimistic about the global uranium market and the outlook for firmer pricing.

Paladin Africa is the legal and beneficial owner of significant infrastructure and plant and equipment and the following licences which comprise the Kayelekera Project:

(a) Mining Licence 152 - Kayelekera;
(b) Exclusive Prospecting Licence - 225 - Mapambo;
(c) Exclusive Prospecting Licence - 417 - Rukuru;
(d) Exclusive Prospecting Licence - 418 - Uliwa;
(e) Exclusive Prospecting Licence - 489 - Nthalira;
(f) Exclusive Prospecting Licence – 502 - Juma-Miwanga; and
(g) all mining information relating to the above tenements.

The Company will hold its interest in Paladin Africa through a joint venture company Lily Resources Pty Ltd (Lily) (formerly Lotus Resources Pty Ltd). Lily will acquire 85% of the Kayelekera Project, by acquiring 85% of the shares in Paladin Africa.

The Government of Malawi (GoM) owns 15% of the Kayelekera Project, through the remaining 15% holding in Paladin Africa, and supported the project through a development agreement that provides a stable fiscal environment for the first 10 years of the project (Development Agreement). The GoM is committed to supporting and encouraging the private sector to assume a leading role in the economic development of projects in the mining sector in Malawi. The GoM has a 15% free carry at the project level.

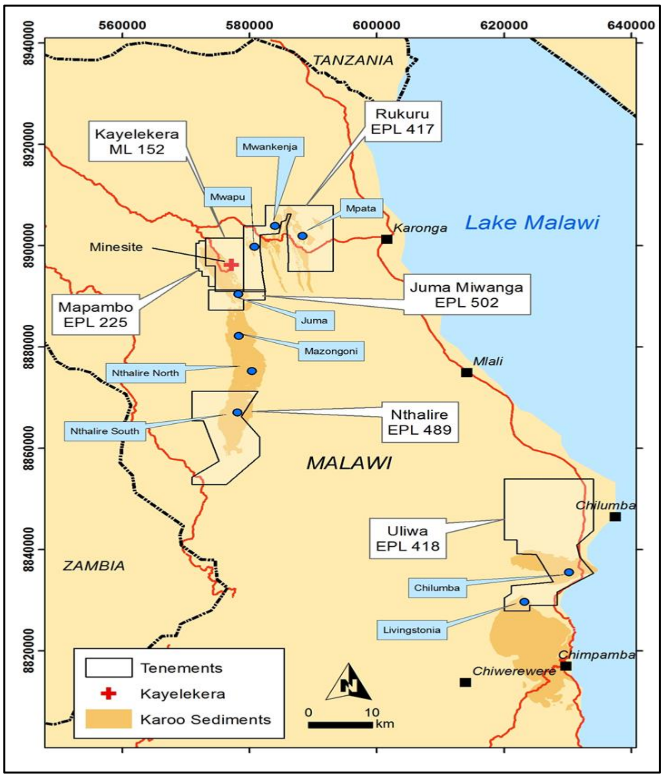
The Kayelekera Project

Location and history

The Kayelekera Uranium Project is located in northern Malawi, southern Africa, 52km west (by road) of the town of Karonga. The Project is owned through a holding vehicle, Paladin Africa. In addition to the Kayelekera Mining Lease, Paladin Africa also holds five Exclusive Prospecting Licences ('EPL') that are coincident with Karoo sediment basins and are similar to those that host the Kayelekera deposit.

The Kayelekera Mine produced over 10.9Mlb of uranium between 2009 and 2014.

Figure 1: Project Location and Licenses



The Mining License, ML152, covering 55.5km^2 was granted in April 2007 for a period.

Acquisition Agreement

The material terms of the Acquisition Agreement are as follows:

(a) Subject to the satisfaction of the Conditions Precedent, Lily will acquire 85% of Paladin Africa. As the Company holds 76.5% of the shares in Lily, this means that the Company will acquire an indirect interest of 65% of the shares in Paladin Africa.

(b) The Company has agreed to fund 100% of the consideration for the Acquisition. The consideration payable for the Acquisition is as follows:

   (i) $200,000 in cash, plus 90,000,000 Shares to be issued on Completion ($1,800,000 worth of Shares at the Capital Raising Price of $0.02 per Share) (Initial Consideration);

   (ii) a royalty of 3.5% of gross returns at the Kayelekera mine up to a maximum of $5M in favour of the Vendor (Royalty); and

   (iii) $3,000,000 worth of Shares to be issued on the third anniversary of Completion, calculated using the lower of:

      (A) the price at which Shares were issued under the most recent capital raising undertaken by the Company within 90 days prior to issue; and

      (B) 30-day VWAP for Shares up to and including the business day prior to issue (Deferred Consideration).

The $200,000 cash payment, forming part of the Initial Consideration, has been paid to the Vendor on behalf of the Company by Mr Grant Davey. Mr Davey was reimbursed for this amount by the Company from the proceeds of the Capital Raising.

DIRECTORS' REPORT (cont'd)

Under the Acquisition Agreement if, as a result of the Company issuing all or part of the Initial Consideration Shares or Deferred Consideration Shares, the Vendor's relevant interest in the Company would exceed 15% of the Company's Shares, the Vendor can require the Company to limit the number of relevant Consideration Shares that it issues to the Vendor so as not to cause the Vendor to exceed a 15% relevant interest. If the Vendor exercises this limitation, it will require that the Company does not issue the excess Consideration Shares until the Vendor provides the Company with written notice and that the Vendor's relevant interest has fallen to below 15% (subject to the Company being able to issue at least 1% of the its issued Shares). This process is to be repeated as many times as necessary until the full amount of the relevant Consideration Shares has been paid.

Under the Acquisition Agreement:

(i) the issue of the Deferred Consideration Shares is subject to Shareholder approval;

(ii) the Company must convene a meeting of its Shareholders to be held in the 90 day period prior to the issue date, to seek shareholder approval to issue the Deferred Consideration Shares; and

(iii) if Shareholders fail to approve the issue prior to the issue date, the Company must pay the cash equivalent of the Deferred Consideration Shares (calculated using the applicable deemed issue price referred to above) within 60 days after the relevant issue date.

(c) **Environmental Bond**

In addition to the Consideration, Paladin Africa must repay (or procure that the Company repays on its behalf) the amount of US$10,000,000 which had previously been advanced by Paladin to Paladin Africa to fund the environmental bond in favour of the GoM (Environmental Bond). The following amounts will be payable to Paladin in respect of the environmental bond advance:

(i) US$4,000,000 on Completion;

(ii) US$1,000,000 on the date that is 1 year after Completion;

(iii) US$2,000,000 on the date that is 2 years after Completion; and

(iv) US$3,000,000 on the date that is 3 years after Completion.

Conditions Precedent

Completion of the Acquisition is expected to occur in the second half of 2019 subject to the following conditions precedent having been satisfied by 31 August 2019 (or such later date as the parties may agree):

(i) to the extent required, obtaining the following parties' consent to the sale of the shares in Paladin Africa and the assignment of the assigned receivables to the Company:

(A) Malawian Energy and Mines Minister and Finance Minister;

The Company received on 20 December 2019 Statutory consent from the Minister for Natural Resources, Energy and Mining and on 28 February 2020 The Minister of Finance, Economic Planning and Development gave Contractual Consent for Paladin to divest its 85% interest in Kayelekera uranium project to Lotus.

(B) Reserve Bank of Malawi;

(C) Nedbank Limited; and

(D) the holders of Paladin notes approving the sale of Paladin Africa;

(ii) Paladin granting Paladin Africa a license to use certain intellectual property utilised in the Kayelekera plant;

(iii) assignment of the benefit of certain receivables owed by Paladin Africa to other Paladin group companies to Lotus with effect from completion of the acquisition;

(iv) Company Shareholder approval for:

(A) the issue of the Initial Consideration Shares;

(B) the issue of the capital raising Shares and options;

(C) the change in nature and scale of the Company's operations by virtue of the acquisition under Listing Rule 11.1.2; and

(D) any financial benefits received by related parties of the Company for the purposes of the Corporations Act; and

The Company received approval on 29 August 2019 at a General Meeting of shareholders and as such the above condition has been satisfied.

(v) the release of certain security interests registered over the assets of Paladin Africa.

Capital Raising

As announced by the Company on 23 July 2019, the Company proposed to fund the Acquisition with capital raisings to raise between $8 million and $8.5 million as follows:

1) a placement of 150,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise $3 million (before costs), together with one free attaching option exercisable at $0.04 each on or before the date which is 3 years from grant (**Option**) for every two Shares issued (**First Placement**);

2) an underwritten non-renounceable rights issue at an issue price of $0.02 per Share to raise $1 million (before costs), together with one free attaching Option for every two Shares issued (**Rights Issue**); and

3) a further placement of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise between $4 million and $4.5 million (before costs), together with one free attaching Option for every two Shares issued (**Second Placement**). Settlement of the Second Placement will be conditional on satisfaction of the key conditions precedent to completion of the Acquisition.

The First Placement has been completed was issued in two tranches:

1) **Tranche 1**: 25,034,798 Shares to be issued under the Company's available placement capacity (15,020,751 Shares to be issued under Listing Rule 7.1 and 10,013,834 issued under Listing Rule 7.1A), with the attaching Options issued at the date of this report; and

2) **Tranche 2:** the second tranche of 124,965,202 Shares was issued with shareholder approval gained on 29 August 2019.

The Convertible Loan replaced Tranche 1 of the First Placement. This was done so that all Shares issued under the First Placement and the Second Placement were issued after the record date for the Rights Issue so as not to be eligible to participate in the Rights Issue. The Shares issued on conversion of the Convertible Loan were also issued after the record date for the Rights Issue.

The Company successfully completed the capital raising placement of 124,965,202 shares on 12 September 2019 raising $2.5 million and the loan was converted on 10 October 2019 issuing a further 25,034,798 shares. Also completed was the non-renounceable rights issue at an issue price of $0.02 where the Company raised a further $1,001,396 issuing 50,069,831 shares on 25 September and the shortfall issued on 3 October 2019. The rights issue was fully subscribed.

The second placement is currently being completed and the Company expects this to complete on 13 March 2020. This placement is for 225,000,000 shares to raise $4.5mill.

Underwriting arrangements

As announced on 24 June 2019, the Company has received a firm commitment letter from BW Equities Pty Ltd to underwrite the above capital raisings up to $8 million. This underwriting commitment will terminate if each of the following has not been satisfied by 5.00pm (Perth time) on 28 February 2020. This arrangement was extended by 14 days to 13 March 2020 and approved by ASX on 28 February 2020.

1). the Company obtaining all necessary shareholder approvals for the acquisition and the capital raisings (other than the first tranche of the First Placement);

2) satisfaction of the following conditions precedent to completion of the acquisition:

   (i) all Malawi government consents necessary to complete the acquisition being obtained;

   (ii) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the acquisition being obtained; and

   (iii) all consents and approvals required from the noteholders of Paladin Energy Limited to complete the acquisition being obtained.

The Company has agreed to pay an underwriting fee of 5% of the amount of the firm commitment, payable on settlement of the relevant parts of the capital raising.

Matador has agreed to sub-underwrite up to $4 million of BW's underwriting commitment. The underwriting commitment and Matador's sub-underwriting commitment have been reduced by the amount of the Convertible Loan, such that the remaining underwriting commitment is $7.5 million of which $3.5 million is sub-underwritten by Matador.

DIRECTORS' REPORT (cont'd)

Convertible Note Agreement

The terms of the Convertible Loan Agreement include the following:

(a) Subject to shareholder approval, the Convertible Loan will be converted for the issue of Shares at the deemed issue price of $0.02 per Share (**Conversion Shares**);

(b) Matador will also be issued 1 free attaching Option for every 2 Conversion Share that is issued;

(c) Conversion will occur automatically subject to and conditional upon Shareholders approving the Acquisition;

(d) Matador's Conversion Shares will not be issued until after the record date for the Rights Issue, such that the Conversion Shares will not be eligible to participate in forthcoming Rights Issue (as defined and further explained above); and

(e) Matador to receive a 5% capital raising fee on the amount of the Convertible Loan pursuant to the terms of the sub-underwriting arrangements referred to above. Otherwise, there are no fees or interest payable in relation to the Converting Loan (other than default interest in the event of late payment.

If Shareholders have not approved the Acquisition within 3 months of the execution of the Convertible Loan Agreement, Matador will elect to either be repaid in cash or convert the Convertible Loan at the Conversion Price. The Company successfully received shareholder approval on 29 August 2019.

First Placement, Second Placement and Rights Issue

The Company released a Notice of Meeting on 23 July 2019 which includes resolutions to approve the Acquisition and the capital raisings referred to above and related matters.

The Notice of Meeting includes a detailed timetable in relation to the Rights Issue and the First Placement.

Settlement of the Second Placement will be conditional on satisfaction of the key conditions precedent to completion of the Acquisition.

The Company is pleased to advise that subsequent to the announcement on 23 July 2019, the Company has now issued a total of 124,965,202 fully paid ordinary shares (**Placement**) at an issue price of 2.0 cents per share to raise approximately $2.5 million before costs.

A total of 124,965,202 shares were issued under the Placement approved by Shareholders at the General Meeting held on 29 August 2019 (together with 1 free attaching option for every 2 shares subscribed for the issued under the placement totalling 62,482,626 issued) to raise approximately $2,500,000.

Ministry Consent

On 20 December 2019 the Company received from Malawi's Minister for Natural resources, Energy and Mining statutory consent.

On 28 February 2020 the Contractual Consent from the Minister for Natural Resources, Energy and Mining and the Minister of Finance, Economic Planning and Development was received and the completion of the sale remains subject to customary terms and conditions, including Reserve Bank of Malawi Approval, which is expected to follow.

Hylea Project

Lotus continues to explore funding options to progress the Tigers Creek Prospect and conduct additional work on the broader tenement package. This may include looking for a joint venture partner or farm-in arrangement.

DIRECTORS' REPORT (cont'd)

Results

The consolidated entity made a loss of $1,066,638 after income tax for the half-year (2018: loss of $420,531).

Events Subsequent to Reporting Date

On 28 February 2020 the Company announced that Lotus and Paladin have agreed to extend the completion date from the 28 of February 2020 to the 13 March 2020. The key terms and conditions of the transaction remain the same (ASX June 24th 2019). Both Lotus and Paladin believe the extension will allow for the orderly completion of all remaining conditions.

Contractual Consent was received from the Minister of Finance, Economic Planning and Development also on 28 February 2020 (ASX 2 March 2020).

The completion of the sale remains subject to customary terms and conditions, including Reserve Bank of Malawi approval which is expected to follow. Lotus has already received shareholder approval and Paladin has received approval from the requisite number of its bond holders.

Tranche 2 of the capital raising associated with the Kayelekera transaction is currently being completed and should be finalised on 13 March 2020. Under Tranche 2, Lotus will issue 225 million shares at 2c per share to raise $4.5 million. The transaction is fully underwritten by BW Equities.

Apart from the above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditor's independence declaration under Section 307C of the Corporations Act 2001

Section 307C of the Corporations Act 2001 requires our auditor, RSM Australia Partners, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this directors' report for the six months ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.

Simon Andrew
Managing Director

Dated at Perth, Western Australia, this 12th day of March 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Lotus Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 12 March 2020

TUTU PHONG
Partner

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Half-Year	
	Consolidated 31 December 2019 $	Consolidated 31 December 2018 $
Revenue from continuing operations	25,431	20,867
Exploration and evaluation general expenses	(169,547)	(41,109)
Corporate and administrative expenses	(886,284)	(392,210)
Depreciation expenses	(33,365)	(6,143)
Finance costs	(2,873)	(1,936)
(Loss) before income tax	**(1,066,638)**	**(420,531)**
Income tax	-	-
(Loss) for the half year	**(1,066,638)**	**(420,531)**
Other Comprehensive Income	-	-
Total Comprehensive (loss) for the half year attributable to owners of Lotus Resources Limited	**(1,066,638)**	**(420,531)**
Loss per share:		
Basic and diluted (loss) per ordinary share (cents)	(0.50)	(0.02)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		2,830,457	72,846
Trade and other receivables		276,065	63,678
Total Current Assets		**3,106,522**	**136,524**
NON-CURRENT ASSETS			
Plant and equipment		788	1,917
Exploration and evaluation assets	3	11,809,783	11,789,470
Right-of-use assets		53,685	-
Total Non-Current Assets		**11,864,256**	**11,791,387**
TOTAL ASSETS		**14,970,778**	**11,927,911**
CURRENT LIABILITIES			
Trade and other payables		351,872	236,758
Borrowings		-	150,000
Lease liabilities		55,124	-
Total Current Liabilities		**406,996**	**386,758**
TOTAL LIABILITIES		**406,996**	**386,758**
NET ASSETS		**14,563,782**	**11,541,153**
EQUITY			
Contributed equity	4	47,880,115	43,790,848
Reserves		1,064,439	1,064,439
Accumulated losses		(34,380,772)	(33,314,134)
TOTAL EQUITY		**14,563,782**	**11,541,153**

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

Consolidated 2019	Contributed equity $	Share based payment reserve $	Options premium reserve $	Accumulated losses $	Total Equity $
At 1 July 2019	**43,790,848**	**46,040**	**1,018,399**	**(33,314,134)**	**11,541,153**
(Loss) for the period	-	-	-	(1,066,638)	(1,066,638)
Total Comprehensive (loss) for the half-year	-	-	-	(1,066,638)	(1,066,638)
Transactions with equity holders in their capacity as equity holders					
Securities issued	4,289,302	-	-	-	4,289,302
Share issue costs	(200,035)	-	-	-	(200,035)
At 31 December 2019	**47,880,115**	**46,040**	**1,018,399**	**(34,380,772)**	**14,563,782**

Consolidated 2018	Contributed Equity $	Share based payment reserve $	Options premium reserve $	Accumulated Losses $	Total Equity $
At 1 July 2018	**43,790,848**	**46,040**	**1,018,399**	**(32,492,770)**	**12,362,517**
(Loss) for the period	-	-	-	(420,531)	(420,531)
Total Comprehensive (loss) for the half-year	-	-	-	(420,531)	(420,531)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
At 31 December 2018	**43,790,848**	**46,040**	**1,018,399**	**(32,913,301)**	**11,941,986**

The statement of changes in equity is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Half-Year Consolidated 31 December 2019 $	Consolidated 31 December 2018 $
Cash flows from operating activities		
Receipts from customers	22,534	16,966
Payments to suppliers and employees	(1,061,574)	(663,356)
Interest paid on lease liabilities	(2,366)	-
Interest received	3,075	3,901
Net cash (outflow) in operating activities	**(1,038,331)**	**(642,489)**
Cash flows from investing activities		
Payments for exploration expenditure – capitalised costs	(15,387)	(202,661)
Payments for exploration expenditure – acquisition costs	(200,000)	-
Payments for plant & equipment	(2,955)	(4,587)
Net cash (outflow) in investing activities	**(218,342)**	**(207,248)**
Cash flows from financing activities		
Proceeds from issue of shares	4,289,302	-
Proceeds from shares application received in advance	102,858	-
Repayment of borrowings	(150,000)	-
Repayment of lease liabilities	(27,841)	-
Capital raising costs	(200,035)	-
Net cash inflow from financing activities	4,014,284	-
Net increase/(decrease) in cash held	**2,757,611**	**(849,737)**
Cash and cash equivalents at the beginning of the period	72,846	1,081,231
Cash and cash equivalents at the end of the period	**2,830,457**	**231,494**

The statement of cash flows is to be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION

This general purpose financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Lotus Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period.

New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

The following Accounting Standard and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 'Leases' from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity leases its office under a lease agreement. The terms of the lease are renegotiated on renewal.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	86,978
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7% (AASB 16)	(4,012)
Right-of-use assets (AASB 16)	82,966
Lease liabilities - current (AASB 16)	(57,464)
Lease liabilities - non-current (AASB 16)	(25,502)
	(82,966)
Reduction in opening accumulated losses as at 1 July 2019	-

1. BASIS OF PREPARATION (cont'd)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2. SEGMENT REPORTING

The consolidated entity has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and the following are the reportable segments under AASB 8.

Consolidated 31 December 2019	Mineral Exploration - Hylea $	Uranium Africa $	Corporate $	Total $
Segment revenue				
Other unallocated revenue	-	-	25,431	25,431
Total revenue	-	-	25,531	25,431
Segment result	(33,237)	(136,311)	(897,090)	(1,066,638)
Unallocated revenues and expenses	-	-	-	-
Loss before related income tax expense				(1,066,638)
Segment assets as at 31 December 2019	11,609,783	200,000	3,160,995	14,970,778
Segment liabilities as at 31 December 2019	-	-	406,996	406,996

Consolidated 31 December 2018	Mineral Exploration $	Corporate $	Total $
Segment revenue			
Other unallocated revenue	-	20,867	20,867
Total revenue	-	20,867	20,867
Segment result	(41,109)	(379,422)	(420,531)
Unallocated revenues and expenses	-	-	-
Loss before related income tax expense			(420,531)
Segment assets as at 31 December 2018	11,756,419	276,442	12,032,861
Segment liabilities as at 31 December 2018	-	90,875	90,875

3. EXPLORATION AND EVALUATION ASSETS	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Exploration, evaluation and development costs carried forward in respect of areas of interest	11,809,783	11,789,470
Reconciliation		
Carrying amount at beginning of period	11,789,470	11,553,758
Exploration and evaluation expenditure	20,313	235,712
Carrying amount at end of period	11,809,783	11,789,470

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

4. CONTRIBUTED EQUITY	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Fully paid ordinary shares	47,880,115	43,790,848

	Shares No.	Shares $
At 1 July 2019	100,139,194	43,790,848
Issue of shares *	175,035,033	3,500,700
Issue of shares on exercise of options	7,197,644	287,906
Issue of shares on conversion of convertible loan	25,034,798	500,696
Share issue costs	-	(200,035)
At 31 December 2019	307,406,669	47,880,115

*Related to placement of shares and non-renounceable rights issue at $0.02 per share.

5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change in the contingent liabilities or contingent assets from the annual report for the year ended 30 June 2019.

6. EVENTS SUBSEQUENT TO REPORTING DATE

On 28 February 2020 the Company announced that Lotus and Paladin have agreed to extend the completion date from the 28 of February 2020 to the 13 March 2020. The key terms and conditions of the transaction remain the same (ASX June 24th 2019). Both Lotus and Paladin believe the extension will allow for the orderly completion of all remaining conditions.

Contractual Consent was received from the Minister of Finance, Economic Planning and Development also on 28 February 2020 (ASX 2 March 2020).

The completion of the sale remains subject to customary terms and conditions, including Reserve Bank of Malawi approval which is expected to follow. Lotus has already received shareholder approval and Paladin has received approval from the requisite number of its bond holders.

Tranche 2 of the capital raising associated with the Kayelekera transaction is currently being completed and should be finalised on 13 March 2020. Under Tranche 2, Lotus will issue 225 million shares at 2c per share to raise $4.5 million. The transaction is fully underwritten by BW Equities.

Apart from the above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

7. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

Directors' declaration

In the opinion of the directors:

1. the financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the six months ended on that date; and

    (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001;

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

Simon Andrew
Managing Director

Dated at Perth, Western Australia this 12th day of March 2020.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
LOTUS RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lotus Resources Limited which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lotus Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lotus Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lotus Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 12 March 2020