



ABN 38 119 992 175

ANNUAL REPORT

for the year ended 30 June 2020

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C O R P O R A T E D I R E C T O R Y

Directors

Mr John Sibley	Non-Executive Chairman
Mr Eduard Smirnov	Managing Director
Mr Grant Davey	Non-Executive Director
Mr Stuart McKenzie	Non-Executive Director

Company Secretary

Mr Stuart McKenzie
Ms Amanda Burgess

Principal Place of Business and Registered Office

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Solicitor

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MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

I am pleased to provide this Annual Report on your Company's performance in FY2020.

During the past year, we have emerged as a new player in the uranium market and laid the foundation to grow value and advance towards the restart of the Kayelekera Uranium Project. Early in the year, the uranium price marked a recovery from 14-year cycle lows of US\$20-25 lbs of U₃O₈. Positive momentum continued through the year, contributing to Lotus's outperformance versus the broader market.

Our FY2020 results were strong, reflecting the closing of the Kayelekera acquisition on improved terms with on-target project advancements and cost savings. The A\$14.9M closing consideration was satisfied with an A\$0.2M cash payment, an A\$3.1M share issue, an A\$3M shares to be issued on the 3rd anniversary of completion and US\$6.0M in deferred payments. We used the improved consideration to settle 40% of the Project's US\$10.0M legacy rehabilitation bond, with the balance payable over a 3-year period post-closing.

During the year, as planned, we worked to both increase the mineral resource at Kayelekera and advance our restart study program. We applied the Project's historic production performance and technical studies and developed a restart study approach focussed on a rapid and cost-optimal production restart. Our JORC compliant resource estimate now stands at 37.5M lbs U₃O₈, with an exploration potential target range of an additional 7-14M lbs U₃O₈.

In addition, we implemented significant cost-saving measures. Our guidance for care and maintenance costs has been reduced by 50%, or US\$0.9M, from the 2020 June-end quarter on a quarterly basis and by 75%, or US\$3.6M, from the original 2019 budget estimate on an annual basis.

Site safety has remained the highest priority at our operations in Malawi. In that regard, I am pleased to note that we had no reportable safety, health or environmental incidents and no Covid-19 related cases at site during the year.

During the next financial year, Kayelekera will remain on care and maintenance. We will not be standing still, however. We will be focussed on re-establishing the Project as a proven producer, offering security of supply to utilities worldwide as the next cycle of long-term contracting develops. To that end, we are moving forward now with offtake and contracting outreach to prospective utility customers.

In addition, we will remain committed to significant pre-feasibility level technical studies as well as further exploration and drilling programs, in order to grow value and continue progress towards restart readiness.

We owe our strong performance in 2020 to the hard work and passion of the people of Lotus. Our first financial year has taught us many things, but especially this – the world needs people who think creatively, act decisively and bring the best of themselves to what they do. The Lotus team has made great progress in the last twelve months.

In closing, I would like to express my deep appreciation to our employees, shareholders, Malawian communities, suppliers and other stakeholders for their continuing support. I also extend my thanks to the Board of Lotus, which has been a source of strength and leadership for the Company and for me personally since my appointment three months ago.

We look ahead with confidence, noting supportive uranium market fundamentals, synchronized post Covid-19 global economic growth and the re-emerging importance of nuclear electricity as a source of clean and safe baseload energy. We believe our proven producer positioning in uranium will continue to create compelling value for our shareholders in the years ahead.

Thank you for your continued support of Lotus.



Eduard Smirnov
Managing Director

D I R E C T O R S ' R E P O R T

The Directors present their report, including the remuneration report, together with the Corporate Governance Statement and financial report of Lotus Resources Limited (the **Company** or **Lotus Resources**) and its subsidiaries (the **Consolidated Entity** or **Group**) for the year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr John Sibley Non-Executive Chairman – Appointed 24 June 2020		
Experience and expertise	<p>John Sibley has extensive board, special committee and executive experience with a particular focus on mining, financing, regulatory compliance and corporate governance in Canada and internationally.</p> <p>John was formerly the Executive Vice President, General Counsel and Corporate Secretary of Uranium One Inc. based in Toronto, Canada. During his 10-year career with the company he gained extensive experience in working with governments and state-owned enterprises in Asia Pacific, Africa, Europe, North America and the countries of the Commonwealth of Independent States. John played a central role in the company's development into a global uranium producer, with a market valuation of \$3 billion on its 2013 public going private transaction.</p> <p>Prior to 2018, John served as Chairman of Qtrade Canada, a leading Canadian financial services and wealth management business. Prior to joining Uranium One in 2006, John practiced securities and mining law as a partner in Bull, Housser & Tupper (now Norton Rose Fulbright Canada LLP) and Davis & Company (now DLA Piper Canada LLP).</p>	
Other current directorships	<p>Aldebaran Resources Inc. (Non-executive Director)</p> <p>Stillwater Canada Limited (Non-executive Director)</p>	
Former directorships in the last 3 years	Qtrade Canada Inc.	
Special responsibilities	Chairman	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

Mr Eduard Smirnov Managing Director – Appointed 29 June 2020		
Experience and expertise	<p>Eduard Smirnov has significant international executive experience in the mining and metals industry with a focus on operations, corporate development and strategy developed through his over 15-year career in the resources and financial industries.</p> <p>Prior to becoming MD, Eduard was responsible for uranium production, development and exploration in eight countries around the world, including Kazakhstan, the U.S. and Tanzania, and for the growth and management of the global nuclear utility order book at Uranium One Inc. based in Toronto, Canada. He helped drive the financial transformation of the business, refinancing over \$500 million of debt with listings in Toronto, Luxembourg and Moscow exchanges, delivering more than \$100 million in annual cost savings and maintaining cost-optimal production.</p> <p>Eduard served as Uranium One's Chief Executive Officer from 2016 to 2019 and Manager of its Corporate Development and Corporate Projects Divisions from 2013 to 2016. Prior to that, he held various senior positions at Royal Bank of Canada's Strategy and Transformations Group and at KPMG's Corporate Finance Group.</p>	
Other current directorships	Nil	
Former directorships in the last 3 years	Uranium One Inc.	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

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D I R E C T O R S ' R E P O R T (c o n t ' d)

Mr Grant Davey Non-Executive Director -Appointed 22 June 2020		
Experience and expertise	Mr 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 Panda Hill niobium project in Tanzania, the Cape Ray gold project in Newfoundland and recently the acquisition of the Kayleker Uranium mine in Malawi from Paladin. He is currently a Company Director for Cradle Resources Limited (ASX:CXX), Superior Lake Resources (ASX:SUP), and is a member of the Australian Institute of Company Directors (AICD)	
Other current directorships	Cradle Resources Limited (Executive Director) Superior Lake Resources Limited (Non-Executive Director) Lotus Resources Limited (Non-executive Director)	
Former directorships in the last 3 years	Boss Resources Limited (Non-Executive Director) Matador Mining Limited (Non-Executive Director)	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary shares	26,099,084
	Unlisted Options	13,049,542

Mr Stuart McKenzie Non-Executive Director -Appointed 22 June 2020		
Experience and expertise	Mr McKenzie has over 30 years of experience in senior commercial roles. He was previously Company Secretary with Anvil Mining Limited for six years, prior to which he held senior positions with Ok Tedi Mining Limited, Ernst and Young and HSBC. Mr McKenzie is the current company secretary of Matador Mining Limited, Lotus Resources Limited, Superior Lake Resources Limited and Tanga Resources Limited.	
Other current directorships	Nil	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	300,000
	Unlisted Options	175,000

Mr James Egging Non-Executive Chairman – Appointed 15 May 2020 - Resigned 23 June 2020		
Experience and expertise	Mr Egging has been involved in the uranium market since 1981. During his career Mr Egging held senior management roles at Queensland Mines Limited, CRA Limited, WMC Limited and Paladin Energy Limited. He has an intimate knowledge of the uranium market having been involved with mine to market logistics and full product lifecycle issues. His career has included extensive involvement in uranium regulatory compliance at a national and international level. He has been a Director and Chair of the Uranium Information Centre and been on the Board of the World Nuclear Association. At Paladin Mr Egging held the position of General Manager – Sales and Contract Administration. Mr Egging managed sales contract development and product logistics for Langer Heinrich Uranium (Namibia) and Kayleker Uranium (Malawi) as well as working on corporate marketing strategy, investor relations, project finance, regulatory compliance (uranium issues), government and trade organisation activities.	
Other current directorships	Nil	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

D I R E C T O R S ' R E P O R T (c o n t ' d)

Mr Andrew Mirco Non-Executive Director – Appointed 15 May 2020 - Resigned 23 June 2020		
Experience and expertise	Mr Mirco has held senior executive positions at Woodside Petroleum Limited, Paladin Energy Limited and currently Argosy Minerals Limited. Mr Mirco is an experienced corporate finance and business development executive with a strong background in financing, commercial negotiations, deal structuring, risk management and stakeholder engagement. At Paladin Mr Mirco held the position of General Manager Corporate Development & Investor Relations. In this capacity he was responsible for planning, analysis and execution of merger and acquisition opportunities, investor relations, enterprise risk management and treasury	
Other current directorships	Nil	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

Mr Simon Andrew Managing Director –Resigned as Managing Director 19 May 2020 and terminated as CEO 26 June 2020		
Experience and expertise	Mr Andrews has over 20 years' experience in financial markets in Asia and Australia. Previously he has held senior management positions at various global investment banks. These roles included leading the equity sales desk for BNP Paribas for the ASEAN region and heading the Refining and Petrochemicals sector research team at Deutsche Bank in Asia. Mr Andrew was a founding director of Emmerson Resources (ASX:ERM). He was responsible for securing the financing for the purchase of the Tennant Creek assets for Emmerson and arranging the IPO in 2007. He is currently a director of Rivers Gold Limited (ASX:RGL).	
Other current directorships	Riversgold Limited (Non-Executive Chairman)	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

Mr Mark Milazzo Non-Executive Director – Resigned 23 June 2020		
Experience and expertise	Mr Milazzo is a Mining Engineer with over 30 years' experience in the development and management of mines and mineral processing plants across a range of commodities in Australia and overseas. This includes both underground and surface operations, and covers a wide range of mining applications, from small scale selective to mechanised bulk extraction methods. He has been involved in a number of new mine development and mine expansion projects. He has previously served on a number of ASX listed company boards. Mr Milazzo is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.	
Other current directorships	Nil	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

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D I R E C T O R S ' R E P O R T (c o n t ' d)

Mr Tim Kestell Non-Executive Director - Resigned 31 May 2020		
Experience and expertise	Mr. Kestell has over 20 years' experience in capital markets including working for Australian stockbrokers Euroz Securities and Patersons. In the past 14 years he has played a key role in floating and re-capitalising publicly listed companies. He is currently a director of Neon Capital Ltd and Blue Capital Ltd.	
Other current directorships	Nil	
Former directorships in the last 3 years	Nil	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	Nil
	Unlisted Options	Nil

COMPANY SECRETARY

Mr Stuart McKenzie

Appointed 22 June 2020

See Page 6

Ms Amanda Burgess

Appointed 2 January 2019

Ms Burgess is a finance professional with over 25 years' experience in accounting and company administration. Ms Burgess holds a Bachelor of Economics from the University of Western Australia and is a CPA with the Australian Society of Certified Practising Accountants. Ms Burgess currently holds CFO and Company Secretary positions with other Australian companies.

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DIRECTORS' REPORT (cont'd)

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended
Mr John Sibley ⁽ⁱ⁾	-	-	-	-
Mr Eduard Smirnov ⁽ⁱⁱ⁾	-	-	-	-
Mr Grant Davey ⁽ⁱⁱⁱ⁾	1	1 ^(viii)	-	-
Mr Stuart McKenzie ⁽ⁱⁱⁱ⁾	1	1	-	-
Mr Simon Andrew ^(iv)	5	5	-	-
Mr Andrew Mirco ^(vii)	6	6	-	-
Mr James Eggins ^(vii)	6	6	-	-
Mr Tim Kestell ^(vi)	8	8	2	2
Mr Mark Milazzo ^(v)	11	11	2	2

(i)Appointed 24 June 2020

(ii)Appointed 29 June 2020

(iii)Appointed 22 June 2020

(iv)Resigned 19 May 2020

(v)Resigned 23 June 2020

(vi)Resigned 31 May 2020

(vii)Appointed 15 May 2020 - Resigned 23 June 2020

(viii) This meeting was attended by Mr Davey's alternate Director

Committee membership

As at the date of this report, there is no audit and risk committee or remuneration committee. The Board has determined that given the size and composition of the Board and the scale of the Company's activities, the functions of those committees ought to be performed by the Board. For further information, please see the Company's Corporate Governance Statement.

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the development of interests in exploration and development projects in the resource industry in Australia and Malawi.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year the Company changed strategic direction by moving away from its exploration focus on its Australian exploration tenements and acquiring the Kayelekera Uranium Project, in Malawi. The Company's focus moving forward will be the improvement in processes and costs to position the Kayelekera project for a restart.

DIRECTORS' REPORT (cont'd)

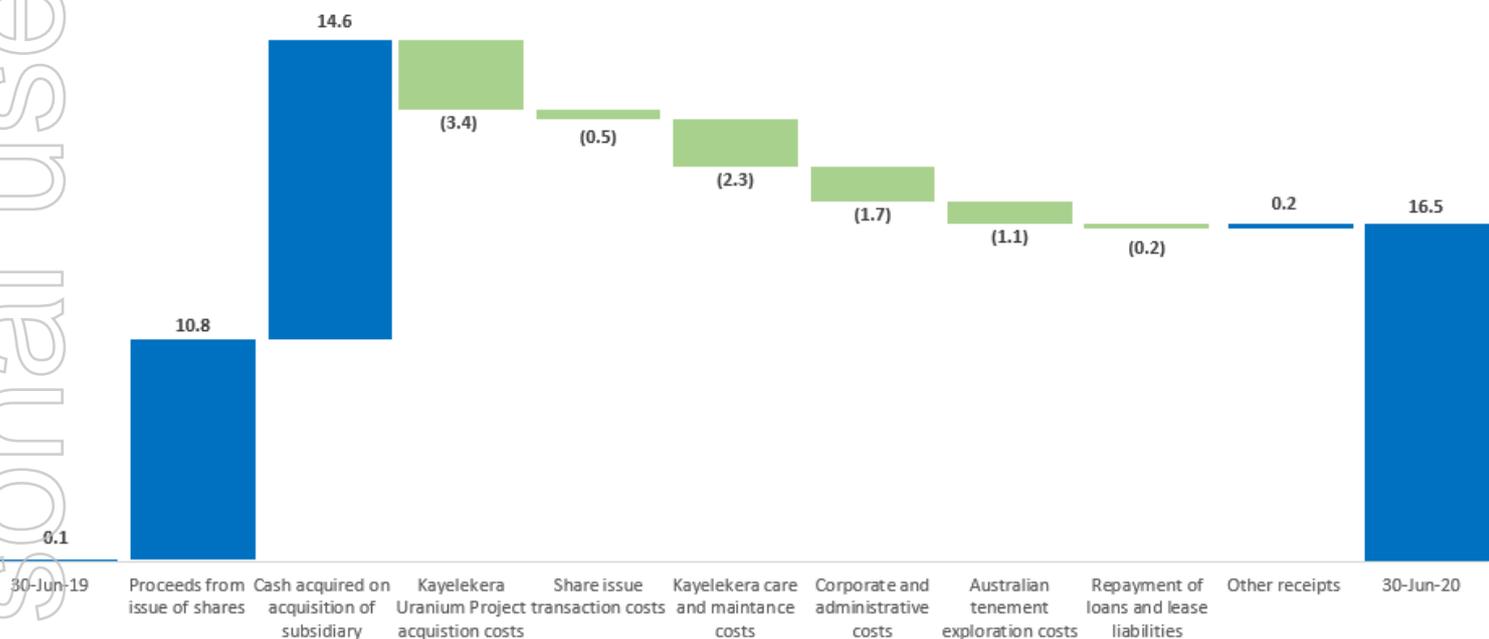
RESULTS

The Group incurred a loss after income tax of \$16,569,943 for the financial year after income tax (2019: loss \$821,364).

Cash Flows

The group had cash and cash equivalents at 30 June 2020 of \$16,496,834. Cash and cash equivalents at 30 June 2020 consisted of unrestricted cash of \$1,935,494 and restricted cash of \$14,561,340. An analysis of the cash flows for the year is set out below.

Cash flows for the year ended 30 June 2020
(AUD\$M)



Cash and cash equivalents increased by \$16.4m during the year comprising of the following cash flows:

- **Proceeds from issue of shares** - during the year the Company raised \$8.0m (before costs) via the issue of 400,035,033 ordinary shares at \$0.02 per share. In addition, the Company received a further \$2.3m from the exercise of options and \$0.5m from the conversion of convertible notes.
- **Cash acquired on acquisition of subsidiary** - the Company acquired a \$14.6m (USD \$10m) cash-backed environmental performance bond as part of the acquisition of the Kayelekera Uranium Project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place. The Company is currently working with its bank and insurance company to put insurance in place that would allow the Company to access the funds currently restricted by the bond.
- **Kayelekera Uranium Project acquisition costs** - as part of the acquisition of the Kayelekera Uranium Project the company paid a cash payment of \$0.2m (AUD) and a \$4.0m (USD) repayment of an environmental bond offset by \$2.0m (USD) receipt from Paladin (Africa) Limited for water treatment costs. Total cash outflow in AUD was \$3.4m.
- **Share issue transaction costs** - costs associated with raising capital were \$0.5m.
- **Kayelekera care and maintenance costs** - cash care and maintenance costs on the Kayelekera Uranium Project of \$2.3m were paid during the period.
- **Corporate and administrative costs** - cash payments to suppliers and employees for the year were \$1.7m. This consisted of legal, administration, salaries and wages and general overhead costs.

DIRECTORS' REPORT (cont'd)

Cash Flows (Cont'd)

- **Australian tenement exploration costs** - during the period the Company incurred \$1.1m of exploration expenditure on its Australian tenements. Subsequently, on 13 March 2020 the Company completed the acquisition of the Kayelekera which resulted in a change in strategic direction for the Company. The amount of \$12.7m held on the balance sheet related to the Company's exploration tenements in Australia including its cobalt tenements in New South Wales. Given that the Company is not expected to allocate its resources to these tenements in the near future and their decrease in value due to a decline in the cobalt price, the Company has impaired the entire amount previously capitalised for these tenements.
- **Repayment of loans and lease liabilities** – the Company spent \$0.2m on repayment of loans and lease liabilities during the year.
- **Other receipts** – the Company received \$0.2m of other income during the period.

REVIEW OF ACTIVITIES

Acquisition of Kayelekera Uranium Project

On 24 June 2019, the Group entered into an agreement with ASX listed Paladin Energy Limited (ASX: PDN) to acquire an indirect 65% interest in the Kayelekera Uranium Project.

Subsequently, in April 2020, the Group completed the acquisition of Kayelekera, by way of Lily Resources Pty Ltd (**Lily**) acquiring 85% of the shares in Paladin's subsidiary Paladin (Africa) Limited (**PAL**). Lotus holds 76.5% of the shares in Lily and Kayelekera Resources Pty Ltd holds 23.5% of the shares in Lily, giving Kayelekera Resources Pty Ltd an indirect 20% interest in the Kayelekera project, with the remaining 15% of PAL shares retained by the Malawi Government.

Kayelekera is located in northern Malawi, southern Africa, 52km west (by road) of the town of Karonga (Figure 2). In addition to the Kayelekera Mining Lease, PAL also holds five Exclusive Prospecting Licences that are coincident with Karoo sediment basins and are similar to those that host the Kayelekera deposit. The mine produced over 10.9Mlb of uranium between 2009 and 2014 with a significant high-grade Resource estimate (refer to Table 2 below for further details).

The acquisition of Kayelekera was funded by:

- completion of a placement in September 2019 of 124,965,202 Shares to sophisticated and professional investors at an issue price of \$0.02 per Share, together with one free attaching option exercisable at \$0.04 each for every two Shares issued;
- 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; and
- a further placement of 225,000,000 Shares to sophisticated and professional investors at an issue price of \$0.02 per Share with one free attaching Option for every two Shares issue

Kayelekera Mineral Resource

Shortly after completing the acquisition of Kayelekera, the Group reported an updated mineral resource estimate of 37.5Mlb U3O8 (27.1Mt @ 630 ppm U3O8 – refer to Table 2. Kayelekera Mineral Resource March 2020), which represented a 31% increase in the global metal content to the previous Mineral Resource of 28.7 Mlb U3O8 (18.9Mt @ 700ppm U3O8) reported by Lotus on 24 June 2019.

The Updated Mineral Resource is summarised in Table 2 below with 11% (by metal content) classified as Measured, 72% classified as Indicated and 17% classified as Inferred. Metal content is based on contained metal in the ground and takes no account of mining or metallurgical recoveries, mining dilution or other economic parameters. The primary driver for the resource increase was the identification and inclusion of a previously unmodelled high-grade basal arkose unit beneath the pit, and the inclusion of existing Run of Mine and low-grade stockpiles created while Kayelekera was in production from 2009 to 2014. The stockpiles have already been mined and sit near the processing plant.

The updated Mineral Resource utilised the same modelling techniques as the previous estimate and will form the basis for mining studies at Kayelekera, which will focus on delivering improvements in costs associated with mining and processing, including the potential use of beneficiation and sorting techniques.

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DIRECTORS' REPORT (cont'd)

Care and maintenance costs

The Company has undertaken a comprehensive review of all activities and associated costs at the Project site to ensure we optimise the site care and maintenance programs and costs. The review has ensured that the primary focus for the ongoing activities are the core requirements of:

- 1) Maintaining a high level of security and safety at site;
- 2) Ensuring compliance with all regulatory requirements; and
- 3) On-going maintenance of critical equipment.

The revised care and maintenance operating cost guidance will now be approximately US\$1.2M for the year ending 30 June 2021. Additional costs associated with in-country General and Administration costs include insurance premiums, tenements fees and are approximately US\$0.14M for the year ended 30 June 2021. A significant part of the guidance depends on a capital investment required to finance installation of an improved water treatment system. The guidance is net of in-country senior management remuneration which is incurred at the Parent level and is being recharged to the Company's subsidiary in Malawi operating the Project. The Company has also identified a number of other areas that could see further cost reductions implemented. These initiatives are currently being further investigated.

Recordable Incident Rate

No reportable incidents and no Covid-19 related cases at the Kayelekera Uranium Project site were observed during the 12-month period ending 30 June 2020. The total recordable injury rate for the period is recorded at zero.

Mining License and Mine Development Agreement

On 2 April 2007, the Ministry of Energy, Mines and Natural Resources of Malawi issued a 15-year Mining License to the Company's subsidiary in Malawi – Paladin Africa Limited for the Kayelekera Uranium Project in accordance with the Malawi Mines and Minerals Act of 1981. The Mine Development Agreement providing for a fiscal, stability, royalty and equity regime among other terms for the Project development was executed between the Malawi Ministry of Energy, Mines and Natural Resources and Ministry of Finance and Paladin Africa Limited and a former owner of the Project - Paladin Energy Minerals (Australia) on 22 February 2007. On 7 February 2014, Paladin Africa informed Ministry of Finance, Ministry of Mining and Ministry of Labour and other regulators of production suspension and transition to a care and maintenance state for the Project, citing continued adverse uranium market conditions as the primary reason. The Company will apply for the extension of the Mining License in advance of its expiration date of 2 April 2022 and will concurrently review the Mine Development Agreement terms with the Ministry of Finance and Ministry of Mining. The submission for the extension of the Mining License and the review of the Mine Development Agreement comply with the Mines and Minerals Act of 2019 and other relevant regulations.

Payments to Government

For the 12-month period ending 30 June 2020, payments to Government of Malawi amounted to US\$0.6 million comprising statutory payroll tax, withholding tax and fees paid by the Company's subsidiary in Malawi operating the Kayelekera Uranium Project – Paladin Africa Limited.

Corporate and Social Responsibility Payments

For the 12-month period ending 30 June 2020, corporate and social development-related contributions directly supporting local communities in Malawi amounted to US\$28,000. The contributions are related to educational and community development projects in the vicinity of the Project site area and were made by the Company's subsidiary in Malawi operating the Kayelekera Uranium Project – Paladin Africa Limited.

Restart Scoping Study

The Company is well advanced with a restart scoping study (**Study**), which is expected to be available in the December quarter. The Study will be underpinned by a mining study that is based on the Updated Mineral Resource and supported by historical costs during the period of operations at Kayelekera. The restart of the Kayelekera operation is subject to a recovery in the uranium price to a level providing for sustainable and profitable production.

Kayelekera Minority Ownership

Lily Resources Pty Ltd, a direct subsidiary of the Company, is an owner of Paladin Africa holding title to Kayelekera Uranium Project. The Company has indirect 65% interest in the Project and 15% is owned by the Government of Malawi. The remaining 20% of the Project is owned by a third party, Kayelekera Resources Pty Ltd. (the Minority).

DIRECTORS' REPORT (cont'd)

One of the owners of the Minority is Grant Davey, a Non-Executive Director and shareholder of Lotus and Managing Director of Matador Capital. Lotus and the Minority (the Parties) entered into a shareholders' agreement in June 2019 (the Agreement) that governs the rights and responsibilities of both shareholders.

The key terms of the Agreement are publicly disclosed in the Section 1.5 of the Notice of Meeting dated 25 July 2019. The following (as previously disclosed) is a summary of the key terms.

- **Buy-Out Right:** Lotus has the right to buy-out the Minority in its entirety by giving notice of such an election for the buy-out consideration.
- **Buy-Out Consideration:** Consideration to be agreed between the Parties. To be purchased in Lotus shares at the 20-day VWAP at the Fair Market Value, being the price that may reasonably be expected for the shares in an arm's length transaction between a willing buyer and a willing seller. Fair Market Value is to be determined by a third-party valuer from one of the big four accounting companies.
- **Transfer Notice:** A selling shareholder must notify the continuing shareholder if it wishes to sell shares and the continuing shareholder will have the first right of refusal.
- **Sale to a Third Party:** If Lotus is selling its ownership in the Project to a third party, then the Minority shareholder has the right to tag along on the same terms as the Lotus third party sale.
- **Free-Carry Period:** Lotus is responsible for all group expenditure until the later of:
 - a) Group expenditure funded by Lotus reaches A\$10 million or more; and
 - b) The third anniversary of the date of the agreement June 2022, with the Minority being free carried during this period.
- **Dilution:** After the free carry period, shareholders will be called to contribute in accordance with their shareholding or dilute. Diluting shareholders' interest equals its contributions in cash or kind divided by contributions in cash or kind by all shareholders.
- **Roll-Up Right:** The Minority has the right to roll up all its shareholding by making an election at the earlier of a change of control or the end of the free carry period. If the Minority makes an election, then Lotus must purchase all the Minority shareholding or transfer all shares held by it to the Minority for no consideration

Exploration opportunity

An Exploration Target of between 6 and 21 Mt at a grade of between 300 and 600ppm U₃O₈, which was derived from the near-mine and brownfields exploration regions, has been identified at the Group's Malawi tenements (see Table 1). This indicates a potential metal endowment of between 7 and 14MLb of U₃O₈.

The Exploration Target is summarised by prospect in Table 1. Note that the Exploration Target is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain that further exploration will result in the estimation of a Mineral Resource.

Table 1. Exploration Target

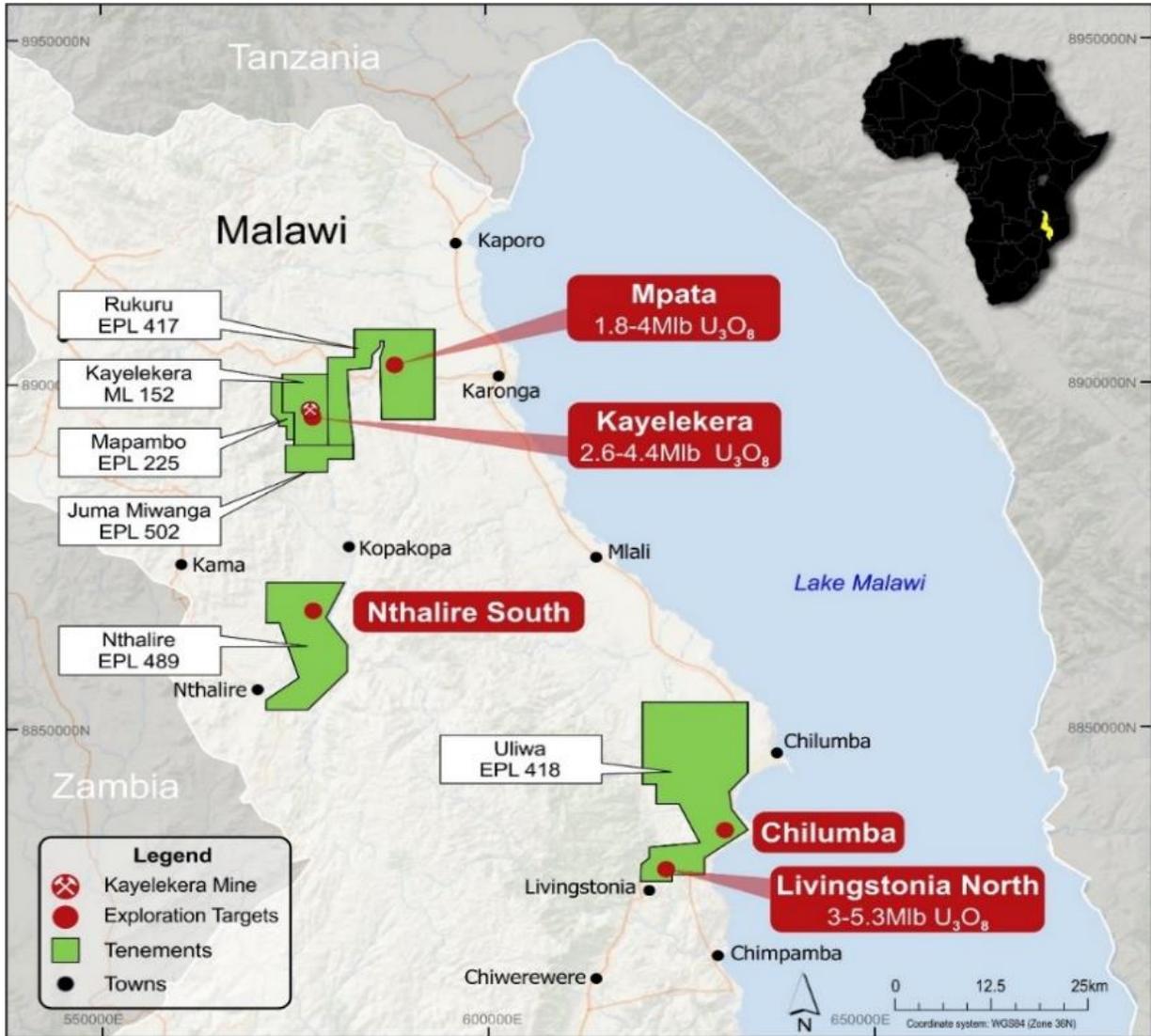
Tenement	Project	Tonnage Range		Grade Range		Contained Metal		
		Min	Max	Max	Min	Max	Min	Max
		Mt	Mt	ppm	U ₃ O ₈ Kt	U ₃ O ₈ Kt	U ₃ O ₈ MLb	U ₃ O ₈ MLb
ML 152	Kayelekera	1	5	1,200	1.2	2.0	2.6	4.4
EPL417	Mpata	2	9	400	0.8	1.8	1.8	4.0
EPL418	Livingstonia North	3	8	450	1.4	2.4	3.0	5.3
	Total	6	21	600	3	6	7	14

The location of the tenements in Table 2 and their proximity to Kayelekera is shown in Figure 1.

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DIRECTORS' REPORT (cont'd)

Figure 1. Kayelekera Location Map and Exploration Targets



Rare earths and rutile exploration opportunity

Early-stage field work on licences in close proximity to the Kayelekera Project identified high-grade Rare Earth Elements (REE) and rutile-bearing granitoids at the Milenje Hills Prospect, approximately 2km north of the Kayelekera resource area (see Figure 2).

The Milenje Hills prospect was discovered through ground surveys and mapping in 2014 during exploration for uranium mineralisation adjacent to the Kayelekera uranium resource. Preliminary (and never released) surface and trench grab samples have returned significant REE and TiO₂ (predominantly from rutile) results from granitoid gneiss float material and sub crop. Significant hand samples returned grades up to 38% total rare earth oxides (ASX announcement 8 April 2020).

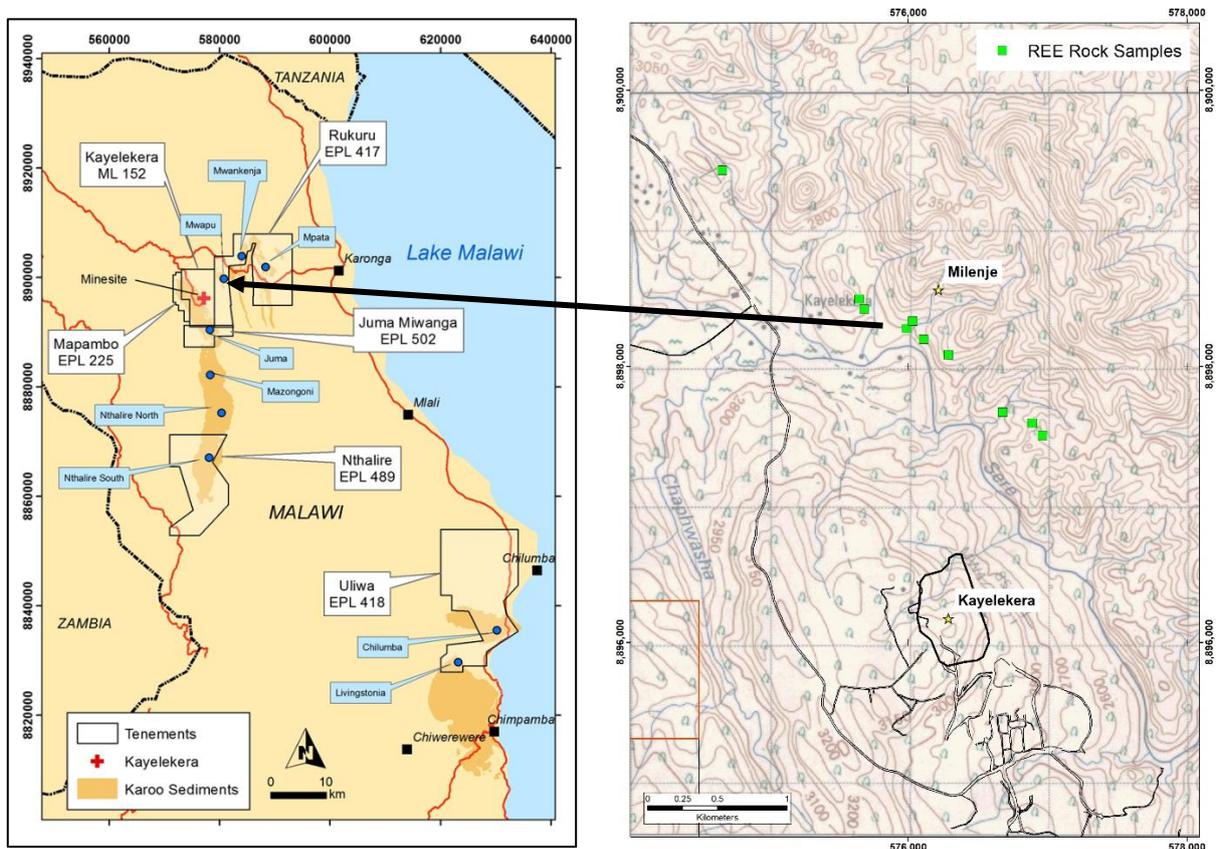
The mineralisation is interpreted to be associated with allanite-rich pegmatite dykes and associated fluid alteration within associated granitoids, which have been emplaced into the host Ubendian gneisses and granites. Both the pegmatite material and granitoids exhibit high REE and TiO₂ grades (up to 38% total Rare-Earth Oxides).

Importantly, the rare-earth assemblage identified includes significant portions of the high-value critical rare earth oxides of Neodymium (Nd), Europium (Eu), Terbium (Tb), Dysprosium (Dy), Yttrium (Y), and Praseodymium (Pr): averaging 2.9% across all samples and up to 8.5%. Of this, Neodymium oxide makes up on average 73% of the endowment: averaging 2.1% across the samples, and up to 6.3%.

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DIRECTORS' REPORT (cont'd)

Figure 2: Kayelekera Tenements and Milenje Project



Lotus believes the Milenje Hills prospect contains potential for significant REE mineralisation and aims to test the prospect through systematic exploration including soil sampling, surface mapping and trenching in the upcoming dry season.

DIVIDENDS

No dividend has been declared or paid by the Group to the date of this report.

ENVIRONMENTAL REGULATION

Lotus Resources exploration and mining activities are governed by a range of environmental legislation and regulations.

As the Group is still in the development phase of its interests in exploration projects, Lotus Resources is not yet subject to the public reporting requirements of environmental legislation and regulations. To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of the applicable environmental legislation and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In the opinion of the Directors, there is nothing material further to report, except as outlined in the Directors' Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to 30 June 2020.

D I R E C T O R S ' R E P O R T (c o n t ' d)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year:

- 65,934,365 unlisted options were exercised at \$0.04 per options for gross proceeds before costs of \$2,637,375.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Consolidated Entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian and Malawi Governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

ANNUAL STATEMENT OF ORE RESERVES AND MINERAL RESOURCES

Table 2. Kayelekera Mineral Resource March 2020¹ (Reported above a 300ppm U₃O₈ lower cut-off for in situ material; and a 200ppm U₃O₈ lower cut-off for the low-grade stockpiles).

	<i>Mt</i>	<i>Grade (U₃O₈ ppm)</i>	<i>U₃O₈ (M kg)</i>	<i>U₃O₈ (M Lb)</i>
Measured	0.7	1,010	0.7	1.5
Measured - RoM Stockpile ²	1.6	760	1.2	2.6
Indicated	18.7	660	12.3	27.1
Inferred	3.7	590	2.2	4.8
Total	24.6	660	16.3	36.0
Inferred - LG Stockpile ³	2.4	290	0.7	1.5
Total All Material	27.1	630	17.0	37.5

¹ The information that relates to the Mineral Resource at Kayelekera was announced on 26 March 2020. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 26 March 2020 and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in that announcement of continue to apply and have not materially changed.

² RoM stockpile has been mined and is located near mill facility.

³ Low-grade has been mined and placed on low-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this option.

Figures have been rounded. Grade has been determined from a combination of XRF and downhole logging derived eU₃O₈ grades. In situ Mineral Resources are depleted for mining to 31 December 2013, when mining ceased, with stockpiles depleted to the end of processing in June 2014. Metal content is based on contained metal in the ground and takes no account of mining or metallurgical recoveries, mining dilution or other economic parameters. An in-situ bulk density of 2.29g/cm³ was applied for Arkose material and 2.20g/cm³ for mudstone material to all blocks within the model.

Competent persons' statement

The Mineral Resource estimates for the Kayelekera deposit were prepared by David Princep of Gill Lane Consulting. David Princep has visited the Kayelekera Project on numerous occasions since 2003 with the most recent being in October 2013 just before the project was placed on care and maintenance. Mr. Princep is a Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional Geologist and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code 2012**). Mr. Princep approves of, and consents to, the inclusion of the information in this annual report in the form and context in which it appears.

D I R E C T O R S ' R E P O R T (c o n t ' d)

Ore Reserves and Mineral Resources Governance

Lotus reviews its Mineral Resource and Ore Reserve (if applicable) estimates on an annual basis. The Annual Statement of Mineral Resources and Ore Reserves is prepared in accordance with the JORC Code 2012 and the ASX Listing Rules.

Competent Persons named by the Company are members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined under the JORC Code 2012.

The Company engages external consultants and Competent Persons to prepare and calculate estimates of its Mineral Resources and Ore Reserves. These estimates and underlying assumptions are reviewed by the Directors and management for reasonableness and accuracy. The results of the Mineral Resource and Ore Reserve estimates are then reported in accordance with the JORC Code 2012 and the ASX Listing Rules. Where material changes occur to a project during the period, including the project's size, title, exploration results or other technical information, previous resource estimates and market disclosures are reviewed for completeness. The Company reviews its Mineral Resources and Ore Reserves as at 30 June each year and where a material change has occurred in the assumptions or data used in previously reported Mineral Resources and Ore Reserves, a revised estimate will be prepared as part of the annual review process.

SHARES AND OPTIONS ON ISSUE

At the date of this report, the Company has 738,264,828 fully paid ordinary shares on issue.

The following options over ordinary shares in the Company were on issue at the date of this report:

Number	Issue Date	Exercise Price	Expiry Date
Unlisted Options			
48,856,092	13 March 2020	\$0.04	13 March 2023
9,517,399	22 October 2019	\$0.04	22 October 2022
2,018,102	4 October 2019	\$0.04	4 October 2022
8,564,516	25 September 2019	\$0.04	25 September 2022
<u>20,523,094</u>	<u>12 September 2019</u>	<u>\$0.04</u>	<u>12 September 2022</u>
<u>89,479,203</u>			

OPTIONS GRANTED

The following unlisted options were issued during the reporting period:

Number	Issue Date	Exercise Price	Expiry Date
62,482,626	12 September 2019	\$0.04	12 September 2022
18,391,853	25 September 2019	\$0.04	25 September 2022
6,643,102	4 October 2019	\$0.04	4 October 2022
12,517,399	22 October 2019	\$0.04	22 October 2022
112,500,026	13 March 2020	\$0.04	13 March 2023

OPTIONS EXPIRED

7,678,571 options expired during the year; no further options have expired since the end of the year.

DIVIDENDS

No dividends were paid to members during the financial year and the Directors do not recommend the payment of a dividend.

DIRECTORS' REPORT (cont'd)

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the current Directors and Executives of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Executives of the Company, except where the liability arises out of conduct involving a lack of good faith or gross misconduct.

The agreement stipulates that the Company will meet to the maximum extent permitted by law the full amount of any such liabilities, including costs and expenses.

INSURANCE PREMIUMS

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

Details of amounts paid or payable to the Company's auditor, RSM Australia Partners (**RSM**), for audit and non-audit services provided during the year are set out in note 4.

The Board is satisfied that the provision of the non-audit services is compatible with general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- (a) all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- (b) none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

REMUNERATION REPORT

The Remuneration Report set out on pages 22 to 28 forms part of the Directors' Report and issued as part of it.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out immediately after this Directors' Report.

DIRECTORS' REPORT (cont'd)

AUDITOR

RSM Australia Partners continues in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Dated at Perth, Western Australia this 30th day of September 2020.

Signed in accordance with a resolution of the directors:



Mr John Sibley
Non-Executive Chairman
30 September 2020

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RSM Australia Partners

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www.rsm.com.au

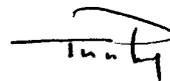
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Lotus Resources Limited for the year ended 30 June 2020, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2020

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T E N E M E N T S C H E D U L E

Lotus Resources Limited Tenement Schedule as at 27 September 2020

Project	Tenement	Area (km ²)	Status	Registered Holder	Ownership
New South Wales					
Hylea	EL8520	35.09	Granted	Providence Metals Pty Ltd	100%
	EL8641	140.35	Granted	Providence Metals Pty Ltd	100%
	EL8801	175.44	Granted	Providence Metals Pty Ltd	100%
Malawi					
Kayelekera	ML152	55.50	Granted	Paladin Africa Limited	100%
Nthalire	EPL489	137.04	Granted	Paladin Africa Limited	100%
Uliwa	EPL418	348.80	Granted	Paladin Africa Limited	100%
Rukuru	EPL417	146.30	Granted	Paladin Africa Limited	100%
Mapambo	EPL225	14.00	Granted	Paladin Africa Limited	100%
Juma-Miwango	EPL502	28.65	Granted	Paladin Africa Limited	100%

AUDITED REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its Regulations. This information has been audited as required by Section 308 (3C) of the Act.

For the purposes of this report, key management personnel (**KMP**) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Group.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

Name	Position held
Mr John Sibley	Chairman Non-Executive – Appointed 24 June 2020
Mr Eduard Smirnov	Managing Director – Appointed 29 June 2020
Mr Grant Davey	Non-Executive - Appointed 22 June 2020
Mr Stuart McKenzie	Non-Executive - Appointed 22 June 2020
Mr Simon Andrew	Managing Director – Appointed 2 January 2019 - resigned 19 May 2020, CEO appointed 19 May 2020- terminated 26 June 2020
Mr Tim Kestell	Non-Executive Director - Resigned 31 May 20
Mr Mark Milazzo	Non-Executive Director - Resigned 23 June 2020
Mr Andrew Mirco	Non-Executive Director - Appointed 15 May 2020 – Resigned 23 June 2020
Mr James Eggin	Chairman Non-Executive – Appointed 15 May 2020 – Resigned 23 June 2020

NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee and the Board of Directors of the Company are responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee and the Board obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group. No such advice was obtained during the year. However, the Nominations and Remuneration Committee and the Board regularly assess remuneration in light of market conditions and peer companies.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership is set out in Corporate Governance Statement in this Annual Report.

PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives;
- the Group's performance including:
 - the growth in share price; and
 - the amount of incentives within each key management person's compensation.

Given the evaluation and developmental nature of the Group's principal activity, the overall level of compensation does not have regard to the earnings of the Group.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION STRUCTURE (cont'd)

EMPLOYMENT AND CONSULTANCY AGREEMENTS

The Company has entered into an employment agreement with its executive directors. The employment agreements outline the components of remuneration paid to the executives and are reviewed on an annual basis.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee and the Board through a process that considers individual and overall performance of the Group. As noted above, the Nomination and Remuneration Committee and the Board has access to external advice independent of management.

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of these employment agreements are provided below.

Component	Managing Director – Eduard Smirnov
Fixed remuneration	\$300,000 USD Inclusive of superannuation
Contract duration	No fixed term
Termination	Statutory entitlements will be paid as required by law. If termination by the company other than for cause, unvested options vest
Sign on incentive	<ul style="list-style-type: none"> • 6,000,000 zero priced options that vest subject to raising capital at such timing and prices as approved by the Board • 6,000,000 zero priced Options that vest subject to: <ul style="list-style-type: none"> ○ The appointment of independent Directors and/or advisers, African Govt relations, and other positions to attract institutional investment and ensure corporate Governance and independence as approved by the board. ○ Completion of a restart study showing the viability of restarting the Mine including but not limited to letters of intent with respect to offtake agreements. • 6,000,000 zero priced Options that vest on the earlier of three continuous years of service or the Company's market capitalisation exceeds a value of A\$200million for 30 consecutive trading days on the ASX (based on the VWAP of the Company's shares on the ASX) <p>(All the above options are subject to shareholder approval and have not been granted as at the reporting date)</p>
Other Equity incentives	The Executive is eligible to receive an Equity Incentive Award at the Board's discretion and subject to the Executive's performance against agreed KPI's for the relevant performance-based period.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Previous Managing Director, Mr Simon Andrew's remuneration package consisted of \$250,000 per year plus superannuation with a six-month payout upon termination. Mr Andrew's employment was terminated by the Company on 26 June 2020.

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AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION STRUCTURE (cont'd)

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed \$500,000 per year. Directors' fees cover all main board activities and membership of committees.

Non-executive Directors do not receive any retirement benefits, other than statutory superannuation.

Non-Executive Director arrangements

Details of the agreements are provided below.

Component	Non-Executive Chairman – John Sibley
Fixed remuneration	\$100,000 Inclusive of superannuation
Contract duration	No fixed term
Termination	Statutory entitlements will be paid as required by law. If termination by the company other than for cause, unvested options vest
Sign on incentive	3,000,000 zero priced Options that vest to 18 months of continued service (Options are subject to shareholder approval and as at reporting date have not been granted).
Equity incentives	The executive is eligible to receive an Equity Incentive Award at the Board's discretion and subject to the Chairmans's performance against agreed KPI's for the relevant performance-based period.

Other Non-executive Directors

Non-executive director fees are reviewed annually by the Board taking into account comparable roles and market data. Fees for the financial year are as follows:

Name	Base Salary/fees (Annual)	Term of Agreement	Notice Period
Mr John Sibley ⁽ⁱ⁾	\$100,000	No fixed term	3 months
Mr Grant Davey ⁽ⁱⁱ⁾	\$150,000	No fixed term	Statutory
Mr Stuart McKenzie ⁽ⁱⁱⁱ⁾	\$57,713	No fixed term	Statutory
Mr Simon Andrew ⁽ⁱⁱⁱ⁾	\$250,000	No fixed term	3 months
Mr Mark Milazzo ^(iv)	\$50,000	No fixed term	3 months
Mr Tim Kestell ^(v)	\$50,000	No fixed term	3 months
Mr James Eggins ^(vi)	\$80,000	No fixed term	3 months
Mr Andrew Mirco ^(vi)	\$50,000	No fixed term	3 months

(i)Appointed 24 June 2020

(iii)Resigned as MD 19 May 2020

(v)Resigned 31 May 2020

(ii)Appointed 22 June 2020

(iv)Resigned 23 June 2020

(vi)Appointed 15 May 2020 - Resigned 23 June 2020

Non-Executive Directors have no entitlement to termination payment in the event of removal for misconduct or gross negligence.

Short-term and Long-term incentive

The Group adopted an incentive option plan on 28th November 2019. The group considers performance based remuneration to be a critical component of the overall remuneration framework, by providing remuneration structure that rewards employees for achieving goals that are aligned to the group's strategy and objectives. Both STI's and LTI's will be issued under the Lotus Resources Limited Option Plan in the 2021 financial year.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION STRUCTURE (cont'd)

Short-term incentives

As at the date of this report the Company had not implemented its STI scheme. With the change of Board and Management shortly prior to the end of the financial year, the Company is currently implementing a comprehensive STI scheme for the 2021 financial year. The STI scheme will operate to link performance and reward with key measurable financial and non-financial performance indicators to provide employees with clear and understandable targets that are aligned with the Group's objectives and shareholder value.

STI's will be in the form of zero exercise price options and which vest on completion of the one year period and satisfaction of a number of key measurable financial and non-financial performance indicators as assessed by the Managing Director and the Board. A percentage will then be applied to the options granted in order to determine the number of options that vest and become exercisable. The employee will then have up to three years in which to exercise the options for nil consideration. Each Vested STI option represents a right to be issued one Lotus share.

The board will set the objectives of the Managing Director and these are then cascaded down through the organisation to ensure alignment of objectives.

Long-term incentives

The KMP remuneration structure currently being implemented by the Board will also seek to drive performance and align with shareholder interests through LTI equity-based remuneration. LTI's will also be in the form of zero exercise price options and which vest on completion of a three year period and satisfaction of a number of key measurable financial and non-financial performance indicators as assessed by the Managing Director and the Board. The performance measure will also align to longer term shareholder value with a direct link to share price growth.

At the date of this report no options had been issued or vested under the incentive option plan.

Consequences of performance on shareholder wealth

Due to the Group currently being in an evaluation and developmental phase, the Group's earnings are not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration takes into account the achievement of strategic objectives, service criteria and growth in share price.

There were no performance related remuneration transactions during the financial year other than what has been stated above (2019: nil).

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Group are:

		SHORT TERM		POST-EMPLOYMENT	SHARE-BASED PAYMENTS	Total \$	Fixed Remuneration %	Performance Based Remuneration %
		Salary & fees \$	Non-Monetary \$	Superannuation \$	Options \$			
Directors								
Non-executive								
Mr J Sibley(i)	2020	1,644	-	156	-	1,800	100%	-
	2019	-	-	-	-	-	100%	-
Mr Grant Davey(iii)	2020	3,288	-	-	-	3,288	100%	-
	2019	-	-	-	-	-	100%	-
Mr Stuart McKenzie(iii)	2020	1,265	-	-	-	1,265	100%	-
	2019	-	-	-	-	-	100%	-
Mr M Milazzo(iv)	2020	46,500	-	-	-	46,500	100%	-
	2019	36,000	-	-	-	36,000	100%	-
Mr T Kestell(v)	2020	42,333	-	4,022	-	46,355	100%	-
	2019	36,000	-	7,125	-	43,125	100%	-
Mr J Eggins(vi)	2020	10,000	-	950	-	10,950	100%	-
	2019	-	-	-	-	-	100%	-
Mr A Mirco (vi)	2020	6,223	-	-	-	6,223	100%	-
	2019	-	-	-	-	-	100%	-
Mr K Chan(vii)	2020	-	-	-	-	-	100%	-
	2019	12,000	-	-	-	12,000	100%	-
Executive								
Mr E Smirnov(ii)	2020	-	-	-	-	-	100%	-
	2019	-	-	-	-	-	100%	-
Mr S Andrew (viii)	2020	346,038 ^(x)	-	23,750	-	369,788	100%	-
	2019	54,000	-	-	-	54,000	100%	-
Mr D Berrie (ix)	2020	-	-	-	-	-	100%	-
	2019	170,400	-	11,756	-	182,156	100%	-
Total, all directors and executive	2020	457,291	-	28,878	-	486,169		
	2019	308,400	-	18,881	-	327,281		

(i)Appointed 24 June 2020

(iii)Appointed 22 June 2020

(v)Resigned 31 May 2020

(vii)Resigned 31 October 2018

(ix)Resigned 2 January 2019

(ii)Appointed 29 June 2020

(iv)Resigned 23 June 2020

(vi)Appointed 15 May 2020 – 23 June 2020

(viii) Resigned 19 May 2020

(x) Includes a termination payment of \$149,038. The Company has disputed this payment and is of the view that no amount will be payable. The matter is yet to be formally resolved.

SHARE-BASED COMPENSATION

There were no share-based remuneration transactions during the year, other than those disclosed above which at the date of this report were subject to shareholder approval.

USE OF REMUNERATION CONSULTANTS

During the year, the Group did not use any remuneration consultants.

AUDITED REMUNERATION REPORT (cont'd)

VOTING AND COMMENTS MADE AT THE COMPANY'S 2019 ANNUAL GENERAL MEETING

Lotus Resources Limited received 99% of "yes" votes on its remuneration report for the 2019 financial year. The remuneration report resolution received a "no" vote from 1% of shareholders voting at the meeting, either personally or by proxy. The Company has made certain changes to the structure of the Board and its remuneration, as noted above, since the AGM results. This is in line with the changes that occurred to the Company this year with its acquisition of the Kayelekera Project. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

OPTIONS HOLDINGS OF KEY MANAGEMENT PERSONNEL

2020	Held at 1 July 2019	Granted as compensation	Exercised	Other changes	Held at date of resignation	Held at 30 June 2020	Vested during the year
Mr J Sibley ⁽ⁱ⁾	-	-	-	-	-	-	-
Mr E Smirnov ⁽ⁱⁱ⁾	-	-	-	-	-	-	-
Mr Grant Davey ⁽ⁱⁱⁱ⁾	-	-	-	13,049,542	-	13,049,542	13,049,542
Mr Stuart McKenzie ⁽ⁱⁱⁱ⁾	-	-	-	175,000	-	175,000	175,000
Mr S Andrew ^(iv)	-	-	-	-	-	-	-
Mr M Milazzo ^(v)	-	-	-	-	-	-	-
Mr T Kestell ^(vi)	-	-	-	-	-	-	-
Mr J Eggins ^(vii)	-	-	-	-	-	-	-
Mr A Mirco ^(vii)	-	-	-	-	-	-	-

(i)Appointed 24 June 2020

(ii)Appointed 29 June 2020

(iii)Appointed 22 June 2020

(iv)Terminated 26 June 2020

(v)Resigned 23 June 2020

(vi)Resigned 31 May 2020

(vii)Appointed 15 May 2020 - Resigned 23 June 2020

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

2020	Held at 1 July 2019	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2020
Mr J Sibley ⁽ⁱ⁾	-	-	-	-	-	-	-
Mr E Smirnov ⁽ⁱⁱ⁾	-	-	-	-	-	-	-
Mr Grant Davey ⁽ⁱⁱⁱ⁾	-	26,099,084	-	-	-	-	26,099,084
Mr Stuart McKenzie ⁽ⁱⁱⁱ⁾	-	300,000	-	-	-	-	300,000
Mr S Andrew ^(iv)	-	-	-	-	-	-	-
Mr M Milazzo ^(v)	-	-	-	-	-	-	-
Mr T Kestell ^(vi)	-	-	-	-	-	-	-
Mr J Eggins ^(vii)	-	-	-	-	-	-	-
Mr A Mirco ^(vii)	-	-	-	-	-	-	-

(i)Appointed 24 June 2020

(ii)Appointed 29 June 2020

(iii)Appointed 22 June 2020

(iv)Terminated 26 June 2020

(v)Resigned 23 June 2020

(vi)Resigned 31 May 2020

(vii)Appointed 15 May 2020 - Resigned 23 June 2020

AUDITED REMUNERATION REPORT (cont'd)

Other key management personnel transactions with the Group

Mr Grant Davey, who is a Non-Executive Director of the Company, is a Director and shareholder of Matador Capital Pty Ltd (**Matador Capital**). During the financial year ended 30 June 2020, the Company incurred \$200,000 for the fee to acquire Kayelekera Uranium Project and reimbursement of acquisition costs of \$100,000 to Matador Capital. The Company also made payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space and general office costs to the Company at cost plus 2%. The Company also uses Matador Capital's technical and project management expertise. During the year the Company incurred costs under this arrangement totalling \$213,663. These services provided by Matador Capital were done so at an arm's length basis and on normal commercial terms. There is a balance of \$60,293 owing to Matador Capital as at 30 June 2020 in relation to the provision of these services.

During the financial year Mr Davey was a Director of Graphex Mining Limited (**Graphex**) (now Marvel Gold Limited) (resigned 25 September 2020) and former Director of Matador Mining Ltd (**Matador Mining**) (resigned 2 June 2020), ASX listed Companies that are also parties to the Shared Services Agreement with the Company. Under this arrangement Graphex and Matador Mining provide company secretarial, accounting and administration services. The Company incurred costs from Graphex and Matador Mining of \$53,344 and \$4,893, respectively. These amounts were outstanding at year end.

On 23 July 2019, the Company entered into a convertible loan agreement with Matador Capital Ltd for \$500,696. Matador Capital subsequently converted the loan to equity on 24 October 2019, with 25,034,798 fully paid shares being issued at a share price for \$0.02 along with one free attaching option for every two shares issued.

On 29 April 2019, the Company entered into a loan agreement with Neon Capital Ltd (**Neon Capital**) for \$150,000. The terms of the loan were for the loan to be repaid by 30 September 2019 and interest to be accrued at 8% per annum. Neon Capital has subsequently participated in the rights issue and the loan was repaid on 23 September 2019. Tim Kestell is a director of Neon Capital.

There were no other related party transactions with key management personnel during the year.

Amounts owed to related parties

Mr Simon Andrew is owed \$160,913 in salary and superannuation and termination entitlements. This includes a termination payment of \$149,038. The Company has disputed this payment and is of the view that no amount will be payable. The matter is yet to be formally resolved.

Matador Capital, an entity associated with Mr Grant Davey, is owed \$60,293.

There were no other key management personnel transactions other than as disclosed above.

Additional Information

The earnings of the Group for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
EBITDA	(16,487,057)	(813,199)	(2,149,968)	(1,858,796)	(6,847,799)
EBIT	(16,550,494)	(821,364)	(2,171,217)	(1,885,394)	(6,873,784)
Loss after Income Tax	(16,569,943)	(821,364)	(2,171,217)	(1,873,559)	(6,873,784)

The factors that are considered to affect total shareholders return are summarised below:

	2020	2019	2018	2017	2016
Share price at end of the year	7 cents	4.5 cents	0.7 cents	0.5 cents	0.3 cents
Basis loss per share	4.58 cents	0.82 cents	0.14 cents	0.90 cents	3.33 cents

[This is the end of the audited remuneration report.]

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C O R P O R A T E G O V E R N A N C E S T A T E M E N T

The Board and management of Lotus Resources Limited (**Lotus Resources** or the **Company**) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges that the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council 3rd Edition (**3rd Edition**) have been revised and updated as the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council 4th Edition (**4th Edition**). The Company notes that this Corporate Governance Statement, which outlines the Company's corporate governance framework in place for the year ended 30 June 2020, is reported against the 3rd Edition. The Company is currently in the process of reviewing its corporate governance framework in light of the 4th Edition.

The Company's corporate governance policies are available on the Company's website: www.lotusresources.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under a Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

Company Secretary

The company secretary reports directly to the Board through the Chairman and is accessible to all Directors. The function performed by the company secretary is noted in the letter of appointment of the company secretary.

Evaluation of the performance of the Board and senior executives

The performance of the Board is evaluated in accordance with the Performance Evaluation Policy set out in the Board Charter. A performance evaluation for senior executives has taken place in the reporting period and was carried out in accordance with the process disclosed. Owing to a change in the strategic direction of the Company and a change to the composition of the Board, no performance evaluation of the Board was carried out during the 2019-20 financial year.

The performance of senior executives is evaluated in accordance with the Performance Evaluation Policy. A performance evaluation for senior executives has taken place in the reporting period and was carried out in accordance with the process disclosed.

The Board Charter and Performance Evaluation Policy are available on the Lotus Resources website.

Diversity Policy

Given the size and nature of the Company at this stage, the Board has elected to not have a Diversity Policy. However, the Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people.

The Company has not set measurable objectives for achieving gender diversity during the reporting period of 2019 – 2020. Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

The Company has not set measurable objectives for achieving gender diversity during the reporting period of 2019 – 2020.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Nomination Committee

The Board does not have a Nomination Committee.

The Board considers it has an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. Board succession issues are discussed by the whole Board when required

Composition of the Board

The Board currently consists of a non-executive chairman, a managing director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The Board considers that this composition is appropriate given the current size of the Company. The Board Charter summarises the roles and responsibilities of the Managing Director.

The Board has identified that the appropriate mix of skills and diversity required of its members on the Board to operate effectively and efficiently is achieved by Directors having substantial skills and experience in operational management, exploration and geology, corporate law, finance, listed resource companies, equity markets.

Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive directors and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

The Chairman is considered to be an independent director.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consisted of three members and was chaired by Mr Milazzo (from 1 July 2019-23 June 2020). From 23 June 2020, the Company determined that it was not of a size that warranted a Nomination and Remuneration Committee and that until the Company moved closer to restart of production at Kayelekera, this function would be discharged by the Board.

The current Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report. Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report. In accordance with Recommendation 2.4, the Nomination and Remuneration Committee consisted of a majority of independent directors.

Owing to the size of the Company, its number of employees and scale of activities, the Board elected to disband the Remuneration Committee and the functions of the Remuneration Committee were performed by the Board as a whole.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the appointment and selection of new directors policy. In accordance with the Constitution of the Company, no director except a managing director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the company secretary is a matter for the Board. Information on the skills, experience and qualifications of the company secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee and individual directors have taken place in the reporting period and were carried out in accordance with the process disclosed.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for appointment and selection of new directors are available on the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Code of Conduct applies to all directors and officers of the Company. It sets out Lotus Resources' commitment to successfully conducting business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

The Code of Conduct is available on the Lotus Resources website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

There is no Audit and Risk committee, the functions of such a committee being performed by the Board. The Board considers that this approach is appropriate given the current size of the Company. The Board considers it is of a sufficient size and possesses sufficient technical expertise to effectively discharge the functions of an Audit and Risk committee.

The Board receives the required declaration from the individuals that performs the function of the CEO and the CFO in relation to full year and half year statutory financial reports during the reporting period in accordance with section 295A of the *Corporations Act 2001*.

External auditor

The Board reviews the external auditor's terms of engagement and audit plan and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is RSM Australia Partners (RSM). The appointment of RSM was ratified by members at the Annual General Meeting held on 26 November 2015.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure Policy

The Continuous Disclosure Policy sets out the key obligations of the Company's directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the *Corporations Act 2001*. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the Lotus Resources website.

Providing information about governance to investors

The Company's website provides information on the Company including its background, objectives, projects and contact details, including key policies and the annual report which contains the Corporate Governance Statement. ASX announcements, Company reports and presentations are uploaded to the website following release to the ASX and editorial content is updated on a regular basis.

Investor relations

A Shareholder Communication Policy can be found on the Company's website.

It is the Company's desire that shareholders receive communications electronically in the interests of the environment and constraining costs. In an endeavour to drive this objective the Company has a policy of providing hard materials at least cost (which will generally involve a black & white presentation even where the electronic version is full colour).

Shareholder participation at general meetings

The Company encourages shareholders to attend all general meetings of the Company and sets the time and place of each meeting to promote maximum attendance by Shareholders. The Company encourages Shareholders to submit questions in advance of a general meeting, and for the responses to these questions to be addressed through disclosure relating to that meeting.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Lotus Resources recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. The Board has not established a Risk Committee however it does have a Risk Policy which can be found on the company's website.

Risk oversight

Lotus Resources' risk management framework is supported by the Board of Directors and management. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

The Board also has, where required, delegated responsibilities in relation to risk management and the financial reporting process. The Company is subject to, and responsible for, existing environmental liabilities associated with its tenements. The Company will continually monitor its ongoing environmental obligations and risks and implement rehabilitation and corrective actions as appropriate to remain compliant. These risks may be impacted by change in Government policy. The Company does have exposure to economic and social sustainability risks and manages these through a program of active engagement with local communities, government and key stakeholders.

Internal audit

The CFO, whom is currently a contractor, discusses with its external auditor each end of year and half year whether there are any issues with internal control and improvements which could be undertaken to improve them. The CFO also has a background in assurance and advisory including internal audit.

Reporting and assurance

When reviewing the financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act 2001*, signed by the Managing Director and Chief Financial Officer (or their equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement, the Managing Director also confirms to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change that position.

The Risk Management Policy is available on the Lotus Resources website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee and the Board has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed \$500,000 per annum.

There is currently no performance related compensation for non-executive directors in place.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations for the financial year.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	Lay solid foundations for management and oversight		

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Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 29
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 29
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 29

Pr 2 Structure the board to add value

Rec 2.1	A majority of the board should be independent directors.	Yes	Website & Page 30
Rec 2.2	The chairman should be an independent director.	N/A	Website & Page 30
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 30
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 30
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 31
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 31

	Requirement	Comply Yes/ No	Reference/ Explanation
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Pr 3 Promote ethical and responsible decision making

Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Website & Page 31
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website & Page 29
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	No	Website & Page 29
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website & Page 29
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 31

Pr 4 Safeguard integrity in financial reporting

Rec 4.1	The board should establish an audit committee.	No	Website & Page 31
Rec 4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members. 	No No No No	Website & Page 31

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Rec 4.3	The audit committee should have a formal charter.	No	Website & Page 31
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 31
Pr 5 Make timely and balanced disclosure			
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 31
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 31
Pr 6 Respect the rights of shareholders			
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 32
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 32
	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 7 Recognise and manage risk			
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 32
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 32
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 33
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 33
Pr 8 Remunerate fairly and responsibly			
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 33
Rec 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members. 	Yes	Website & Page 33
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 33
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 33

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 30 June 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Other income	3(a)	160,324	41,683
Corporate and administrative expenses	3(b)	(1,978,085)	(790,890)
Exploration and evaluation salary and general expenses		-	(72,157)
Care and maintenance costs	3(c)	(1,970,565)	-
Exploration and evaluation impairment	9	(12,781,617)	-
Loss before income tax		(16,569,943)	(821,364)
Income tax expense	5	-	-
Loss after income tax		(16,569,943)	(821,364)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(726,132)	-
Total other comprehensive income		(726,132)	-
Total comprehensive loss for the period		(17,296,075)	(821,364)
Loss attributable to:			
Non-controlling interests		(647,723)	-
Members of the parent		(15,922,220)	-
		(16,569,943)	(821,364)
Total comprehensive loss attributable to:			
Non-controlling interests		(660,220)	-
Members of the parent		(16,635,855)	-
		(17,296,075)	(821,364)
Loss per share			
Basic and diluted loss per share (cents)	21	(4.58)	(0.82)

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

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STATEMENT OF FINANCIAL POSITION
 as at 30 June 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Current Assets			
Cash and cash equivalents	6	16,496,834	72,846
Other assets	7	611,441	63,678
Total Current Assets		17,108,275	136,524
Non-Current Assets			
Plant and equipment	8	-	1,917
Exploration and evaluation assets	9	65,056,336	11,789,470
Right-of-use assets	10	24,402	-
Total Non-Current Assets		65,080,738	11,791,387
Total Assets		82,189,013	11,927,911
Current Liabilities			
Trade and other payables	11	1,385,645	236,758
Borrowings	12	-	150,000
Lease liabilities	13	27,284	-
Other liabilities	14	1,456,134	-
Total Current Liabilities		2,869,063	386,758
Non-Current Liabilities			
Other liabilities	14	10,280,670	-
Provisions	15	61,427,529	-
Total Non-Current Liabilities		71,708,199	-
Total Liabilities		74,577,262	386,758
Net Assets		7,611,751	11,541,153
Equity			
Contributed equity	16	57,157,521	43,790,848
Reserves	17	350,804	1,064,439
Accumulated losses	18	(51,427,354)	(33,314,134)
Equity attributable to owners of the Company		6,080,971	11,541,153
Non-controlling interest		1,530,780	-
Total Equity		7,611,751	11,541,153

The above statement of financial position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY
 for the year ended 30 June 2020

Consolidated 2020	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Foreign exchange reserve	Accumulated Losses	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	43,790,848	46,040	1,018,399	-	(33,314,134)	-	11,541,153
Loss after income tax	-	-	-	-	(15,922,220)	(647,723)	(16,569,943)
Other comprehensive income	-	-	-	(713,635)	-	(12,497)	(726,132)
Total comprehensive loss for the year	-	-	-	(713,635)	(15,922,220)	(660,220)	(17,296,075)
NCI at acquisition date	-	-	-	-	(2,191,000)	2,191,000	-
Placement of shares	8,000,701	-	-	-	-	-	8,000,701
Shares issued on exercise of options	2,284,681	-	-	-	-	-	2,284,681
Shares issued on conversion of con notes	500,696	-	-	-	-	-	500,696
Shares consideration on acquisition of subsidiary	3,060,000	-	-	-	-	-	3,060,000
Share issue costs	(479,405)	-	-	-	-	-	(479,405)
Balance at 30 June 2020	57,157,521	46,040	1,018,399	(713,635)	(51,427,354)	1,530,780	7,611,751

Consolidated 2019	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Foreign exchange reserve	Accumulated Losses	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	43,790,848	46,040	1,018,399	-	(32,492,770)	-	12,362,517
Loss after income tax	-	-	-	-	(821,364)	-	(821,364)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(821,364)	-	(821,364)
Balance at 30 June 2019	43,790,848	46,040	1,018,399	-	(33,314,134)	-	11,541,153

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS
 for the year ended 30 June 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Cash flows from operating activities			
Receipts from customers		175,850	37,440
Interest received		6,607	4,243
Payments to suppliers and employees		(1,714,258)	(815,023)
Payments for care and maintenance		(2,298,648)	-
Interest paid		(19,450)	-
Net cash outflow from operating activities	24	(3,849,899)	(773,340)
Cash flows from investing activities			
Payments for plant and equipment		(2,954)	(5,361)
Payments for exploration expenditure – acquisition costs		(3,393,358)	-
Payments for exploration expenditure – capitalised costs		(1,074,141)	(379,684)
Cash acquired on acquisition of subsidiary		14,643,349	-
Net cash inflow/(outflow) from investing activities		10,172,896	(385,045)
Cash flows from financing activities			
Proceeds from issue of shares		10,786,080	-
Share issue transaction costs		(479,405)	-
Repayment of loan		(150,000)	-
Proceeds from loan		-	150,000
Repayment of lease liabilities		(55,684)	-
Net cash inflow from financing activities		10,100,991	150,000
Net increase/(decrease) in cash held		16,423,988	(1,008,385)
Cash and cash equivalents at the beginning of the financial year	6	72,846	1,081,231
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	6	16,496,834	72,846

The above statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Lotus Resources Limited and controlled entities ("consolidated entity" or the "Group"). The separate financial statements and notes of Lotus Resources Limited as an individual parent entity ("Company") have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 30 September 2020 by the Directors of the Company.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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 retained profits as at 1 July 2019 was as follows:

	1 July 2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	76,656
Operating lease commitments discount based on the weighted average incremental borrowing rate of 7.12% (AASB 16)	<u>(3,107)</u>
Right-of-use assets (AASB 16)	73,549
Lease liabilities - current (AASB 16)	(58,157)
Lease liabilities - non-current (AASB 16)	(15,392)
Reduction in opening retained profits as at 1 July 2019	<u><u>-</u></u>

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report covers Lotus Resources Limited and its subsidiaries and has been prepared in Australian dollars. Lotus Resources Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$16,569,943 and had net cash outflows from operating activities of \$3,849,899 for the year ended 30 June 2020. The ability of the consolidated entity to continue as a going concern is principally dependent upon the ability of the consolidated entity to secure funds by raising capital from equity markets and managing cash flows in line with available funds.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- As disclosed in Note 29, subsequent to the reporting date, 65,934,365 unlisted options were exercised at \$0.04 per options for gross proceeds before costs of \$2,637,375;
- The Company has the ability to issue additional equity securities under the *Corporations Act 2001* to raise further working capital; and
- The consolidated entity has the ability to curtail administrative, discretionary exploration and overhead cash outflows as and when required.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lotus Resources Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when they are exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Company recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

Share based payments transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

Rehabilitation provision

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations could affect the carrying amount of this provision.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Summary of Significant Accounting Policies

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of Lotus Resources Limited is Australian Dollars (\$).

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Provisions

A provision has been made for the anticipated costs for future rehabilitation of land explored or mined. Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives of each part of an item of plant and equipment. The depreciation rates used for each class of asset for the current period are as follows:

▪ Plant and Equipment	33%
▪ Fixtures and Fittings	25%
▪ Motor Vehicles	25%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- (a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- (a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Lotus Resources Limited has unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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.

Trade and other payables

Liabilities are initially recognised at fair value and subsequently measured at cost for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days.

Loans and borrowings

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Share-based payment transactions

Equity-settled and cash-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying an appropriate valuation model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

2. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. There has been no change from prior year in relation to all of the exposures. Further quantitative disclosures are included in Note 19.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. FINANCIAL RISK MANAGEMENT (cont'd)

The Group's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the Group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Board is responsible for identifying, monitoring and managing significant business risks faced by the Group and considering the effectiveness of its internal control system.

The Board has established an overall Risk Management Policy which sets out the Group's system of risk oversight, management of material business risks and internal control.

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents. For the Company, it arises from receivables due from subsidiaries.

The Group does not hold any credit derivatives to offset its credit exposure.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign currency risk

The Group is not materially exposed to foreign currency risk.

Interest rate risk

The Group's exposure to interest rates primarily relates to the Group's cash and cash equivalents and held to maturity investments. The Group manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Fair value measurements

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 2020 \$	Consolidated 2019 \$
3. OTHER INCOME AND EXPENSES		
(a) Other income		
Interest income	6,607	4,243
Australian tax office COVID relief	44,050	-
Other	109,667	37,440
	160,324	41,683
(b) Corporate and administrative expenses		
Employee benefits and director fees	483,737	349,962
Depreciation - Plant and equipment	4,871	8,165
Depreciation - Right-of-use asset	58,564	-
Accounting fees	169,913	76,904
Interest expense	19,449	219
Legal fees ¹	479,900	-
Other administrative costs	761,651	355,640
	1,978,085	790,890
(c) Care and maintenance costs		
Processing costs	219,101	-
Engineering fees	865,172	-
Site services costs	181,602	-
Security fees	223,758	-
Other costs	480,932	-
	1,970,565	-
4. AUDITOR'S REMUNERATION		
The following amounts were paid or payable for services provided by the auditors of the Group and its related practices.		
Audit services:		
RSM Australia Partners		
- audit and review of financial reports	50,000	28,500
	50,000	28,500
5. TAXATION		
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Income tax expense	-	-

¹ Includes acquisition and s249D legal costs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

At 30 June 2020, the Group had net operating loss-forward totalling \$351,302,061. No deferred tax assets have been recognized with respect to these operating or capital losses. The deferred tax asset has not been brought to accounts t at reporting date because the Directors do not believe it is appropriate to regard realisation of the deferred tax asset as probable at this point in time. This benefit will only be obtained if:

- The company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for the losses to be realised;
- the company continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deduction for the losses.

	Consolidated 2020 \$	Consolidated 2019 \$
6. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	1,935,494	72,846
Restricted cash ¹	14,561,340	-
	16,496,834	72,846

¹ As at 30 June 2020, restricted cash consists of a collateral deposit in the form of a bond issued for rehabilitation obligations of the Kayelekera Uranium Project in Malawi in the amount of US\$10,000,000. The security for environmental protection, rehabilitation and closure costs has been provided in the form required by the relevant Malawian authorities. The bond was transferred to the Company as part of the Kayelekera Uranium Project acquisition.

The Company acquired the bond as part of the acquisition of the Kayelekera Uranium Project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place. The Company is currently working with its bank and insurance company to put insurance in place that would allow the Company to access part of the funds currently restricted by the bond. Refer to Note 26.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

7. OTHER ASSETS

Other receivables	41,545	63,678
Prepayments	340,677	-
GST	199,219	-
Security bond	30,000	-
	611,441	63,678

The Group's exposure to credit risk related to other receivables is disclosed in Note 19.

Allowance for expected credit losses

The Group did not recognise any losses (2019: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. PLANT AND EQUIPMENT	Furniture & Fixtures \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
At 30 June 2020 (Consolidated)				
Cost	78,850	13,941	26,000	118,791
Accumulated depreciation	(78,850)	(13,941)	(26,000)	(118,791)
Net carrying amount	-	-	-	-
Year ended 30 June 2020 (Consolidated)				
At 1 July 2019, net of accumulated depreciation	1,917	-	-	1,917
Additions	2,954	-	-	2,954
Depreciation charge for the year	(4,871)	-	-	(4,871)
At 30 June 2020, net of accumulated depreciation	-	-	-	-
At 30 June 2019 (Consolidated)				
Cost	75,896	13,941	26,000	115,837
Accumulated depreciation	(73,979)	(13,941)	(26,000)	(113,920)
Net carrying amount	1,917	-	-	1,917
Year ended 30 June 2019 (Consolidated)				
At 1 July 2018, net of accumulated depreciation	4,721	-	-	4,721
Additions	5,361	-	-	5,361
Depreciation charge for the year	(8,165)	-	-	(8,165)
At 30 June 2019, net of accumulated depreciation	1,917	-	-	1,917

As outlined in note 26 the Company acquired the Kayelekera Uranium Project during the year. As part of the acquisition the Company acquired a significant amount of infrastructure, property plant and equipment. Given the mine is currently in care and maintenance, these assets have been provisionally assessed to have a nil fair value.

9. EXPLORATION AND EVALUATION ASSETS	Consolidated 2020 \$	Consolidated 2019 \$
Exploration and evaluation expenditure carried forward in respect of areas of interest (net of amounts written off)	65,056,336	11,789,470
Reconciliation		
Carrying amount at the beginning of the year	11,789,470	11,553,758
Exploration and evaluation expenditure	3,978,327	235,712
Assets acquired ¹	62,070,156	-
Provision for impairment ²	(12,781,617)	-
Carrying amount at the end of the year	65,056,336	11,789,470

¹Refer to Note 26 for acquisition.

²On 13 March 2020 the Company completed the acquisition of the Kayelekera Project which completed a changed in strategic direction for the Company. The amount of \$12,781,617 held on the statement of financial position related to exploration tenements in Australia including its cobalt tenements in New South Wales. Given that the Group is not expected to allocate its resources to these tenements in the near future and their decrease in value due to a decline in the cobalt price, the Group has impaired the entire amount previously capitalised in relation to these tenements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 2020 \$	Consolidated 2019 \$
10. RIGHT-OF-USE ASSETS		
Head office space - right-of-use	82,966	-
Less: accumulated depreciation	(58,564)	-
	24,402	-

The Company's lease on its previous office premises has been agreed to be terminated effective 30 September 2020.

11. TRADE AND OTHER PAYABLES

Trade payables	448,375	186,758
Other payables and accruals	937,270	50,000
	1,385,645	236,758

The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 19.

12. BORROWINGS

Loan payable	-	150,000
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This loan payable from Neon Capital Ltd, is with interest rate of 8% per annum, repayable by 30 September 2019.

The loan was fully repaid on 23 September 2019. See Note 23 for further details.

13. LEASE LIABILITIES

Head office space - lease liability	27,284	-
	27,284	-

14. OTHER LIABILITIES

Environmental bond - current	1,456,134	-
Environmental bond - non - current	7,280,670	-
Deferred shares consideration to be issued on the date that is 3 years after completion – non-current	3,000,000	-
	11,736,804	-

As disclosed in Note 26, the Group entered into an agreement with ASX listed Paladin Energy Limited (ASX: PDN) to acquire a 65% interest in the Kayelekera Uranium Project (Kayelekera), located in Malawi.

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 (completion occurred 13 March 2020);
- ii. US\$1,000,000 (\$1,456,134 AUD) on the date that is 1 year after Completion;
- iii. US\$2,000,000 (\$2,912,268 AUD) on the date that is 2 years after Completion; and
- iv. US\$3,000,000 (\$4,368,402 AUD) on the date that is 3 years after Completion.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. PROVISIONS	Consolidated 2020 \$	Consolidated 2019 \$
Mine closure provision	7,280,670	-
Rehabilitation provision	54,146,859	-
	<u>61,427,529¹</u>	<u>-</u>

¹ Refer to Note 26 for acquisition which includes the acquisition of the above end of mine provisions.

A mine closure plan for Kayelekera was prepared in 2019 and presented various options for rehabilitation. Following a review of the different options presented in the mine closure plan, management decided on the option that was the most likely to be implemented at Kayelekera which resulted in the provision stated above.

The Company also has in place a cash backed environmental performance bond of \$14,561,340 (US\$10,000,000) as outlined in Note 6. The bond is restricted cash to cover closure and rehabilitation costs of the project. The bond is the minimum amount required to be maintained in accordance with the terms of the Mine Development Agreement for the Kayelekera Uranium Project and relevant local regulations.

16. CONTRIBUTED EQUITY	Consolidated 2020 \$	Consolidated 2019 \$
Fully paid ordinary shares	<u>57,157,521</u>	<u>43,790,848</u>

	2020 Number of Shares	2019 Number of Shares	2020 \$	2019 \$
<i>Movements during the year:</i>				
Opening balance	100,139,194	2,803,873,559	43,790,848	43,790,848
Shares issued for acquisition of Kayelekera Uranium Project	90,000,000	-	3,060,000	-
Shares issued via placement of shares	400,035,033	-	8,000,701	-
Exercise of options	57,117,025	-	2,284,681	-
Issue of shares on conversion of convertible note	25,034,798	-	500,696	-
Share issue costs	-	-	(479,405)	-
Share consolidation 28:1	-	(2,703,734,365)	-	-
Closing balance	<u>672,326,050</u>	<u>100,139,194</u>	<u>57,157,521</u>	<u>43,790,848</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. RESERVEVES	Consolidated 2020 \$	Consolidated 2019 \$
Share based payment reserve	46,040	46,040
Option premium reserve	1,018,399	1,018,399
Foreign exchange reserve	(713,635)	-
	350,804	1,064,439
<i>Movement in reserves</i>		
Share based payment reserve		
Opening balance	46,040	46,040
Movement during the year	-	-
Closing balance	46,040	46,040
Option premium reserve		
Opening balance	1,018,399	1,018,399
Movement during the year	-	-
Closing balance	1,018,399	1,018,399
Foreign exchange reserve		
Opening balance	-	-
Exchange rate differences on translating foreign operations	(713,635)	-
Closing balance	(713,635)	-
Movement in options:		
Opening balance	7,678,571	215,000,000
Granted	212,535,006	-
Exercised	(57,117,025)	-
Expired	(7,678,571)	-
Option consolidation 28:1	-	(207,321,429)
Closing balance	155,417,981	7,678,571
	2020	2019
	\$	\$
Weighted average exercise price of outstanding options (Cents)	4.00	8.00
Weighted average remaining life of outstanding options (Years)	2.48	0.58

Share - based payments reserve

This reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration.

Option premium reserve

This reserve is used to record the value of monies raised from issue of options and from issue of incentive options.

Option expired

7,678,571 options expired during the year.

Foreign currency translation reserve

The foreign currency translation reserve records exchange rate differences on translating foreign operations.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 2020 \$	Consolidated 2019 \$
18. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	(33,314,134)	(32,492,770)
Loss for the year	(15,922,220)	(821,364)
NCI on acquisition of Kayelekera Uranium Project (Note 26)	(2,191,000)	-
Accumulated losses at the end of the year	<u>(51,427,354)</u>	<u>(33,314,134)</u>

19. FINANCIAL INSTRUMENTS

For financial risk exposure and management objectives please refer to note 2.

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	Consolidated 2020 \$	Consolidated 2019 \$
Cash and cash equivalents	16,496,834	72,846
Other assets (excluding prepayments and GST receivables)	71,545	63,678
	<u>16,568,376</u>	<u>136,524</u>

Liquidity risk

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments. Cash flows for assets and liabilities without fixed amount or timing are based on conditions existing at year end.

Consolidated 30 June 2020	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	1,385,645	(1,385,645)	(1,385,645)	-	-
Lease liabilities	27,284	(27,284)	(27,284)	-	-
Other liabilities	11,736,804	(11,736,804)	(1,456,134)	(10,280,670)	-
	<u>13,149,733</u>	<u>(13,149,733)</u>	<u>(2,869,063)</u>	<u>(10,280,670)</u>	<u>-</u>
Consolidated 30 June 2019					
Financial Liabilities					
Trade and other payables	236,758	(236,758)	(236,758)	-	-
Borrowings	150,000	(150,000)	(150,000)	-	-
	<u>368,235</u>	<u>(368,235)</u>	<u>(368,235)</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying Amount	
	Consolidated 2020 \$	Consolidated 2019 \$
Variable rate instruments		
Financial assets	16,496,834	72,846
Financial liabilities	-	-
	<u>16,496,834</u>	<u>72,846</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The Board assessed a 100-basis point movement as being reasonably possible based on short term historical movements. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

	Consolidated 2020			
	+100 basis points		-100 basis points	
	Profit \$	Equity \$	Profit \$	Equity \$
Financial instruments with interest rate				
Financial assets	1,650	1,650	(1,650)	(1,650)
Financial liabilities	-	-	-	-
	Consolidated 2019			
	+100 basis points		-100 basis points	
	Profit \$	Equity \$	Profit \$	Equity \$
Financial instruments with interest rate				
Financial assets	73	73	(73)	(73)
Financial liabilities	-	-	-	-

The weighted average effective interest rate on variable rate instruments was 0.30% (2019: 0.50%).

20. COMMITMENTS

Exploration Project commitments

Commitments for mining license/tenement rentals due within one year: \$17,329

Commitments for purchase of spares and other suppliers due within one year: \$2,177

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. LOSS PER SHARE

	Consolidated 2020 \$	Consolidated 2019 \$
a. Reconciliation of earnings to profit or loss:		
Loss	(16,569,943)	(821,364)
Loss used to calculate basic EPS	(16,569,943)	(821,364)
Loss used in the calculation of dilutive EPS	(16,569,943)	(821,364)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	361,566,438	100,139,194
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	361,566,438	100,139,194

22. SEGMENT REPORTING

In the current year, the Group operated in two geographical and business segments, being Africa (Uranium) and Australia (Minerals).

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified by the Group as the board of Directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

At 30 June 2020, the Group had the following segments

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	30/6/2020 \$	30/6/2019 \$	30/6/2020 \$	30/6/2019 \$	30/6/2020 \$	30/6/2019 \$
Uranium (Africa)	(1,850,637)	-	82,164,611	-	70,715,596	-
Minerals (Australia)	(12,781,617)	-	-	11,789,470	3,000,000	-
Corporate	(1,937,689)	(821,364)	24,402	1,917	861,666	386,758
	(16,569,943)	(821,364)	82,189,013	11,791,387	74,577,262	386,758

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. RELATED PARTY DISCLOSURES

(a) Ultimate parent

Lotus Resources Limited is the ultimate Australian entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

(c) Key management personnel compensation

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2020	2019
	\$	\$
Short-term employee benefits	457,291	308,400
Post-employment benefits	28,878	18,881
	486,169	327,281

(d) Loans to related parties

No loans were advanced to related parties during the reporting year (2019: Nil).

(e) Amounts owed to related parties

As at the reporting date, \$118,530 were owing to related parties (2019: Nil) as disclosed in detail below.

(f) Other key management personnel transactions with the Group

Mr. Grant Davey, who was a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (Matador Capital). During the financial year ended 30 June 2020, the Company incurred \$200,000 for the fee to acquire Kayelekera Uranium Project and reimbursement of acquisition costs of \$100,000 to Matador Capital. The Company also made payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space and general office costs to the Company at cost plus 2%. The Company also uses Matador Capital's technical and project management expertise. During the year the Company incurred costs under this arrangement totalling \$213,663. These services provided by Matador Capital were done so at an arm's length basis and on normal commercial terms. There is a balance of \$60,293 owing to Matador Capital as at 30 June 2020 in relation to the provision of these services.

During the financial year Mr. Davey was a Director of Graphex Mining Limited (Graphex) (now Marvel Gold Limited) (resigned 25 September 2020) and former Director of Matador Mining Ltd (Matador Mining) (resigned 2 June 2020), ASX listed Companies that are also parties to the Shared Services Agreement with the Company. Under this arrangement Graphex and Matador Mining provide company secretarial, accounting and administration services. The Company incurred costs from Graphex and Matador Mining of \$53,344 and \$4,893 respectively. These amounts were outstanding at year end.

On 23 July 2019, the Company entered into a convertible loan agreement with Matador Capital Ltd for \$500,696. Matador Capital subsequently converted the loan to equity on 24 October 2019, with 25,034,800 fully paid shares being issued at a share price for \$0.02 along with one free attaching option for every two shares issued.

On 29 April 2019, the Company entered into a loan agreement with Neon Capital Ltd (Neon Capital) for \$150,000. The terms of the loan were for the loan to be repaid by 30 September 2019 and interest to be accrued at 8% per annum. Neon Capital has subsequently participated in the rights issue and the loan was repaid on 23 September 2019. Tim Kestell is a director of Neon Capital.

There were no other related party transactions with key management personnel during the year.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES	Consolidated 2020 \$	Consolidated 2019 \$
Cash flows from operating activities		
Loss for the year	(16,569,943)	(821,364)
Adjustments for:		
Depreciation	63,437	8,165
Impairment	12,781,617	-
Foreign currency translated difference	(726,132)	-
Operating loss before changes in working capital	<u>(4,451,021)</u>	<u>(813,199)</u>
Change in other assets	(547,763)	38,452
Change in trade and other payables	1,148,885	1,407
Net cash used in operating activities	<u>(3,849,899)</u>	<u>(773,340)</u>

25. CONTINGENT LIABILITIES

Bank Guarantee

The Company has given a bank guarantee of \$20,000 (2019: \$20,000) to the Department of Mines and Petroleum for a tenement bond.

Tabac Project

On 7 December 2016, the Company completed the acquisition of the Tabac project. As part of the purchase consideration, 62,500,000 performance shares were issued to the shareholders of Westview Resources Pty Ltd which shall convert to shares in the Company based on the achievement of certain performance hurdles. It also assumed a contingent liability for a royalty payable.

Performance shares

- (i) Class A - 31,250,000 performance shares shall convert to shares in the Company based on the achievement of an Inferred Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements; and
- (ii) Class B - 31,250,000 performance shares: shall convert to shares in the Company based on the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements.

Royalty

2% net smelter return royalty is payable on the gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

Hylea Project

On 5 February 2018, the Company completed the acquisition of the Hylea project. As part of the purchase consideration, the Company assumed a contingent liability for a royalty payable.

Royalty

1.5% net smelter return royalty is payable on the gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Kayelekera Uranium Project

At 30 June 2020, the Company had three agreements providing for royalty payments to local government and former owners for production from the Kayelekera Uranium Project. Royalties payable on production comprise an uncapped 3.0% royalty on revenue to the Malawi Government, a 3.5% royalty on revenue capped at US\$5.0 million to Paladin Energy and an uncapped 0.75% royalty on revenue to Power Resources Limited.

26. ACQUISITION OF KAYELEKERA URANIUM PROJECT

On 24 June 2019, the Group entered into an agreement with ASX listed Paladin Energy Limited (ASX: PDN) to acquire a 65% interest in the Kayelekera Uranium Project (Kayelekera), located in Malawi. The acquisition was completed on 13 March 2020.

Management has determined that this acquisition meets the definition of a business within AASB 3 Business Combinations. This transaction has been accounted for as a business combination.

Acquisition Agreement

The consideration payable for the Acquisition is as follows:

- \$200,000 in cash, plus 90,000,000 Shares to be issued on Completion (Initial Consideration);
- 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
- \$3,000,000 worth of Shares to be issued on the third anniversary of Completion, calculated using the lower of;
 - the price at which Shares were issued under the most recent capital raising undertaken by the Company within 90 days prior to issue; and
 - 30-day VWAP for Shares up to and including the business day prior to issue (Deferred Consideration).
- the issue of the Deferred Consideration Shares is subject to Shareholder approval;
- 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
- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. ACQUISITION OF KAYELEKERA URANIUM PROJECT (CONT'D)

At the time these financial statements were authorised for issue, the Company had not yet completed the accounting for the acquisition of the business. In particular, the fair value of assets and liabilities disclosed below have only been determined provisionally. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition which identifies adjustments to the amounts below, the fair values of the assets and liabilities will be revised.

Details of the purchase consideration and the net assets acquired are as follows:

	2020 \$
Purchase consideration paid by Lotus Resources Limited to acquire Kayelekera Uranium Project:	
Cash paid ¹	200,000
Ordinary Shares ²	3,060,000
Ordinary shares issued on third anniversary ³	3,000,000
Total purchase consideration	6,260,000

¹ Cash payment of \$200,000 (AUD) (Initial Consideration)

² 90,000,000 Shares issued on Completion (Initial Consideration)

³ \$3,000,000 worth of Shares to be issued on the third anniversary of Completion, calculated using the lower of;

- the price at which Shares were issued under the most recent capital raising undertaken by the Company within 90 days prior to issue; and
- 30-day VWAP for Shares up to and including the business day prior to issue (Deferred Consideration).

The fair value of assets and liabilities recognised as a result of the acquisition are outlined below.

	Fair value \$
Cash and cash equivalents ¹	14,643,349
Trade and other receivables	262,091
Exploration and evaluation asset	62,070,156
Trade and other payables	(551,263)
Environmental bond payable	(8,736,804)
Rehabilitation and mine closure provision	(61,427,529)
Net assets acquired	6,260,000
Net assets acquired attributable to Lotus Resources Limited	4,069,000
Net assets acquired attributable to non-controlling interest	2,191,000
	6,260,000

¹ The Company acquired a \$14,561,340 (out of the total \$14,643,349) (USD \$10,000,000) cash-backed environmental performance bond as part of the acquisition of the Kayelekera Uranium Project. This is restricted cash that cannot be used to fund operations whilst the environmental performance bond is in place. The Company is currently working with its bank and insurance company to put insurance in place that would allow the Company to access the funds currently restricted by the bond.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the parent entity.

	Consolidated 2020 \$	Consolidated 2019 \$
Statement of profit or loss and other comprehensive income		
Loss after income tax	(16,812,014)	(1,728,656)
Total comprehensive loss	(16,812,014)	(1,728,656)
Statement of financial position		
Total current assets	2,202,833	117,822
Total assets	11,050,185	11,001,917
Total current liabilities	(861,666)	(368,056)
Total liabilities	(3,861,666)	(368,056)
Net assets	7,188,519	10,633,861
Equity		
Issued capital	57,157,521	43,790,848
Reserves	1,064,439	1,064,439
Accumulated losses	(51,033,441)	(34,221,426)
Total equity	7,188,519	10,633,861

Guarantees

Lotus Resources Limited has no guarantees other than as disclosed in note 25.

Other Commitments and Contingencies

Lotus Resources Limited has no other commitments and contingencies other than as disclosed in note 20.

Plant and Equipment Commitments

Lotus Resources Limited has no commitments to acquire property, plant and equipment.

Significant Accounting Policies

Lotus Resources Limited accounting policies do not differ from the consolidated entity as disclosed in the notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. INTEREST IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Country of incorporation	Ownership Interest	Ownership Interest
		2020 %	2019 %
Westview Resources Pty Ltd	Australia	100%	100%
Providence Metals Pty Ltd	Australia	100%	100%
Lily Resources Pty Ltd	Australia	76.5%	76.5%*
Paladin (Arica) Limited	Africa	65%	0%

* This entity was incorporated on 5 June 2019. On 29 August 2019, the name of this entity was changed from Lotus Resources Pty Ltd to Lily Resources Pty Ltd.

29. EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since the end of the financial year, which will significantly affect, or may significantly affect, the state of affairs or operations of the consolidated entity in future financial periods other than the following:

- 65,934,365 unlisted options were exercised at \$0.04 per options for gross proceeds before costs of \$2,637,375.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as stated in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Mr John Sibley
Non-Executive Director

Dated at Perth, Western Australia this 30th day of September 2020.

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

We have audited the financial report of Lotus Resources Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the Group incurred a loss of \$16,569,943 and had net cash outflows from operating activities of \$3,849,899 for the year ended 30 June 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**THE POWER OF BEING UNDERSTOOD
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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Exploration and Evaluation Assets Refer to Note 9 in the financial statements	
<p>The Group has recognised an impairment of \$12,781,617 against the capitalised exploration and evaluation expenditure during the year ended 30 June 2020. As at the reporting date, the Group has exploration and evaluation expenditure capitalised on the statement of financial position of \$65,056,336.</p> <p>We considered this to be a key audit matter due to the management judgments involved in assessing whether any indicators of impairment existed at the reporting date and the resulting quantum of the impairment recognised.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Ensuring that the right to tenure of the area of interest was current; • Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest; • Assessing and evaluating management's assessment of whether indicators of impairment existed as at 30 June 2020; and • Assessing and evaluating management's assessment of the impairment loss recognised in profit or loss.
Acquisition of Kayelekera Uranium Project Refer to Note 26 in the financial statements	
<p>During the year, the Company acquired a 65% interest in Paladin (Africa) Limited.</p> <p>Accounting for this acquisition is a key audit matter as it involves management judgements in determining the acquisition accounting treatment under AASB 3 <i>Business Combinations</i>, the acquisition date, the fair value of net assets acquired and the fair value of the purchase consideration.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Reviewing the share sale agreement to understand the key terms and conditions of the transaction and the related accounting considerations; • Evaluating management's determination that the acquisition is a business combination in accordance with Accounting Standards; • Assessing management's determination of the acquisition date, fair value of consideration paid and the fair value of the net assets acquired; and • Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2020.

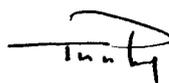
In our opinion, the Remuneration Report of Lotus Resources Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2020

ASX ADDITIONAL INFORMATION

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 September 2020.

(a) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

Rank	Name	Units	% Units
1	PALADIN ENERGY LTD	90,000,000	12.19
2	SACHEM COVE SPECIAL OPPORTUNITIES FUND LP	55,303,892	7.49
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	46,547,959	6.31
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	44,301,769	6.00
5	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	31,762,535	4.30
6	NATIONAL NOMINEES LIMITED	29,314,854	3.97
7	TR NOMINEES PTY LTD	25,000,000	3.39
8	PROVIDENCE GOLD AND MINERALS PTY LTD <D GLOVER & B HARPER A/C>	23,309,524	3.16
9	MCNEIL NOMINEES PTY LIMITED	15,229,300	2.06
10	DAVEY HOLDINGS (AUS) PTY LTD	15,034,798	2.04
11	PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	15,000,001	2.03
12	DAVEY MANAGEMENT (AUS) PTY LTD <DAVEY FAMILY SUPERANNUATION FUND A/C>	14,064,286	1.91
13	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	12,760,864	1.73
14	CITICORP NOMINEES PTY LIMITED	12,223,683	1.66
15	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	12,005,618	1.63
16	MR DARREN CRAIG GLOVER	11,904,762	1.61
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,597,359	1.57
18	SANDHURST TRUSTEES LTD <COLLINS ST VALUE FUND A/C>	10,000,000	1.35
19	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	7,775,000	1.05
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	7,701,886	1.04
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		490,838,090	66.49
Total Remaining Holders Balance		247,426,738	33.51

The names of the twenty largest holders of unlisted options are:

Rank	Name	Units	% Units
1	PERSHING AUSTRALIA NOMINEES PT Y LTD <ACCUM A/C>	10,382,125	11.60
2	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	9,964,286	11.14
3	DAVEY HOLDINGS (AUS) PTY LTD	7,517,399	8.40
4	SANDHURST TRUSTEES LTD <COLLINS ST VALUE FUND A/C>	5,000,000	5.59
5	TR NOMINEES PTY LTD	4,017,857	4.49
6	GREENSEA INVESTMENTS PTY LTD	3,223,215	3.60
7	MR SAMUEL MCCARDEL <K L MCCARDEL A/C>	3,125,001	3.49
8	DAVEY MANAGEMENT (AUS) PTY LTD <DAVEY FAMILY SUPERANNUATION FUND A/C>	2,532,143	2.83

Rank	Name	Units	% Units
9	VONROSS NOMINEES PTY LTD <VONROSS FAMILY A/C>	2,008,929	2.25
10	LONE JET PTY LTD	2,000,000	2.24
11	AT KILEY SUPERANNUATION PTY LTD <AT KILEY SF A/C>	1,660,715	1.86
12	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	1,625,001	1.82
13	MINGELA POLO CLUB INCORPORATED	1,607,143	1.80
14	MIDBRIDGE INVESTMENTS PTY LTD	1,378,431	1.54
15	HAWTHORN GROVE INVESTMENTS PTY LTD	1,375,000	1.54
16	BT PORTFOLIO SERVICES LIMITED <BOWES FAMILY A/C>	1,125,000	1.26
17	ARALAD MANAGEMENT PTY LTD <TRK SUPER FUND A/C>	1,116,072	1.25
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,116,072	1.25
19	PROVIDENCE GOLD AND MINERALS PTY LTD <D GLOVER & B HARPER A/C>	1,000,001	1.12
20	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	833,333	0.93
Totals: Top 20 holders of Unlisted Options		62,607,723	69.97
Total Remaining Holders Balance		26,871,480	30.03

(b) Distribution of equity security holders

Ordinary Shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	565	212,565	0.03
1,001 - 5,000	227	653,952	0.09
5,001 - 10,000	200	1,517,702	0.21
10,001 - 100,000	562	20,034,054	2.71
100,001 - 9,999,999,999	301	715,846,555	96.96
Rounding			0.00
Total	1,855	738,264,828	100.00

There are 817 holders of a less than marketable parcel of shares (as at 25 September, a less than marketable parcel is 5,682 shares), representing a total of 999,232 shares.

Unlisted Options

Range	Total holders	Units	% of Issued Capital
1 - 1,000	36	14,954	0.02
1,001 - 5,000	70	208,396	0.23
5,001 - 10,000	23	167,612	0.19
10,001 - 100,000	69	2,349,292	2.63
100,001 - 9,999,999,999	99	86,738,949	96.94
Rounding			-0.01
Total	297	89,479,203	100.00

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(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Number of Shares	%
PALADIN ENERGY LIMITED	90,000,000	12.19
SACHEM COVE SPECIAL OPPORTUNITIES FUND LP	53,303,892	7.49

(d) Restricted Securities

There are no restricted securities as at 25 September 2020.

(e) Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

(f) On Market Buy Back

There is no current on market buy-back.

(g) Unquoted securities (as at 25 September 2020)

CLASS	TOTAL HOLDINGS
UNLISTED OPTIONS EXPIRING 04/10/22, EXERCISABLE @ \$0.04	2,018,102
UNLISTED OPTIONS EXPIRING 12/09/22, EXERCISABLE @ \$0.04	20,523,094
UNLISTED OPTIONS EXPIRING 13/03/23, EXERCISABLE @ \$0.04	48,856,092
UNLISTED OPTIONS EXPIRING 22/10/22, EXERCISABLE @ \$0.04	9,517,399
UNLISTED OPTIONS EXPIRING 25/09/22, EXERCISABLE @ \$0.04	8,564,516

(h) Unquoted Securities >20% Holders (as at 25 September 2020)

Class	Holder	Number
UNLISTED OPTIONS EXPIRING 25/09/22, EXERCISABLE @ \$0.04	GREENSEA INVESTMENTS PTY LTD	3,223,215
UNLISTED OPTIONS EXPIRING 04/10/22, EXERCISABLE @ \$0.04	SAMUEL LEWIS MCCARDEL	500,000
UNLISTED OPTIONS EXPIRING 22/10/22, EXERCISABLE @ \$0.04	DAVEY HOLDINGS (AUS) PTY LTD	7,517,399
UNLISTED OPTIONS EXPIRING 22/10/22, EXERCISABLE @ \$0.04	DAVEY MANAGEMENT (AUS) PTY LTD <DAVEY SUPERANNUATION FUND A/C>	2,000,000
UNLISTED OPTIONS EXPIRING 13/03/23, EXERCISABLE @ \$0.04	PERSHING AUSTRALIA NOMINEES PT Y LTD <ACCUM A/C>	10,078,555
UNLISTED OPTIONS EXPIRING 13/03/23, EXERCISABLE @ \$0.04	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	9,964,286

(i) Interest in Mining Tenements

As at the date of this report, there is no change to the tenement schedule listed on page 21 of the review of operations. re is no change to the tenement schedule listed on page 22 of the review of operations.

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