



ABN 38 119 992 175

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR

31 DECEMBER 2020

LOTUS RESOURCES LIMITED
ABN 38 119 992 175

Interim Financial Report – Half-Year Ended 31 December 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 Michael Bowen Mr Grant Davey Mr Mark Hanlon Mr Keith Bowes	Non-Executive Chairman Non-Executive Director Non-Executive Director Managing Director
Company Secretary	Mr Stuart McKenzie	
Principal Place of Business	Emerald House, 1202 Hay Street West Perth WA 6005	
Website Address	www.lotusresources.com.au	
Auditor	RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth WA 6000	
Solicitor	Thompson Geer Level 27, Exchange Tower 2 The Esplanade Perth WA 6000	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000	
Securities Exchange	ASX Limited Level 40, Central Park, 152-159 St Georges Terrace Perth, Western Australia, 6000 ASX Code: LOT	

DIRECTORS' REPORT

The Directors present their financial statements of Lotus Resources Limited ("the Company") and its subsidiaries ("the Group or Consolidated Entity") for the six months ended 31 December 2020 and the auditor's review report thereon:

Directors

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

Name	Period of Directorship
Mr Michael Bowen <i>Non-Executive Chairman</i>	Director since 22 February 2021 (date of appointment)
Mr Grant Davey <i>Non-Executive Director</i>	Director since 22 June 2020 (date of appointment)
Mr Mark Hanlon <i>Non-Executive Director</i>	Director since 22 February 2021 (date of appointment)
Mr Keith Bowes <i>Managing Director</i>	Director since 15 February 2021 (date of appointment)
Mr John Sibley <i>Non-Executive Chairman</i>	Resigned 19 February 2021
Mr Eduard Smirnov <i>Managing Director</i>	Resigned 10 February 2021
Mr Stuart McKenzie <i>Non-Executive Director</i>	Resigned 19 February 2021

Review of Operations

During the half-year, the Group focused on four key areas, each of which is considered fundamental to a successful recommencement of sustainable operations at the Kayelekera Uranium Project ("Kayelekera" or the "Project") in Malawi:

- Reducing care and maintenance costs at Kayelekera;
- Confirming the potential for Kayelekera to support a viable long-term uranium mining operation;
- Engaging with potential offtakers, to ensure Kayelekera is strongly positioned to secure the necessary sales arrangements required for restart of operations; and
- Near-mine exploration to support ongoing operations at Kayelekera.

Reducing care and maintenance costs

A comprehensive review of all activities and associated costs at the Project site was undertaken in order to ensure that site care and maintenance programs and costs are optimised. The review identified the following as core requirements of ongoing care and maintenance activities:

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

A revised budget, which was prepared from first principles to deliver these core functions, has been developed and delivered significant cost reductions with a material decrease in on-site employee numbers as almost 100 personnel accepted redundancy packages, lower camp related costs with fewer residents in the onsite camp, a reduction in annual consumption of diesel and negotiation of a lower diesel price with in-country suppliers.

The Group is focused on reducing the care and maintenance costs for the year ending 30 June 2021. The Group has also identified a number of other areas that could see further potential cost reductions implemented, with these initiatives under ongoing review.

In order to achieve the care and maintenance operating cost reduction, certain capital projects will be undertaken to deliver the required modifications and include the following:

- The large diesel gensets that currently power the site have been turned off, with a small genset set-up to power the camp and a combination of solar power and direct diesel power used to power pumps, communication towers and other infrastructure.
- To support the reduced security contingent, cameras and guard dogs are employed to enable the majority of Project site security to be managed from the control room, with a smaller reactionary team available to respond if required.
- An evaporative system to manage water in future wet seasons may be designed and implemented; and
- Upgrades to surface water infrastructure including drains, ponds and pumping systems.

Restart study

The Group completed a Restart Scoping Study ("Study") during the period which demonstrated that Kayelekera has the capacity to be one of the first operations globally to recommence uranium production to meet the impending and growing shortfall in supply.

Kayelekera's existing infrastructure and Mineral Resources represent a considerable advantage, providing for a low restart capital expenditure and significant long-term production. The estimated C1 cash cost is on par with current term price indicators, which have been trending upwards in recent years. The Study assessed two scenarios:

- Scenario 1: 8-year life of mine, producing 16.4Mlbs U₃O₈ with average head grade of ~900ppm U₃O₈; and
- Scenario 2: 14 years life of mine, producing 23.8Mlbs U₃O₈ with treatment of stockpiles from year 8 (average head grade ~680ppm U₃O₈).

The results of the Study are shown in Table 1 below. Further information on the Study is available in ASX announcement dated 21 October 2020.

Table 1: Summary of production and cost data (estimated)

General	High-grade ore only LOM total / Avg.	With Medium-grade stockpiles LOM total / Avg.
Mine Life (Years)	8	14
Total Material Mined (Mt)	47.1	47.1
Strip Ratio	3.5	1.8
Total U ₃ O ₈ Mined (Mlbs)	18.9	27.5
Production	LOM total / Avg.	LOM total / Avg.
Plant Feed (Mt)	9.6	18.4
Plant Feed Grade (ppm U ₃ O ₈)	898	679
Plant Recovery (%)	86.7%	86.7%
Av. Annual Production (Mlbs)	2.3	1.8
Max Annual Production	3.0	3.0
LOM Production (Mlbs)	16.4	23.8
Operating costs	LOM total / Avg.	LOM total / Avg.
Mining Costs (US\$ / t mined)	2.87	2.87
Processing Costs (US\$ / t ore)	37.84	35.47
G&A Costs (US\$M pa)	12.4	12.4
Steady-state ¹ Cash costs (US\$ / lb)	32.75	32.06
Steady-state ² AISC (US\$ / lb)	39.83	39.07
Capital costs	LOM total / Avg.	LOM total / Avg.
Initial Capital (US\$M)	50.2	50.2
Plant Sustaining Capital (US\$M)	28.0	48.0
TSF Sustaining Capital (US\$M)	36.1	36.1 ²
Closure Costs (US\$M)	31.5	31.5

¹ Production Years 2 to 6 after ramp-up; ² Assumes in-pit tailings disposal will be possible otherwise this could increase to US\$65.4M

Lotus has continued with work to identify and optimise opportunities to improve the operation and expand the resource base through targeted exploration activities to support an extension of the mine life. To this end, several opportunities have been identified that form the basis of a five-stage process for the restart of Kayelekera:

- Develop the programs of work to verify the activities, cost estimates and timeframe required to restart the operation;
- Investigate potential to implement new technologies in the circuit front-end, focused on upgrading the ore feed grade and/or rejecting high acid consuming gangue minerals;
- Identify further process improvements to reduce operating costs, with a focus on resin-in-pulp circuit, acid recovery options, yellow cake dryer, tailings disposal and power supply options;
- Complete a Restart Feasibility Study (“RFS”), with a revised mining schedule incorporating results from programs above; and
- Complete further detailed design work to increase the level of confidence in engineering design and cost estimates of the RFS.

This work is being undertaken while the Group continues to maintain Project asset integrity through its care and maintenance program and engages with the Government of Malawi to ensure that the permits required for a restart of operations are in place.

Discussions with offtakers

A total of 10.9Mlbs of uranium (U_3O_8 equivalent) was successfully produced, marketed and delivered from the Kayelekera Project during the period from 2009 to 2014 to conversion facilities located in the United States, Canada and France operated by Honeywell, Cameco, and Orano, respectively.

Given the long-term nature of supply contracts with nuclear utilities – on average, no more than ten percent of utility requirements are left open to spot purchasing – it is typical to engage in supply contracting discussions with utilities and other nuclear fuel market participants long before production at a uranium mine commences.

The Group’s engagement with likely offtake partners who understand the Kayelekera product is a central element of the Group’s strategy to position the Project for an efficient and cost-effective restart of operations.

Near-mine exploration

The Group carried out a review of historical exploration data, which resulted in the identification of two priority target areas – Kayelekera South and Mpata. Both targets are located within trucking distance of the Kayelekera mine site. For further information on the near-mine exploration opportunity at Kayelekera, refer to the ASX announcement dated 16 December 2020.

The Kayelekera South Prospect is located to the south-west of the Kayelekera pit which has a combined Mineral Resource endowment of approximately 50Mlbs U_3O_8 comprising of the current resource (37.5Mlbs) and historical production (11Mlbs). For further information on the Kayelekera Mineral Resource, refer to the ASX announcement dated 26 March 2020.

A total of six target areas have been identified at Kayelekera South, ranging between 0.5km and 4km from the existing Kayelekera pit. These exploration targets were identified through a review of airborne radiometric data which clearly shows that a number of anomalous radiometric responses exist over the areas of outcrop as highlighted in Figure 1 below.

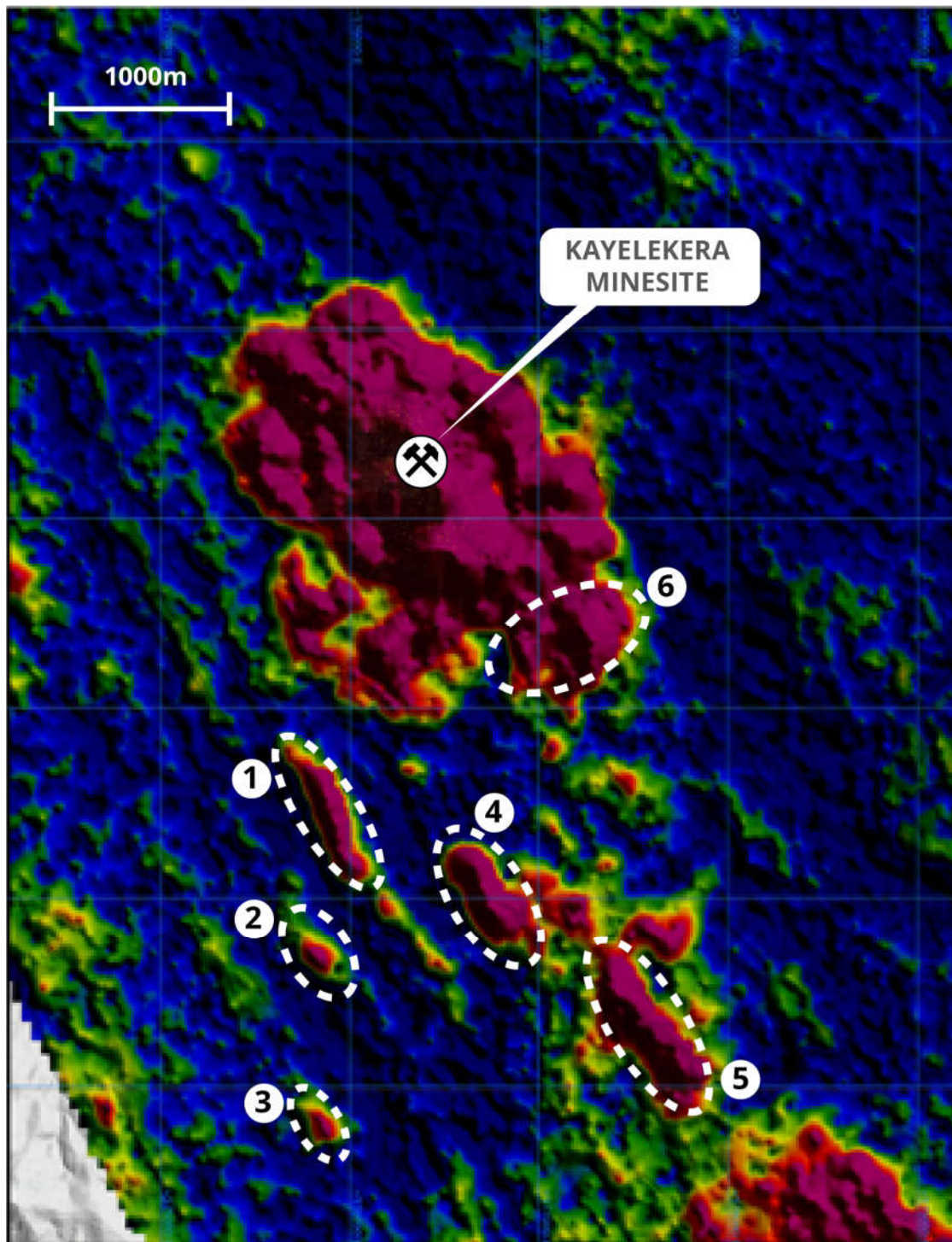


Figure 1 – Kayelekera airborne radiometrics and key targets

The Mpata Prospect represents the largest cluster of radiometric anomalies outside of the Kayelekera Resource (Figure 2) and comprises several high priority anomalies associated with arkose units identified over a 3km strike length, all contained within Karoo sediments.

A total of 76 historic drillholes have been completed within the Mpata Prospect area for a total of 9,070m. The drilling has defined several small, narrow bodies of low to medium grade mineralisation. A total of 23 of the holes encountered grades in excess of 250ppm eU₃O₈. Significant intercepts include 10m at 690ppm eU₃O₈ (MP017 from 19m) and 5m at 410ppm eU₃O₈ (MP031 from 23m). For further information on the results of previous exploration at the Mpata Prospect, refer to the ASX announcement dated 16 December 2020.

Mineralisation appears to be open along strike, with approximately 600m of trend untested, and is open at depth.

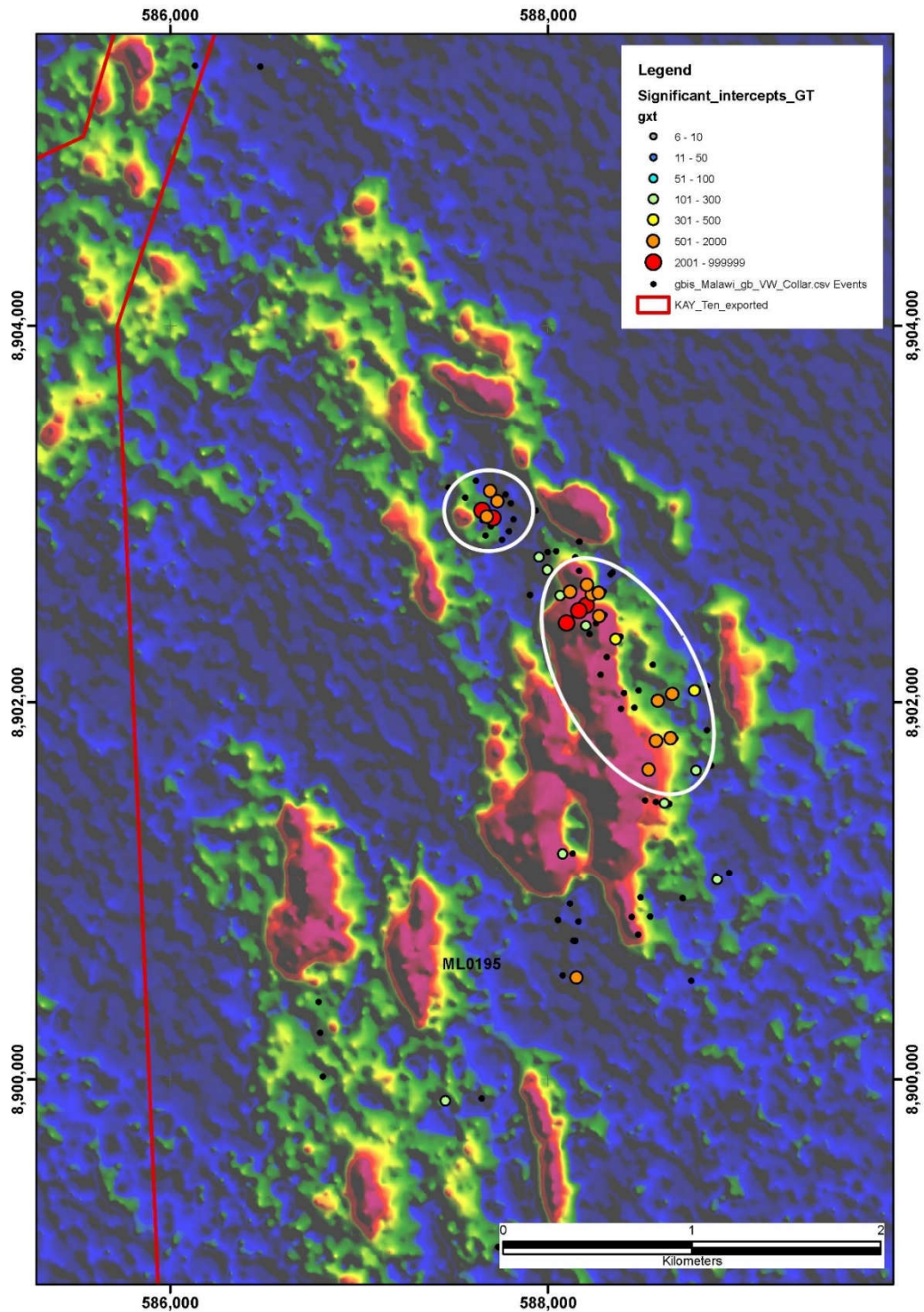


Figure 2 – Mpata airborne radiometric anomalies

The newly identified exploration target areas at Kayelekera South and Mpata provide further confirmation of possible uranium resource growth potential in the underexplored near-mine areas where uranium radiometric anomalies have been identified through airborne surveys. The Group is confident that there is an opportunity to extend the current life of mine.

Reference to previous ASX announcements

In relation to the Restart Study announced on 20 October 2020, the Company confirms that all material assumptions underpinning the production target and forecast financial information included in that announcement continue to apply and have not materially changed.

The information in this announcement that relates to the Mineral Resource at Kayelekera was announced on 26 March 2020. The Company 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 continue to apply and have not materially changed.

In relation to the exploration results included in this announcement, the dates of which are referenced, the Company confirms that it is not aware of any new information or data that materially affects the information included in those announcements.

Results

The consolidated entity made a loss of \$2,546,524 after income tax for the half-year (2019: loss of \$1,066,638).

Events Subsequent to Reporting Date

The Company raised \$270,067 (net of costs) from the exercise of 6,751,675 options (exercise price \$0.04).

On 10 February 2021 the Company's Managing Director Mr Eduard Smirnov resigned and Mr Keith Bowes was appointed on 15 February 2021 as his replacement.

On 19 February 2021 the Company's Non-Executive Chairman Mr John Sibley resigned and Mr Michael Bowen was appointed on 22 February 2021 as his replacement.

On 19 February 2021 the Company's Non-executive Director Mr Stuart McKenzie resigned and Mr Mark Hanlon was appointed on 22 February 2021 as his replacement.

On 4 March 2021, the Company announced that it has completed a placement of \$12,500,000 via the issue of 100,000,000 shares at \$0.125 per share to sophisticated and professional investors.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 31 December 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.

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

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

Section 307C of the Corporations Act 2001 requires our auditor, RSM Australia Partners, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this Directors' report for the six months ended 31 December 2020.

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



Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia, this 16th day of March 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Lotus Resources Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

AL Whyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 16 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	Half-Year Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
Other income	146,662	25,431
Care and maintenance expenses	(1,331,260)	-
Exploration and evaluation general expenses	(42,551)	(169,547)
Corporate and administrative expenses	(951,650)	(886,284)
Depreciation expenses	(24,690)	(33,365)
Share based payments	(343,035)	-
Finance costs	-	(2,873)
Loss before income tax	(2,546,524)	(1,066,638)
Income tax expense	-	-
Loss for the half-year	(2,546,524)	(1,066,638)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	(685,387)	-
Total other comprehensive loss	(3,231,911)	(1,066,638)
Total comprehensive loss for the half-year	(3,231,911)	(1,066,638)
Loss attributable to:		
Non-controlling interests	(325,035)	-
Members of the parent	(2,221,489)	(1,066,638)
	(2,546,524)	(1,066,638)
Total comprehensive loss attributable to:		
Non-controlling interests	(814,693)	-
Members of the parent	(2,417,218)	(1,066,638)
	(3,231,911)	(1,066,638)
Loss per share:		
Basic and diluted loss per ordinary share (cents)	(3.32)	(0.50)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	3	19,577,029	16,496,834
Other assets		370,196	611,441
Total Current Assets		19,947,225	17,108,275
NON-CURRENT ASSETS			
Plant and equipment		1,741	-
Exploration and evaluation assets	4	58,353,320	65,056,336
Right-of-use assets		-	24,402
Total Non-Current Assets		58,355,061	65,080,738
TOTAL ASSETS		78,302,286	82,189,013
CURRENT LIABILITIES			
Trade and other payables		430,282	1,385,645
Lease liabilities		-	27,284
Other liabilities	5	1,298,364	1,456,134
Total Current Liabilities		1,728,646	2,869,063
NON-CURRENT LIABILITIES			
Other liabilities	5	9,491,823	10,280,670
Provisions	6	54,771,948	61,427,529
Total Non-Current Liabilities		64,263,771	71,708,199
TOTAL LIABILITIES		65,992,417	74,577,262
NET ASSETS		12,309,869	7,611,751
EQUITY			
Contributed equity	7	64,744,515	57,157,521
Reserves	8	498,110	350,804
Accumulated losses		(53,648,843)	(51,427,354)
Equity attributable to owners of the Company		11,593,782	6,080,971
Non-controlling interest		716,087	1,530,780
TOTAL EQUITY		12,309,869	7,611,751

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

Consolidated	Contributed equity	Share based payment reserve	Options premium reserve	Foreign currency translation reserve	Accumulated losses	Non-controlling interest	Total Equity
2020	\$	\$	\$	\$	\$	\$	\$
At 1 July 2020	57,157,521	46,040	1,018,399	(713,635)	(51,427,354)	1,530,780	7,611,751
Loss for the period	-	-	-	-	(2,221,489)	(325,035)	(2,546,524)
Other comprehensive income	-	-	-	(195,729)	-	(489,658)	(685,387)
Total comprehensive loss for the half-year	-	-	-	(195,729)	(2,221,489)	(814,693)	(3,231,911)
Transactions with equity holders in their capacity as equity holders							
Securities issued	4,940,861	-	-	-	-	-	4,940,861
Exercise of options	2,990,843	-	-	-	-	-	2,990,843
Issue of options	-	-	343,035	-	-	-	343,035
Share issue costs	(344,710)	-	-	-	-	-	(344,710)
At 31 December 2020	64,744,515	46,040	1,361,434	(909,364)	(53,648,843)	716,087	12,309,869

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	Half-Year Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
Cash flows from operating activities		
Receipts from customers	143,664	22,534
Payments to suppliers and employees	(1,142,303)	(1,061,574)
Payments for care and maintenance	(1,839,912)	-
Interest paid on lease liabilities	-	(2,366)
Interest received	2,998	3,075
Net cash outflow in operating activities	(2,835,553)	(1,038,331)
Cash flows from investing activities		
Payments for exploration expenditure – capitalised costs	-	(15,387)
Payments for exploration expenditure – acquisition costs	-	(200,000)
Payments for plant and equipment	(2,029)	(2,955)
Net cash outflow in investing activities	(2,029)	(218,342)
Cash flows from financing activities		
Proceeds from issue of shares	4,880,000	4,289,302
Proceeds from the exercise of options	2,990,843	-
Proceeds from shares application received in advance	-	102,858
Repayment of borrowings	-	(150,000)
Repayment of lease liabilities	(23,787)	(27,841)
Capital raising costs	(344,710)	(200,035)
Net cash inflow from financing activities	7,502,346	4,014,284
Net increase in cash held	4,664,764	2,757,611
Cash and cash equivalents at the beginning of the period	16,496,834	72,846
Effects of exchange rate changes on cash and cash equivalents	(1,584,569)	-
Cash and cash equivalents at the end of the period	19,577,029	2,830,457

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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 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.

2. SEGMENT REPORTING

In the current half-year, the consolidated entity operated in two geographical locations and two business segments, being Africa (Uranium) and Corporate (Australia).

Operating segments are reporting in a manner that is consistent with the internal reporting to the Chief Operating Decision Maker (CODM), which has been identified by the consolidated entity as the Board of Directors.

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

At 31 December 2020, the consolidated entity had the following segment:

Consolidated 31 December 2020	Operating Loss \$	Total Assets \$	Total Liabilities \$
Uranium (Africa)	(928,672)	68,654,745	62,655,650
Corporate	(1,617,852)	9,647,541	3,336,767
	(2,546,524)	78,302,286	65,992,417

Consolidated 31 December 2019	Operating Loss \$	Total Assets \$	Total Liabilities \$
Uranium (Africa)	(136,311)	200,000	-
Corporate	(930,327)	14,770,778	406,996
	(1,066,638)	14,970,778	406,996

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
3. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	6,504,116	1,935,494
Restricted cash ¹	13,072,913	14,561,340
	19,577,029	16,496,834

¹ As at 31 December 2020, restricted cash consist 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.

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
4. EXPLORATION AND EVALUATION ASSETS		
Exploration, evaluation and development costs carried forward in respect of areas of interest	58,353,320	65,056,336
Reconciliation		
Carrying amount at beginning of period ¹	65,056,336	11,789,470
Exploration and evaluation expenditure	-	3,978,327
Assets acquired	-	62,070,156
Provision for impairment	-	(12,781,617)
Movement in exchange rates	(6,703,016)	-
Carrying amount at end of period	58,353,320	65,056,336

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

¹ Included in the balance is an amount of \$62,070,156 that was acquired via the acquisition of the Company's Kayelekera Uranium Project in 2020. 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 in the 30 June 2020 financial statements 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 acquisition balance, the fair values of the assets and liabilities will be revised in the 30 June 2021 financial statements.

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
5. OTHER LIABILITIES		
Deferred consideration - current	1,298,364	1,456,134
Deferred consideration - non-current	9,491,823	10,280,670
	10,790,187	11,736,804
Reconciliation		
Liability at beginning of period	11,736,804	-
Liabilities acquired	-	11,736,804
Movement in exchange rates	(946,617)	-
Liability at end of period	10,790,187	11,736,804

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
6. PROVISIONS		
Mine closure and rehabilitation provision	54,771,948	61,427,529
Reconciliation		
Provision at beginning of period	61,427,529	-
Provisions acquired	-	61,427,529
Movement in exchange rates	(6,655,581)	-
Provision at end of period	54,771,948	61,427,529
	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
7. CONTRIBUTED EQUITY		
Fully paid ordinary shares	64,744,515	57,157,521
Movement in contributed equity		
	No.	\$
At 1 July 2020	672,326,050	57,157,521
Issue of shares	61,529,224	4,940,861
Issue of shares on exercise of options	74,771,074	2,990,843
Share issue costs	-	(344,710)
At 31 December 2020	808,626,348	64,744,515
8. RESERVES		
	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
Share based payment reserve	46,040	46,040
Option premium reserve	1,361,434	1,018,399
Foreign exchange reserve	(909,364)	(713,635)
	498,110	350,804
Movement in reserves		
Share based payment reserve		
Opening balance	46,040	46,040
Movement during the period	-	-
Closing balance	46,040	46,040
Option premium reserve		
Opening balance	1,018,399	1,018,399
Movement during the period	343,035	-
Closing balance	1,361,434	1,018,399
Foreign exchange reserve		
Opening balance	(713,635)	-
Exchange rate differences on translating foreign operations	(195,729)	(713,635)
Closing balance	(909,364)	(713,635)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. RESERVES (CONTINUED)

Movement in options:	31 December 2020 Shares No.	30 June 2020 Shares No.
Opening balance	155,417,981	7,678,571
Granted*	10,000,000	212,535,006
Exercised	-	(57,117,025)
Expired	-	(7,678,571)
Closing balance	165,417,981	155,417,981

*On 28 November 2019, 10,000,000 options were granted to external consultants for corporate advisory services.

Options Number	Grant date	Expiry date	Exercise Price
5,000,000	28 November 2019	27 November 2022	\$0.04 each
2,500,000	28 November 2019	27 November 2022	\$0.06 each
2,500,000	28 November 2019	27 November 2022	\$0.08 each

The Black-Scholes Model was used to determine the estimated fair value of options granted during the period ended 31 December 2020. The following assumptions were used:

Options Number	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
5,000,000	\$0.057	94%	Nil	0.62%	\$0.038
2,500,000	\$0.057	94%	Nil	0.62%	\$0.033
2,500,000	\$0.057	94%	Nil	0.62%	\$0.029

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

No options expired during the period.

Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Bank Guarantee

The Company has given a bank guarantee of \$20,000 (30 June 2020: \$20,000) to the Department of Mines and Petroleum for a tenement bond.

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 is payable on gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

Kayelekera Uranium Project

As at 31 December 2020, the Company had three agreements providing 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.

10. EVENTS SUBSEQUENT TO REPORTING DATE

The Company raised \$270,067 (net of costs) from the exercise of 6,751,675 options (exercise price \$0.04).

On 10 February 2021 the Company's Managing Director Mr Eduard Smirnov resigned and Mr Keith Bowes was appointed on 15 February 2021 as his replacement.

On 19 February 2021 the Company's Non-Executive Chairman Mr John Sibley resigned and Mr Michael Bowen was appointed on 22 February 2021 as his replacement.

On 19 February 2021 the Company's Non-executive Director Mr Stuart McKenzie resigned and Mr Mark Hanlon was appointed on 22 February 2021 as his replacement.

On 4 March 2021, the Company announced that it has completed a placement of \$12,500,000 via the issue of 100,000,000 shares at \$0.125 per share to sophisticated and professional investors

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 31 December 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.

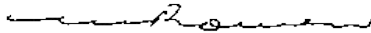
Apart from the above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results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

Directors' declaration

In the opinion of the Directors:

1. the financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the six months ended on that date; and
 - (b) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia this 16th day of March 2021.

RSM Australia Partners

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lotus Resources Limited which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lotus Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

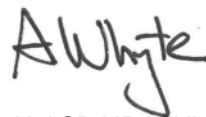
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS



ALASDAIR WHYTE
Partner

Perth, WA
Dated: 16 March 2021