



ABN 38 119 992 175

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR**

31 DECEMBER 2021

LOTUS RESOURCES LIMITED
ABN 38 119 992 175

Interim Financial Report – Half-Year Ended 31 December 2021

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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	Level 20, 140 St Georges Terrace Perth WA 6000
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 OTCQB Level 12, 300 Vesey Street New York, NY 10282 OTC Code: LTSRF

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as "the Consolidated Entity" or "the Group") consisting of Lotus Resources Limited ("the Company") and the entities it controlled at the end of, or during, the six months ended 31 December 2021.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

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)

Principal Activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the exploration, evaluation and development of the Group's Kayelekera Uranium Project, in Malawi.

Review of Operations

Kayelekera Project Overview

The Kayelekera Uranium Project ("**Kayelekera**" or the "**Project**") is located in northern Malawi, southern Africa, 52km west by road from the town of Karonga. The Project hosts a current Mineral Resource Estimate of 46.3 million pounds ("**Mlbs**") U₃O₈ (see pages 8 and 9), and historically produced 10.9 Mlbs over a five-year period from 2009-2014, before ceasing production in 2014 and entering into care and maintenance due to low uranium prices.

Activities during the half year continued from the significant progress made in the 2021 financial year and focused on positioning Kayelekera to be one of the first brownfield uranium projects to recommence production so as to meet the impending shortfall in uranium supply. Key developments included:

- Commencement of Definitive Feasibility Study to assess the restart of production at Kayelekera following strong results from the technical studies undertaken to reduce the operating costs and increase production compared to the Restart Scoping Study;
- Activities focused on expanding the Company's uranium resource base, leading to the release of an updated mineral resource estimate for Kayelekera and the acquisition of the Livingstonia tenements;
- Continuing engagement with potential offtake partners, to ensure Kayelekera is strongly positioned to secure the necessary sales arrangements required for restart of operations;
- Release of the Company's inaugural Sustainability Report following on from the commitment to develop Kayelekera in alignment with the United Nations Sustainable Development Goals; and
- Ongoing care and maintenance activities at Kayelekera to ensure site plant and infrastructure is in a good state for restart of production.

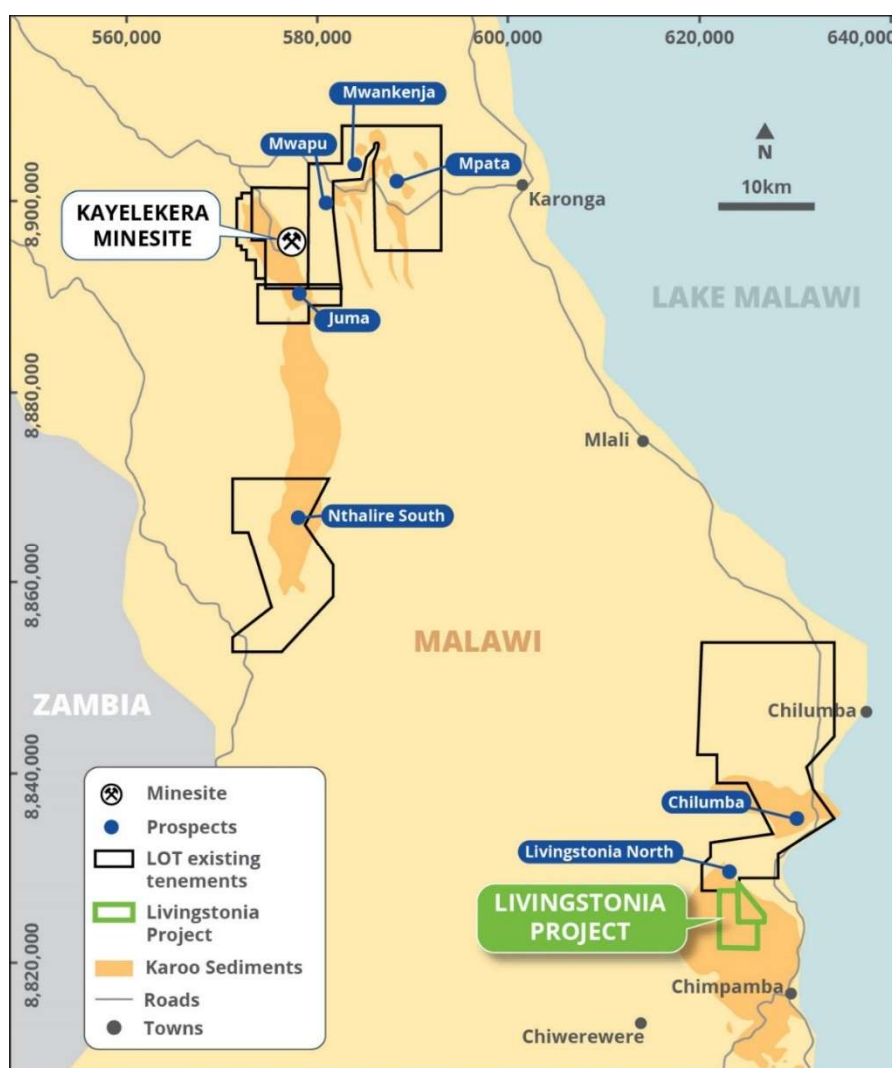


Figure 1: Location of the Kayelekera Uranium Mine and Livingstonia Uranium Tenements

A. Definitive Feasibility Study

Following completion of the positive Restart Scoping Study (refer ASX announcement 20 October 2020) the company undertook multiple technical studies that were identified as having the potential to improve Kayelekera's returns by reducing operating costs and life of mine capital costs and increasing production. The studies performed included reviews of ore sorting, power supply options, acid recovery and optimisation of tailings facilities. The studies were completed during the half year with ore sorting identified as having the greatest potential to positively impact economic returns.

Ore Sorting

Ore sorting is a relatively simple process which uses selected attributes of each particle or rock that passes under the equipment's detectors to determine whether to "accept" the particle for processing or "reject" the particle to waste. The intricacy comes with the detectors, the algorithms for the selection criteria and the computing speed to allow efficient and accurate processing of materials. The process flowsheet requires the material to be crushed and screened to a specified size range and then fed to the ore sorting unit in a consistent and uniform manner for separation.

Ore sorting technology has potential to not only increase the uranium grades in plant feed, but to also reject high acid consuming gangue minerals (e.g. calcites) from the feed. The ore upgrading is particularly pertinent for the lower grade stockpiles that were planned to be treated at the end of mine-life. The rejection of the high acid consuming gangue minerals could be applicable to all ore feeds and therefore could be implemented from the start of operations.

As part of the initial phase, the Company tested two samples of run of mine ore (approximately 500 kilograms) which had been previously collected from Kayelekera at the STEINERT testing facility in Perth. The two samples were tested in a commercial scale ore sorting unit, with one sample using only the colour sensor and the other sample, using only the density sensor.



Figure 2: Facility used during the testwork is the same size that would be used at the Project

The initial results, released in the ASX announcement dated 5 July 2021, exceeded expectations with the uranium grades of the concentrate increasing by up to 100% when compared to the feed sample. The testing indicated that colour sorting may be more effective on the specific ore types tested (86% recovery with an upgrade ratio of 1.6 for colour versus recoveries of 71% at upgrade ratios of 1.5 using density) but there were indications that the density separation may produce a higher grade product for some ore types.

Following on from the strong results of the first phase, the Company tested two additional samples of run of mine ore (approximately 500 kilograms). The tests were completed with one sample using a combination of the colour and density sensors. The second sample was tested with a finer crush size (10-30 mm versus the original 20-60 mm) to test the impact of particle size on separation efficiency.

The results, released in ASX announcement dated 28 August 2021, showed again that colour is the most effective sorting criteria. In the case of the coarser feed sample, the results indicate an upgrade ratio of 1.7 at recoveries of 86% or an upgrade ratio of 1.5 with 92% recovery (compared with upgrade ratio of 1.6 and recoveries of 86% in the original testwork).

Testwork on the finer sample showed higher recoveries could be achieved (94% at 1.3 upgrade ratio) but that the quantity of fines generated by crushing to this finer size was substantial and adversely impacted the final combined grade.

The upgrading of the fines portion of the feed material is ongoing, with results expected to be received in the coming months.

The next phase of ore sorting testwork will incorporate new samples from site including lower grade materials and other rock types treated at Kayelekera. The Company expects these results to be available towards the end of the first quarter of calendar year 2022.

Pit Optimisation and Mining Costs

The Company has engaged with a number of southern African mining contractors to provide a schedule of rates based on the mine plan developed as part of the Restart Scoping Study. The contractor proposals have been reviewed and the preferred contractor rates will be used as part of the pit optimisation work.

A review of the historical geotechnical data, as well as a field inspection of the pit walls has been undertaken. This data is currently being interpreted and will be used in the mine design.

Process Plant Design and Plant Capital Costs

A site inspection by the Company's selected engineer/EPCM contractor, key sub-contractors and equipment vendors was performed in early 2022 to inspect the plant so that refurbishment costs can be confirmed. The revised process design with the incorporation of ore sorting and acid recovery is also being prepared, which will allow the engineering and cost estimates for the potential "new" front end plant to be prepared.

Tailings Dam and Water

The selected tailings dam engineers have completed site visits and are undertaking assessments to determine the quantity of tailings that can be stored on the existing tailings dam. In addition, an assessment of potential locations for an additional tailings facility, including consideration of the potential for in pit tailings disposal, is ongoing.

Closure Planning

A specialist consultant has also been recruited to undertake an assessment of the mine rehabilitation and closure requirements after operations have been completed. A closure plan and costs estimate will be prepared as part of this work.

Development Agreements

To support the restart of the mine, a Community Development Agreement and a Mine Development Agreement are also being negotiated with the local communities and Malawian Government respectively.

B. Expansion of Uranium Mineral Resource Base

Kayelekera Resource Expansion Drilling

During September 2021, Lotus commenced its inaugural uranium exploration drill program at the Kayelekera mine site. The program consisted of 4,533 metres in 35 reverse circulation (RC) drillholes, targeting areas peripheral to the existing mineral resource to test the margins of the resource estimate for further extensions.

The focus of the RC program was the southern and eastern margins of the known resource. The holes completed in these locations were designed to either define extensional mineralisation or increase the existing resource classification (refer to Figure 3). The best results of 2 metres grading 2,155 parts per million (ppm) U_3O_8 and 3 metres grading 703 ppm U_3O_8 are located on the eastern edge of the mineralised system (refer to ASX announcement 27 January 2022).

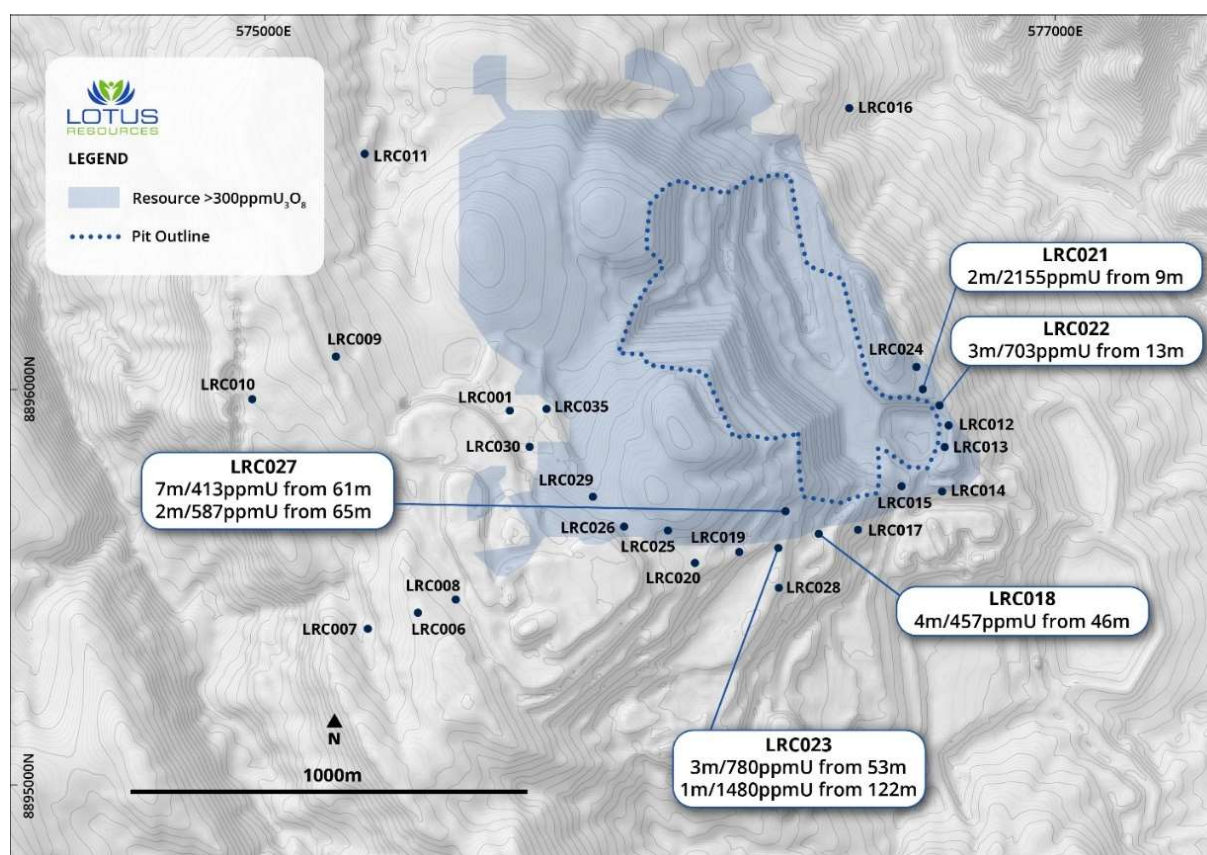


Figure 3: Kayelekera Resource Expansion Drilling – Drillhole Location Plan

Following these results, the Company prepared a Mineral Resource upgrade, which saw the resource increased by 23% to 46.3 Mlbs of U_3O_8 at an average grade of 500 ppm (refer Table 1 and ASX announcement 15 February 2022). Measured and Indicated resources now account for 81% of the total resource estimate (31.8 Mt at 530 ppm U_3O_8 for 37.4 Mlbs U_3O_8).

The increased resource was a result of recent exploration success at the Kayelekera Project (ASX Announcement 27 January 2022) in addition to a reduction in the cut-off grade to 200 ppm U_3O_8 (previously 300 ppm), following positive ore sorting test work on lower grade material from the Project as well as strengthening uranium market conditions.

The updated mineral resource estimate will be incorporated in the new mine plan for the Definitive Feasibility Study.

Table 1: Kayelekera Updated Mineral Resource – February 2022¹
Reported above a 200 ppm U₃O₈ lower cut-off for in-situ material and the low-grade stockpiles

	Mt	Grade (U₃O₈ ppm)	U₃O₈ (M kg)	U₃O₈ (M Lb)
Measured	0.9	830	0.7	1.6
Measured - RoM Stockpile ¹	1.6	760	1.2	2.6
Indicated	29.3	510	15.1	33.2
Inferred	8.3	410	3.4	7.4
Total	40.1	510	20.4	44.8
Inferred - LG Stockpile ²	2.4	290	0.7	1.5
Total All Material	42.5	500	21.1	46.3

¹ RoM stockpile has been mined and is located near mill facility.

² Low Grade stockpiles have been mined and placed on the low-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this optionality.

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; Stockpiles have been depleted to the end of processing in June 2014. Metal contents are based on contained metal in the ground and take 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.

Acquisition of Livingstonia Uranium Tenements

As part of its strategy to increase the uranium mineral resource base, the Company acquired the Livingstonia Tenements (**Livingstonia**) during the half year. Livingstonia is located 90km from the Company's Kayelekera Uranium Project in northern Malawi and has the potential to become a future satellite operation for the Company (refer to Figure 1).

The mineralisation is hosted in the prospective Karoo-equivalent sedimentary sequence, which is also host to the main deposit associated with Kayelekera and the tenement hosts an historical Inferred Mineral Resource (ASX Announcement 14 October 2021).

A 30 hole (approximately 4,000 metre) RC drill program was subsequently completed with the program designed to convert the historic resource (JORC 2004) into a JORC 2012 resource, to test potential high-grade extensions, and to follow up on anomalies that may be used as future targeting, including the untested Chilumba prospect where a radiometric anomaly has been identified. Samples are currently being prepared and will be dispatched to assay laboratories in Johannesburg for analysis, with results expected later in the March quarter of 2022.

C. Discussions with Offtake Partners

A total of 10.9 Mlbs of uranium (U₃O₈ 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 potential 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.

During the half year the Company continued to engage with potential offtake partners and was invited to participate in a number of requests for proposal (RFP's) for supply contracts.

D. Sustainability Development Report

Following on from the Company's commitment to develop the Kayelekera Project in alignment with the United Nations Sustainable Development Goals, the inaugural Sustainability Development Report was released.

The Report provides an initial assessment and an overview of the Company's approach to delivering its Environmental, Social and Governance program at the places it operates in Malawi, as well as the head office in Perth.

Reference to Previous ASX Announcements

The information in this announcement that relates to the Mineral Resource at Kayelekera was announced on 22 February 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 22 February 2022 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 \$3,571,881 after income tax for the half-year (2020: loss of \$2,546,524).

Significant Changes in the State of Affairs

During the period, the Company increased its ownership interest in the Kayelekera Uranium Project from 65% to 85% issuing 226,463,927 ordinary shares to the vendor as consideration.

The Company sold 100% of its non-core Hylea Project for a gain of \$2,375,763 comprising consideration of a \$1,000,000 cash payment plus shares in ASX listed company Sunrise Energy Metals Limited at fair value on receipt of \$1,375,763.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Board Composition

The Board regularly considers its composition to ensure that it is an appropriate size and that it collectively has the skills, industry experience and diversity required to ensure that it can discharge its duties effectively and to add value. As the outlook for the uranium sector continues to strengthen and Lotus positions itself for a recommencement of operations at its Kayelekera Uranium Project, the Company has commenced a process to review the composition of the Board, with a view to potentially adding valuable skills, diversity and independence.

Events Subsequent to Reporting Date

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 2021, 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.

On 24 January 2022, Mr Michael Ball was appointed as the Chief Financial Officer.

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 2021.

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



Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia, this 14th day of March 2022.



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 2021, 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

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 14 March 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
Other income	10	2,264,367	146,662
Care and maintenance expenses		(1,349,746)	(1,331,260)
Exploration and evaluation expenses		(1,662,780)	(42,551)
Corporate and administrative expenses		(1,292,243)	(951,650)
Depreciation charges		(338)	(24,690)
Share based payments		(1,531,140)	(343,035)
Loss before income tax		(3,571,881)	(2,546,524)
Income tax expense		-	-
Loss for the half-year		(3,571,881)	(2,546,524)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		387,594	(685,387)
Total other comprehensive loss		(3,184,287)	(3,231,911)
Total comprehensive loss for the half-year		(3,184,287)	(3,231,911)
Loss attributable to:			
Non-controlling interests		(343,898)	(325,035)
Members of the parent		(3,227,983)	(2,221,489)
		(3,571,881)	(2,546,524)
Total comprehensive loss attributable to:			
Non-controlling interests		(337,384)	(814,693)
Members of the parent		(2,846,903)	(2,417,218)
		(3,184,287)	(3,231,911)
Loss per share:			
Basic loss per ordinary share (cents)		(0.32)	(0.35)
Diluted loss per ordinary share (cents)		(0.31)	(0.29)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	Consolidated 31 December 2021 \$	Restated Consolidated 30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents	3	13,496,939	14,751,569
Other assets		493,097	739,003
Total Current Assets		13,990,036	15,490,572
NON-CURRENT ASSETS			
Plant and equipment		625,452	1,409
Exploration and evaluation assets	4	61,773,056	59,798,200
Other financial assets	5	13,812,768	13,572,826
Total Non-Current Assets		76,211,276	73,372,435
TOTAL ASSETS		90,201,312	88,863,007
CURRENT LIABILITIES			
Trade and other payables		528,442	625,023
Provisions		15,452	13,907
Other liabilities	6	2,758,560	2,671,220
Total Current Liabilities		3,302,454	3,310,150
NON-CURRENT LIABILITIES			
Other liabilities	6	7,137,840	7,006,832
Provisions		58,185,413	56,201,656
Total Non-Current Liabilities		65,323,253	63,208,488
TOTAL LIABILITIES		68,625,707	66,518,638
NET ASSETS		21,575,605	22,344,369
EQUITY			
Contributed equity	7	114,320,861	78,142,783
Reserves	8	1,931,540	257,145
Capital reserves		(34,945,960)	-
Accumulated losses		(59,623,787)	(56,441,844)
Equity attributable to owners of the Company		21,682,654	21,598,084
Non-controlling interest		(107,049)	386,285
TOTAL EQUITY		21,575,605	22,344,369

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2021

Consolidated	Contributed equity	Share based payment reserve	Options premium reserve	Foreign currency translation reserve	Accumulated losses	Capital reserves	Non-controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
2021								
At 1 July 2021	78,142,783	46,040	1,361,434	(1,150,329)	(56,441,844)	-	386,285	22,344,369
Loss for the period	-	-	-	-	(3,227,983)	-	(343,898)	(3,571,881)
Other comprehensive income	-	-	-	381,080	-	-	6,514	387,594
Total comprehensive loss for the half-year	-	-	-	381,080	(3,227,983)	-	(337,384)	(3,184,287)
Transactions with equity holders in their capacity as equity holders								
Shares issued to non-controlling interest	35,101,909	-	-	-	-	(34,945,960)	(155,949)	-
Share based payments	191,785	1,339,355	-	-	-	-	-	1,531,140
Exercise of options	709,884	-	-	-	-	-	-	709,884
Expiry of Employee Share Scheme options	-	(46,040)	-	-	46,040	-	-	-
Capital raising	174,500	-	-	-	-	-	-	174,500
At 31 December 2021	114,320,861	1,339,355	1,361,434	(769,249)	(59,623,767)	(34,945,960)	(107,049)	21,575,605

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2020

Consolidated 2020	Contributed equity \$	Share based payment reserve \$	Options premium reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Non- controlling interest \$	Total Equity \$
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Consolidated 31 December 2021 \$	Restated Consolidated 31 December 2020 \$
Cash flows from operating activities		
Receipts from customers	-	143,664
Payments to suppliers and employees	(2,750,922)	(1,142,303)
Payments for care and maintenance	(1,251,958)	(1,839,912)
Interest received	6,114	2,998
Net cash outflow in operating activities	(3,996,766)	(2,835,553)
Cash flows from investing activities		
Payments for exploration expenditure – acquisition costs	(33,843)	-
Payments for plant and equipment	(624,380)	(2,029)
Proceeds from sale of tenements	2,196,001	-
Net cash inflow/(outflow) in investing activities	1,537,778	(2,029)
Cash flows from financing activities		
Proceeds from issue of shares	174,500	4,880,000
Proceeds from the exercise of options	709,884	2,990,843
Repayment of lease liabilities	-	(23,787)
Capital raising costs	-	(344,710)
Net cash inflow from financing activities	884,384	7,502,346
Net (decrease)/increase in cash held	(1,574,604)	4,664,764
Cash and cash equivalents at the beginning of the period	14,751,569	1,853,485
Effects of exchange rate changes on cash and cash equivalents	319,974	(14,133)
Cash and cash equivalents at the end of the period	13,496,939	6,504,116

The above statement of cash flows should 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 2021 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 2021 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

During the half-year, the consolidated entity operated in two business segments and two geographical locations, being the exploration, evaluation and development of Uranium assets in Africa, and exploration and evaluation of Other Minerals in Australia.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

An operating segment is a component of the consolidated entity 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 consolidated entity's components.

Consolidated 31 December 2021	Operating Loss \$	Total Assets \$	Total Liabilities \$
Uranium	(1,935,931)	63,020,986	65,256,924
Other Minerals	2,375,763	-	-
Corporate	(4,011,713)	27,180,326	3,368,782
	(3,571,881)	90,201,312	68,625,706

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

Restatement

A \$3,000,000 liability has been reclassified from the Other Minerals segment to the Uranium segment in the comparative information for the period ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CASH AND CASH EQUIVALENTS	Consolidated 31 December 2021 \$	Restated Consolidated 30 June 2021 \$
Cash at bank and on hand	<u>13,496,939</u>	<u>14,751,569</u>

Restatement

Refer to note 9 for details of a restatement of the 30 June 2021 balance to reclassify restricted cash consisting 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 (30 June 2021: US\$10,000,000).

4. EXPLORATION AND EVALUATION ASSETS	Consolidated 31 December 2021 \$	Consolidated 30 June 2021 \$
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>61,773,056</u>	<u>59,798,200</u>

Movement in assets

Carrying amount at beginning of period	59,798,200	65,056,336
Assets acquired	33,843	-
Movement in exchange rates	<u>1,941,013</u>	<u>(5,258,136)</u>
Carrying amount at end of period	<u>61,773,056</u>	<u>59,798,200</u>

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

5. OTHER FINANCIAL ASSETS	Consolidated 31 December 2021 \$	Restated Consolidated 30 June 2021 \$
Security deposits	<u>13,812,768</u>	<u>13,572,826</u>

Security deposits 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 (30 June 2021: 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.

Restatement

Refer to note 9 for details of a restatement of the 30 June 2021 balance to reclassify restricted cash consisting 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 (30 June 2021: US\$10,000,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. OTHER LIABILITIES	Consolidated 31 December 2021 \$	Consolidated 30 June 2021 \$
Environmental bond - current	2,758,560	2,671,220
Environmental bond - non - current	4,137,840	4,006,832
Deferred shares consideration to be issued on the date that is 3 years after completion – non-current	3,000,000	3,000,000
Total other liabilities, non-current	7,137,840	7,006,832
Movement in environmental bond:	Current \$	Non-current \$
1 July 2021	2,671,220	4,006,832
Foreign currency movement	87,340	131,008
31 December 2021	2,758,560	4,137,840
7. CONTRIBUTED EQUITY	Consolidated 31 December 2021 \$	Consolidated 30 June 2021 \$
Fully paid ordinary shares	114,320,861	78,142,783
Movement in contributed equity:	No.	\$
At 1 July 2021	954,718,789	78,142,783
Issue of shares – capital raising	1,900,000	174,500
Issue of shares on exercise of options	15,122,091	709,884
Issue of shares to employees	535,713	101,785
Issue of shares to consultant	300,000	90,000
Transaction with minority interest	226,463,927	35,101,909
At 31 December 2021	1,199,040,520	114,320,861
8. RESERVES	Consolidated 31 December 2021 \$	Consolidated 30 June 2021 \$
Share based payment reserve	1,339,355	46,040
Option premium reserve	1,361,434	1,361,434
Foreign exchange reserve	(769,249)	(1,150,329)
	1,931,540	257,145
Share based payment reserve		
Opening balance	46,040	46,040
Movement during the period	1,293,315	-
Closing balance	1,339,355	46,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. RESERVES (CONTINUED)	Consolidated 31 December 2021 \$	Consolidated 30 June 2021 \$
Option premium reserve		
Opening balance	1,361,434	1,018,399
Movement during the period	-	343,035
Closing balance	<u>1,361,434</u>	<u>1,361,434</u>
Foreign exchange reserve		
Opening balance	(1,150,329)	(713,635)
Exchange rate differences on translating foreign operations	381,080	436,694
Closing balance	<u>(769,249)</u>	<u>(1,150,329)</u>
Movement in options:	31 December 2021 Options No.	30 June 2021 Options No.
Opening balance	44,854,463	155,417,981
Granted	24,169,000	31,000,000
Exercised	(15,122,091)	(120,563,518)
Expired	-	-
Lapsed	-	(21,000,000)
Closing balance	<u>53,901,372</u>	<u>44,854,463</u>

Details of the 24,169,000 options granted during the period ended 31 December 2021 are set out below (including the assumptions used in fair value estimation).

Below are options granted during the period where the vesting criteria did not contain any market conditions. The Black-Scholes-Merton model was used to determine the estimated fair value of those options.

Options Number	Grant date	Expiry date	Exercise Price	Spot Price at Grant Date	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
648,000	29/11/2021	29/07/2024	\$0.00 each	\$0.310	Nil	0.91%	\$0.310
1,406,000	14/12/2021	14/12/2024	\$0.00 each	\$0.285	Nil	0.91%	\$0.285
615,000	29/11/2021	29/07/2026	\$0.00 each	\$0.310	Nil	0.75%	\$0.310
942,500	14/12/2021	14/12/2026	\$0.00 each	\$0.285	Nil	0.72%	\$0.285
3,000,000*	26/08/2021	1/07/2024	\$0.00 each	\$0.170	Nil	0.91%	\$0.109
3,000,000*	26/08/2021	10/02/2024	\$0.00 each	\$0.170	Nil	0.91%	\$0.109
3,000,000*	26/08/2021	1/07/2024	\$0.00 each	\$0.170	Nil	0.91%	\$0.138
3,000,000*	26/08/2021	10/02/2024	\$0.00 each	\$0.170	Nil	0.91%	\$0.138
7,000,000	26/08/2021	22/02/2024	\$0.00 each	\$0.170	Nil	0.91%	\$0.710

* These represent options granted that had a market based vesting criteria related to a share price target, a trinomial barrier valuation was performed to estimate the fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. RESERVES (CONTINUED)

Below are options granted during the period that had market based vesting criteria related to performance against a per group. A Monte-Carlo simulation was performed to estimate the fair value.

Options Number	Grant date	Expiry date	Exercise Price	Spot Price at Grant Date	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
615,000	29/11/2021	29/07/2026	\$0.00 each	\$0.310	Nil	0.75%	\$0.279
942,500	14/12/2021	14/12/2026	\$0.00 each	\$0.285	Nil	0.72%	\$0.277

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.

9. RESTATEMENT

	Consolidated 30 June 2021 \$	Consolidated 31 December 2020 \$
Current Assets - Cash and Cash Equivalents		
Balance reported	28,324,395	19,577,029
Reclassification of restricted cash	(13,572,826)	(13,072,913)
Restated balance	14,751,569	6,504,116
Non-Current Assets - Other Financial Assets		
Balance reported	-	-
Reclassification of restricted cash	13,572,826	13,072,913
Restated balance	13,572,826	13,072,913

The balances above were restated to reclassify restricted cash consisting 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 (30 June 2021: US\$10,000,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
10. OTHER GAINS/LOSSES		
Gain on sale of tenement	2,375,763	-
Loss on sale of available for sale financial assets	(229,970)	-
Other income	118,574	146,662
	<u>2,264,367</u>	<u>146,662</u>

During the period, the Company sold 100% of its non-core Hylea Project for consideration of \$1,000,000 cash payment plus shares in ASX listed company Sunrise Energy Metals Limited at fair value on receipt of \$1,375,763. The sale resulted in a gain on disposal of \$2,375,763.

11. INCREASE IN OWNERSHIP OF KAYELEKERA URANIUM PROJECT

During the period, the Company increased its ownership interest in the Kayelekera Uranium Project from 65% to 85%, with the Government of Malawi holding the remaining 15% interest. The additional interest was acquired upon the Company exercising its buy out right under the agreement entered when the Company acquired its initial 65% interest. The interest was purchased from a director related entity following shareholder approval on 30 July 2021. In consideration for the additional ownership interest, the Company issued 226,463,927 ordinary shares to the vendor, estimated at fair value of \$35,101,909 based on the market price of the equity instruments at grant date.

12. DIVIDENDS

No dividends were declared or paid during the half-year ended 31 December 2021 (2020: nil).

13. CONTINGENT LIABILITIES

Kayelekera Uranium Project

As at 31 December 2021, 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 comprises an uncapped 3.0% royalty on revenue to the Malawi Government, a 3.5% royalty on revenue capped at \$5,000,000 to Paladin Energy and an uncapped 0.75% royalty on revenue to Power Resources Inc.

14. EVENTS SUBSEQUENT TO REPORTING DATE

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 2021, 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.

On 24 January 2022, Mr Michael Ball was appointed as the Chief Financial Officer.

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 directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia this 14th day of March 2022.

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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 2021, 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 2021 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.

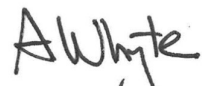
Conclusion

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 2021 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: 14 March 2022