LOTUS RESOURCES

Annual Report 2023

ABN 38 119 992 175

Corporate Directory

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Mr Michael Bowen - Non-Executive Chairman
Mr Keith Bowes - Managing Director/CEO
Mr Grant Davey - Non-Executive Director
Mr Mark Hanlon - Non-Executive Director
Ms Dixie Marshall - Non-Executive Director

Company Secretary
Ms Catherine Anderson

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Letter from the Chairman and CEO

Dear Shareholders

On behalf of the Board of Directors for Lotus Resources Limited, we are delighted to present the Annual Report for the financial year ended 30 June 2023.

The Company has had a very productive year with our activities focusing around two key areas; continuing the advancement of the Kayelekera Project in Malawi with the completion of our Definitive Feasibility Study (DFS) which was announced to the market in August 2022 and a resource growth strategy with the recently announced deal to acquire the ASX listed company A-Cap Energy through a Scheme of Arrangements (announced in July 2023).

The Kayelekera DFS confirmed the Project as one of the lowest capital cost uranium projects globally (US$88 million), which can also recommence production quickly (15 months development for construction/refurbishment) once a Final Investment Decision (FID) is made. The study highlighted an annual production of 2.4Mlbs U_3O_8 per annum (first seven years), with a 10-year life-of-mine producing a total of 19.3Mlbs U3O8. Cash Operating Costs of US$29.10/lb (All in Sustaining Cost of US$36.20/lb) were also determined for the first seven years of operation prior to the commencement of production from the lower grade stockpiles.

The A-Cap Energy merger, announced post reporting date, gives the company the ability to become a long-term supplier in the uranium market through the development of A-Cap's Letlhakane Project located in Botswana. The project has one of the largest mineral resources globally (190Mlbs of U_3O_8 equivalent) which when combined with the Kayelekera mineral resource will make the merged entity the third largest uranium resource on the ASX. The Company also recognises Botswana as a premier mining jurisdiction in the world having recently being ranked #2 in the world by the Fraser Institute on the policy perception index.

This past year has also seen further improved sentiment in the nuclear and uranium industries, as the world continues its transition away from fossil fuels to a zero-carbon emission future. This positive sentiment has been reflected in the reported uranium spot price which over the past 24-months has increased from US$43/lb (30 September 2021) to approximately US$67/lb currently (20 September 2023). Further price increases are still likely to occur based on the existing annual supply gap of almost 40Mlbs of U_3O_8 equivalent. Higher pricing will be essential to incentivise new production entering the market to match the forecasted demand from existing and new large-scale reactors, as well as the forecast for the new small modular reactors.

The Company has also continued to develop its Environment, Social and Governance (ESG) profile with our second Sustainability Report issued back in November 2022 and our third report expected to be released later in November this year. The reports clearly show our commitment to becoming a leader in the industry regarding ESG and to leave a lasting positive legacy in Malawi. Our reporting methodology is also beginning to mature with a more quantitative analysis of our ESG position being undertaken, including working towards reporting against the Taskforce for Climate-related Financial Disclosure (TCFD) framework, an important global framework for understanding and mitigating financial implications of climate change. This approach is becoming more critical as discussions with global utilities for future offtake have indicated our ESG credentials, especially with European utilities, is a key consideration for signing offtake contracts.

The Company made the last payment (cash and a deferred share consideration) to Paladin Energy Limited during the March Quarter to close out the acquisition of the Kayelekera asset[1]. Even with this expenditure the Company has maintained tight fiscal responsibility and is in a sound financial position with funding through to end 2024 under the current expected expenditure profile.

On behalf of the Lotus Board and management team, we would also like to thank the Malawi government, most notably the Minister of Mines, The Honourable Ms Monica Chang'anamuno, the Minister of Finance, the Honourable Mr Sosten Gwengue, and the Attorney General, the Honourable Mr Thabo Chakaka-Nyirenda, for their continued support and the faith they have shown in the Kayelekera Project. We look forward to continuing working closely together in the years ahead.

Finally, we would like to thank all shareholders for their continued support. This is an exciting time for your Company, and we look forward to keeping you updated as we continue our progress at Kayelekera in the future.

Mr Michel Bowen
Non-Executive Chairman

Mr Keith Bowes
Managing Director/CEO

1 A A$5 million capped royalty remains which will be incurred when production restarts

Directors' Report

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 2023 and the auditor's report thereon.

REVIEW OF ACTIVITIES

Kayelekera Project Overview

The Kayelekera Uranium Project (Kayelekera or the Project) is located in northern Malawi, southern Africa, 52 kilometres (km) west by road from the town of Karonga. The Project hosts a current Mineral Resource Estimate of 51.1 million pounds (Mlbs) U_3O_8 including the inaugural resource at Livingstonia, and historically produced approximately 11Mlbs U_3O_8 equivalent over a five-year period from 2009-2014, before ceasing production in 2014 and entering into care and maintenance due to low uranium prices.

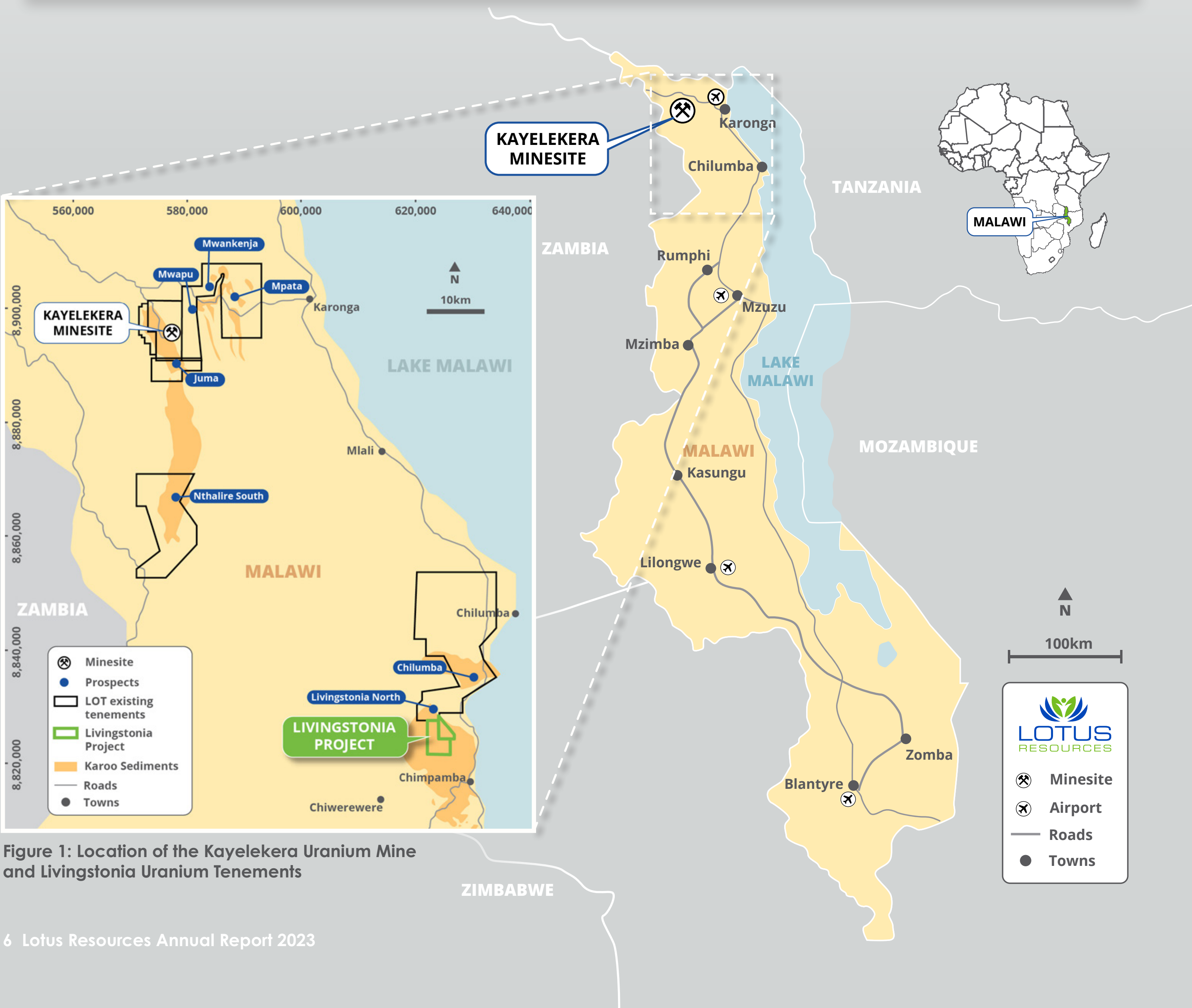

Figure 1: Location of the Kayelekera Uranium Mine and Livingstonia Uranium Tenements

During the 2023 financial year Lotus Resources continued to advance Kayelekera to be able to quickly recommence production once the uranium price recovers to levels supportive of new production required to meet the future impending shortfall in uranium supply. The significant achievements during the year and up to the date of this report included the following:

Completion and release of the Restart Definitive Feasibility Study in August 2022 which confirmed Kayelekera as a low cost, quick restart uranium operation.

Participated in a number of Request for Proposals (RFPs) from utilities in connection with their future uranium demand.

Further progress towards alignment of the Company's Environmental, Social and Governance (ESG) reporting against the Taskforce for Climate-related Financial Disclosure (TCFD) framework, an important global framework for understanding and mitigating financial implications of climate change. This framework will be used in conjunction with UN Sustainable Development Goals (SDGs) and Global Reporting Initiative (GRI) Standards when we release our third Sustainability Report in November 2023.

Advanced discussions with the Malawi national electricity supplier (ESCOM) using an expert consultant regarding the connection of the Project Site to the Malawi national grid.

Multiple discussions and visits to Malawi to meet with Government Ministers and representatives to progress the **Mine Development Agreement with the Government of Malawi (GoM).** This has included a benchmarking exercise undertaken with an independent expert to advise the GoM on comparable fiscal regimes in other African countries with established mining industries and /or uranium production.

Completion of a $25 million placement to provide funding in accordance with the stated uses.

Continued and advanced discussions with major global utilities and uranium traders to re-introduce the Project and discuss potential offtake agreements.

Continued to review potential new exploration areas in Malawi as well as other uranium opportunities in other jurisdictions as the Company looks to grow its pipeline of development assets.

Ongoing care and maintenance activities at Kayelekera to ensure site plant and infrastructure is in a good state for restart of production, including preparations for water treatment following the wet season in Malawi.

Merger with A-Cap Resources to Create Leading Southern African Focused Uranium Player

Lotus Resources and ASX listed A-Cap Energy Limited (**A-Cap**) announced on 13 July 2023 their intention to merge by way of Scheme of Arrangement (the **Share Scheme**). Under the Share Scheme, A-Cap shareholders will receive 1 new Lotus share for every 3.54 A-Cap shares held on the Share Scheme record date. If the Share Scheme is approved and implemented, Lotus shareholders will hold approximately 79% of the merger group with A-Cap shareholders holding the remaining approximately 21%.

A-Cap owns the Letlhakane Uranium Project (the **Letlhakane Project**) in Botswana and holds a 55% interest in the Wllconi Nickel Cobalt Project (the **Wllconi Project**) in Western Australia.

The Letlhakane Project consists of a significant JORC 2012 Mineral Resource of 190.4Mlbs of U_3O_8 equivalent (268.9Mt at 321ppm U_3O_8)[2]. The mining licence has been in place since 2016 and provisional surface rights have been granted as well as water abstraction rights and rights to install water bores. The asset is located close to high quality infrastructure with a sealed highway, rail line and power line running past the mining licence boundary. The asset is located within 50 kilometres of Francistown, a major population centre.

Botswana is a mining friendly jurisdiction, consistently ranking highly in the Fraser Institute Perceptions Index (for the latest report for 2022 it was rated the top mining jurisdiction in African and the second worldwide).

The merger will create a leading African focused uranium player with significant scale and resources by combining production ready asset, Kayelekera, with a future large scale growth asset Letlhakane. The merger combines two highly complementary and synergistic projects, both located in southern Africa and both with significant leverage to the global uranium thematic. Two geographic project locations provide diversification benefits to mitigate single asset risk whilst offering the potential to capture regional synergies.

Restart Definitive Feasibility Study

The Company released its Restart Definitive Feasibility Study (the Restart DFS or the Study) on 11 August 2022. Refer to the ASX announcements released for full details. The Table 1 sets out the key project outputs from the Study.

The key highlights of the Restart DFS are as follows:

1. **Quick restart to production following a final investment decision**

   Development to first production estimated at 15 months in the Study.

2. **Proven processing facility reduces start-up risks**

   Debottlenecked flowsheet consisting of traditional milling, acid leach and resin-in-pulp circuits with high metallurgical recoveries of 86.7%.

3. **Simple mining technique lowers operating costs**

   Shallow open pit mining with low strip ratio of 1.8:1 (waste to ore ratio)

4. **High degree of confidence in orebody**

   96% of the uranium produced from the mine plan being sourced from ore reserves.

5. **Low initial capital cost**

   US$88 million ranks the Project as one of the lowest capital cost uranium projects globally with an initial capital intensity of US$37 per pound (lb)[3].

   Includes US$35.8 million for new plant and infrastructure to improve the project economics and plant reliability including a new acid plant and steam turbine (US$15.3 million), a connection to the national grid (US$13.0 million) and upgrade to the front-end processing circuit to incorporate ore sorting (US$6.0 million).

6. **Improved margins due to low operating cost**

   Cash costs are US$29.1/lb[3] and AISC of US$36.2/lb[4] during the first 7 years of production (after ramp-up).

2 Refer to Lotus ASX announcement dated 13 July 2023.
3 Initial Capital Intensity = Initial Capital Cost (US$88 million) / Steady State Average Production (2.4Mlbs U_3O_8)
4 The key outputs are presented for the Project on a 100% ownership basis. Lotus Resources owns 85% of the Project with the remaining 15% held by the Government of Malawi.

Table 1: Key Project Outputs[4]

Production	LOM total / Average
Mine Life (Years)	9.5
Total Material Mined (Mt)	40.5
Strip Ratio (waste to ore ratio)	1.8
Ore Tonnes (Mt)	14.3
Average Mined Grades (ppm U_3O_8)	648
Total U3O8 Mined (Mlbs)	20.5
Existing Stockpiles	
Tonnes (Mt)	4.1
Grade (ppm U_3O_8)	470
Plant	
Crusher Feed (Mt)	18.4
Crusher Feed Grade (ppm U_3O_8)	609
Average Feed Upgrade factor (ore sorting)	1.30
Average Ore Sorting Recovery (%)	77.8
Mill Feed (Mt)	12.8
Average Mill Feed Grade (ppm U_3O_8)	792
Process Plant Recovery (%)	86.7
Average Annual Production (Mlbs)	2.03
Steady State Annual Production (Mlbs)	2.42
LOM Production (Mlbs)	19.3
Operating Costs	
Mining Costs (US$ / t mined)	3.04
Processing Costs[5] (US$ / t ore)	27.60
G&A Costs (US$M pa)	11.10
Cash costs[6] (US$ / lb)	30.10
AISC[7] (US$ / lb)	37.70
Initial Capital Costs	
Initial Capital (US$M)	78.3
Contingency (US$M)	9.5
Pre-Production (US$M)	11.5

4 The key outputs are presented for the Project on a 100% ownership basis. Lotus Resources owns 85% of the Project with the remaining 15% held by the Government of Malawi.
5 Includes maintenance costs and power costs.
6 Cash Costs include all mining and stockpile rehandling, processing, maintenance, and general and administrative costs.
7 AISC refers to All in Sustaining Costs which include Cash Costs plus product transport, insurance and conversion costs, Government and third-party royalties and sustaining capital (including TSF costs).

Restart Definitive Feasibility Study (continued)

7. **Robust mine life with exploration upside**

   10-year Life of Mine (LOM), with production of 19.3Mlbs of U_3O_8 equivalent at an average annual production rate of 2.0Mlbs (2.4Mlbs per annum for the first 7 years before production is sourced from stockpiles).

   Exploration success at Livingstonia and potential further opportunities at Chilumba and around the current Kayelekera resource, demonstrate potential to extend the LOM past the 10 years.

8. **Significantly improved ESG results**

   Power related carbon dioxide (CO2) emissions reduced by over 72% (or approximately 21,000 tonnes per annum) in the new proposed hybrid power system compared to the historical operation.

   It is estimated that over 600 jobs will be created for the local community.

   Community Development Agreement in progress to support development of our qualified communities.

The Company has also received proposals from the various consultants identified to undertake one of the final stages of technical work prior to the restart, Front End Engineering and Design (FEED).

Connection to Malawi National Grid

The Company is working towards a Power Implementation Agreement and Power Supply Agreement with the Energy Supply Company of Malawi (**ESCOM**) which will facilitate the connection of Kayelekera to the Malawi national grid and allow the company to access cheaper power, a critical component of lower operating costs reported in the Restart DFS.

As the Restart DFS highlighted, connection to the Malawi national grid which is sourced predominantly from hydro is a critical part of Lotus low carbon strategy. During the financial year, Lotus assisted by its technical consultants, worked with ESCOM to define the optimal grid connection solutions and the associated power reliability and upgrade costs. The preferred options will be taken forward to the next stage which will involve a commercial working group to consider the business case for upgrades and new installations required, including negotiating the electricity tariffs that will be applicable to Kayelekera.

Lotus has also initiated an assessment of what will be required for the installation of the new transmission line from an environmental impact assessment perspective depending on the selected route, and this will form part of the selection process.

Discussions with Offtake Partners

Approximately 11Mlbs 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, 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.

During the financial 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. Discussions have been led by Dr Robert Rich, the Company's Uranium Marketing and Sales Executive based in the USA.

Uranium Market

The uranium market has seen a steadily increasing spot uranium price from between US$45/lb and US$50/lb in June 2022 increasing to US$56/lb to US$58/lb in June 2023, with the price lifting further post balance date to US$67/lb (20 September 2023). Term contract prices have also risen in a similar manner to the spot price. Positive sentiment continues within the uranium market as Governments seek to execute plans to meet carbon reduction and zero-carbon emissions targets and high energy prices and increases in energy demands with the electrification of transport.

New nuclear reactors builds, life extensions to existing reactors as well as advancements in small modular reactors (SMRs) and advanced reactor design all indicate growing demand for uranium supply moving forward. Companies such as Lotus which have assets that have previously produced and can come back on-line relatively quickly are the ones most likely to benefit in the near-term for the new demand anticipated.

Care and Maintenance Activities at Kayelekera

Health & Safety

The Kayelekera mine has achieved 3,282 Lost Time Injury (LTI) free days with a total 3,571,351 person hours worked as at 30 June 2023 (224,364 for the financial year ended 30 June 2023). During the financial year, there were no reportable health and safety incidents. The 12-month rolling Total Recordable Injury Frequency Rate (TRIFR) has remained steady at 0.89, while the Lost Time Injury Frequency Rate (LTIFR) remains at zero.

The Kayelekera mine continued to take a pro-active approach in relation to incident/accident prevention through implementation of work permit system, Take-5 risk assessments and daily safety toolbox talks.

Care and Maintenance Activities

The Company continues to critically review activities and associated costs at the Project site to ensure the site care and maintenance programs and costs are optimised.

The primary focus for the ongoing activities are the core requirements of:

1. Ensuring compliance with all regulatory requirements;
2. Maintaining the equipment on site so as to minimise restart costs;
3. Ensuring security of the assets at site; and
4. Management of water on site to control the discharge of water to the environment, during the wet season, in accordance with licence conditions and world standards.

Government and Community Relations

Mine Development and Community Development Agreements

The Company is securing a Mine Development Agreement (MDA) that will set the fiscal regime in which the Project will operate and will include other provisions for contractual protections as are customary for such concession agreements. The key items being finalised under the agreement are critical to support the investment to restart operations and the financial returns for the Project.

Lotus continues to advance negotiations with the Government of Malawi with various meetings in person and over video conference.

A site visit to Kayelekera of Government officials was hosted at the end of May who expressed their support for the Kayelekera Project. Further meetings were held in Lilongwe with the Parliamentary sub-committee on Natural Resources and Climate Change, the Mining and Finance Ministers and the Attorney General.

During this trip the Lotus management team was also able to meet with HRH Paramount Chief Kyungu, the traditional authority in the Karonga District of northern Malawi where Kayelekera is located. Paramount Chief Kyungu has been a strong advocate for the restart of the mine and was able to update the Government officials during their visit to site on the community's desire to see the mine restart as soon as possible.

A benchmarking report was finalised by the Government's advisors to inform the Government on the share of economic benefits seen in other mining jurisdictions. Further meetings were held in person between Lotus management and the Government in August to discuss the report and the process to finalise the agreement.

As part of the updated Malawian Mines and Minerals Act (2019), a company that has a large-scale mining licence, such as the Company holds for Kayelekera, is required to enter into a Community Development Agreement (CDA) with the local "qualified communities" as defined in the Act. This agreement provides for a minimum 0.45% of the gross revenues generated from the mine to be spent on projects or activities selected by the qualified communities. The objective of the CDA aligns with Lotus Resources' aim to achieve a balance between economic, environmental and social needs. The qualified communities and Company have agreed terms with the CDA awaiting ratification by the Government of Malawi in accordance with the Mines and Minerals Act (2019).

SUSTAINABILITY AND ESG

Lotus Vision

To be a responsible uranium producer, building strong local communities, a safe and healthy work environment and making a positive contribution to a carbon free future.

Sustainability and ESG

At Lotus, we recognise that we are part of a global community. As part of this community, we are committed to operating our business in a sustainable manner that ensures our people are safe and well-supported, local communities prosper and the environment is well cared for so that it benefits future generations. Companies can be courageous and innovative in their approach to sustainability, and Lotus has both the opportunity and the capacity to be a key participant in this approach. We are committed to continuously improving the way we do business.

he mining sector remains a significant local and international industry as global demand for resources continues to improve living standards and assist economic growth. The industry is facing complex challenges, such as volatile commodity prices, climate change impacts, community acceptance, environmental concerns and the need for companies to show leadership and stewardship of natural resources. However, these challenges can also be opportunities, and the industry is in a unique position to respond. Nuclear energy in particular, has a large role to play in the transition to a low carbon future as the only sustainable baseload power option with zero-carbon emissions.

In November 2022, Lotus was very pleased to release its second annual Sustainability Report which is available from the Company's website. The 2023 Sustainability Report is expected to be released in November 2023.

Sustainability Governance

Sustainability at Lotus is governed directly through the Board and the ESG Sub-committee and focuses on the Company's performance in the areas of risk management, health, safety, radiation, environment, social responsibilities and sustainable development. To further strengthen Lotus' ESG performance and to support the ESG Sub-committee, Lotus engaged an ESG Manager in November 2022, who has the responsibility to lead the Company's Sustainability Strategy.

Sustainability Strategy

One of Lotus' focus areas for this year has been improving our performance and management systems for diversity, human rights and labour rights, and climate change.

Diversity

Lotus' Diversity and Inclusion Policy recognises the benefits arising from employee and board diversity and highlights our commitment to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience.

In line with our Diversity and Inclusion Policy, we have been focusing on gender equality at all levels:

- Our Board has 18% female representation,
- Our management team is now 20% female increasing from 0% in the 2022 financial year, and
- Our full-time Kayelekera mine site employees now comprise 12% female.

We also are focused on prioritising the employment of women for casual and contractor roles at the Kayelekera mine site, with the percentage of women contractors employed during the 2023 financial year increasing to 10%, and we will be continuing to implement processes that support and encourage women to join our workforce in the 2024 financial year.

Human rights and labour rights

Human rights recognise the inherent value of each person and are based on principles of dignity, equality and mutual respect, which are shared across cultures, religions and philosophies. Human rights are about being treated fairly, treating others fairly and having the ability to make genuine choices in our daily lives.

During the 2023 financial year, we continued to update and improve our governance systems by preparing and updating management plans for the recommencement of mining. This process has involved evaluating the International Labour Organisation Conventions (**ILO**) that have been ratified by the Malawi Government and developing a roadmap to align our management system with the ILO requirements. This work will be continued in the 2024 financial year.

Climate change

It is widely anticipated that the Australian Accounting Standards Board (**AASB**) will use the Taskforce for Climate-Related Financial Disclosure (**TCFD**) framework as the basis for upcoming mandatory climate risk disclosures for Australian corporates. To meet these requirements, the Company initiated a process in 2022 to align with TCFD by fulfilling the Governance disclosure requirements in the 2022 Sustainability Report and reporting on its Scope 1 & 2 Greenhouse Gas (**GHG**) emissions. During this reporting period, the Company has further advanced its TCFD work by undertaking a climate risk assessment workshop with its Kayelekera mine site employees and senior management. The next stage of the TCFD journey is to develop various scenarios and undertake a detailed risk assessment against these scenarios with the results incorporated into the company wide risk management systems.

Community Engagement

The Company continues to support the Kayelekera local community and surrounding towns by sponsoring teachers at the local schools, providing power and water to the Kayelekera Village Health Centre, undertaking a mosquito spraying programs at the local village to reduce malaria in the community and providing support to locals who were diagnosed with cholera as well as providing seedlings to the local villages to restore vegetation cover. Lotus also supports local Malawian suppliers and labour wherever possible.

Kayelekera Mine Site Performance

The main safety, health, environment and radiation (SHER) activities undertaken during the period were:

- The Atomic Energy Regulatory Authority (AERA) inspected Kayelekera during the reporting period. Lotus also submitted an application for the renewal to possess and use radioactive sources to AERA.
- Firefighting training and reviews of Emergency Response Plan and Safety Management Plans with updates to comply with current care and maintenance activities.
- Regular review of the site risk register and risk mitigation controls.
- Monthly inspections on camp hygiene, process plant and tailings / water dams.
- Vector control programs were conducted for rodent, termite and fly control.

The following monitoring programs were also undertaken during the reporting period:

- Radiation monitoring for positional dust was conducted in multiple locations. Radiometric and gravimetric analysis was performed on the samples collected by the High-Volume Air Samplers (HVAS) during the reporting period. The radiometric and gravimetric concentration on the samples analyzed are well below the recommended Occupational Exposure Limits (OELs).
- Radon Decay Products (RDP) sampling was conducted on four monitoring stations. Trends of the RDP concentrations in all four locations were dependent on the external weather conditions with higher values see at the onset of the dry season. However, all mean concentrations for RDP sampling remain very low compared to the DLI (7.00µJm3).
- Scheduled inspections and prism survey on the tailings storage facility (TSF) embankments including the Decant Pond were completed for the reporting period. No deviations were noted on the TSF North Wall. The largest movements were recorded on the southern edge of the TSF and on the southern wail of the Decant Pond. Movements were within the norms expected for the areas.
- Prism ground movements monitoring at the processing plant site depend on the season with reductions in ground movement intensity as the dry season moves in and conversely increases in the wet season. The largest ground movements were mapped on slopes to the west of the plant and at acid plant stack. A comprehensive program of work was detailed as part of the DFS providing a strategy to manage this issue prior to start-up.

Site water management continues with the water treatment program being conducted over a period of twenty five days discharging 286,806m³ treated water into the Sere River in accordance with license conditions.

Water pond monitoring surveys were undertaken weekly during the rainy season and monthly during the dry season. Pond levels and volumes obtained at the end of June 2023 are given provided in the next table.

Water Storage Facility	June 2023	June 2022
Return Water Pond (RWP1)	23.4%	26.9%
Return Water Pond (RWP2)	67.8%	60.7%
Decant Pond	65.5%	67.9%
Seepage Pond	65.1%	19.5%
Tailings Storage Facility (mRSL)	798.116	798.425

The current number of persons employed by the Company are shown in the table below. Permanent Staff turnover is one, with one separation and no new appointments made during the reporting period.

Employees	June 2023	June 2022
Permanent staff (Expat)	2	2
Permanent staff (National)	16	17
Contractors – FTE	15	18
Contractor Security	20	20
Third Party Contractors	3	3

Stakeholder consultation is an ongoing activity with communications focused on current activities onsite (e.g. water treatment), temporary contract job opportunities, future plans for the mine and discussions around community development ideas as Lotus progresses the Community Development Agreement.

RISK MANAGEMENT

Lotus is committed to the active management of the risks to its activities. Risk management plays a key role in ensuring the Company achieves its goals. The Board is responsible for setting the "risk appetite" for the Company and is responsible for establishing, overseeing and approving the Company's risk management framework, strategy and policies, internal compliance and internal control. The Board established an Audit and Risk Sub-committee on 1 July 2022 to which it has delegated responsibility for implementing and overseeing the risk management system. This Sub-Committee reports to the Board on its activities and the Board reviews risk information each meeting in accordance with the risk management framework.

The Lotus Resources Risk Management Policy is the overarching document that provides the foundation which supports the framework and processes for the integration of risk management into the Company's business activities. During the financial year Lotus implemented an organisational framework for the management of risks which ensures that a formal and consistent process of risk management is carried out. The objective of risk management is to explicitly and clearly manage risks through sound management and continual review.

Key Business Risks

This section describes the key business risks of Lotus Resources.

Uranium Prices and Market

The uranium market is sensitive to a range of external economic and political factors beyond the Company's control which have the potential to impact uranium demand and pricing. These factors include global uranium supply and demand trends, nuclear and other technology development, political developments in uranium producing and nuclear power generating countries, unanticipated destabilising global events or industry related events, general economic conditions, currency exchange rates and other factors.

Nuclear energy is in competition with other sources of energy and is the subject of negative public opinion by some parties due to political, technological and environmental factors which have the potential to impact future uranium prices.

The uranium mining industry is competitive and there is no guarantee that a profitable market may exist for the sale of uranium produced from the Company's assets.

Security of Tenure

All tenements in which the Group has interests are subject to maintenance and renewal conditions which may be subject to discretion from the relevant regulatory authority. There is a risk that the Group may lose title to, or interests in, its tenements, or that such tenements may be subjected to additional conditions or obligations which may require increased funding or that the Group may not be able to comply with.

Mine Development Agreement

Lotus is in the process of negotiating a Mine Development Agreement with the Government of Malawi which will set out the fiscal regime and certain other matters for its operations in Malawi. The Agreement is an important pre-curser to the restart of operations at Kayelekera. There is no guarantee that Lotus will be able to secure an agreement in a reasonable time frame or on terms that are supportive of the restart of operations or that the agreement secured may be on terms less favorable to Lotus than modelled, impacting the value of the Kayelekera Project and Lotus Shares.

Mineral Resources and Ore Reserves

The Mineral Resources and Ore Reserves reported by Lotus are estimates only and no assurance can be given that any particular recovery level will be realised. Lotus' estimates are prepared in accordance with the JORC 2012 reporting standard but represent expressions of judgment from qualified professionals based on knowledge, experience, industry practice and resource modelling. Therefore, such estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate or require adjustment or revision. Should the Group encounter mineralisation of formations different to those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted or revised. Adjustments or revisions could impact the Group's development and mining plans and resultant production levels and unit costs.

Due to the uncertainty which may attach to inferred mineral resources there is no assurance that inferred mineral resources will be upgraded to measured and indicated mineral resources or proven and probable ore reserves.

Ore reserves rely on interpretations from the mineral resource in addition to other operating assumptions including mining and processing efficiencies, mining and processing recoveries and operating costs. The basis of these assumptions may change which may require revision to these estimates and actual results may differ from these assumptions.

Speculative Nature of Mineral Exploration and Development

The nature of exploration and development of mineral resources is speculative and by nature contained elements of significant risk which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigated. As such there is no guarantee of successful commercialisation which depends upon factors such as the global uranium market including demand and price, the discovery and/or acquisition of economically recoverable reserves, access to experienced and skilled exploration and operations personal, access to adequate capital for project development, securing and maintaining title to interests, obtaining regulatory consents and approvals necessary for the conduct of mineral exploration, development and production and securing plant and equipment given the high competition for such resources in the current period of global exploration and mining activity.

There is no assurance that any exploration of the current or future interest held by the Group will result in the discovery of economic uranium deposit. The Group is performing future activities such as front-end engineering and design which may have different results to previous studies including the 2022 Restart DFS.

Political Risks, Government Actions and Foreign Jurisdictions

The Group's foreign operations are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, high rates of inflation, labour unrest, renegotiation or nullification of existing concessions, licences, permits and contracts, changes in taxation policies, changes in local or Government ownership requirements, restrictions on foreign exchange, changing political conditions, currency controls, export controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Political Risks, Government Actions and Foreign Jurisdictions (continued)

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the Group's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on the operations of the Group.

Funding Risk

Exploration and development of the various properties in which Lotus holds interests depends on the Company's ability to obtain funding through joint ventures, debt funding, equity financing or other means. In addition, Lotus is required in the ordinary course of business to provide financial assurances (including insurances, performance bond and bank guarantee instruments) to secure statutory and environmental performance undertakings and commercial arrangements. Lotus ability to provide such assurances is subject to the willingness of financial institutions and other third-party providers of such assurances to issue such assurances for the Companies account.

Volatility in uranium markets, or the factors affecting financial institutions and other third parties assessments of the Company and its prospects may make it difficult or impossible for the Company to obtain facilities for the issuance of such financial assurances or of other debt financing or equity financing on favorable terms or at all. Failure to obtain such facilities or financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations which may have a material adverse effect on the Company's financial position and performance.

Offtake Risk

The future operations and revenues of Lotus are dependent on the counterparties to future offtake agreements performing their obligations. If counterparties do not take their obligated quantities of product or seek to renegotiate the price or quantity of product, Lotus revenues could be adversely affected. The risk of non-performance or attended re negotiation of terms by offtake customers is enhanced by the prevailing demand and pricing sensitivities currently impacting the global market for uranium products.

Reliance on Key Personnel

The Group's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. The loss of any of the Group's key personnel, the inability to recruit necessary staff as needed or the increased cost to recruit or retain the necessary staff, may cause a disruption to the Group and adversely impact the Group's operations, financial performance and financial position.

Any disputes with employees (through personal injuries, industrial matters or otherwise), changes in labour regulations or other developments in the area may cause labour disputes, work stoppages or other disruptions in operations that could adversely affect the Group.

Environmental Liabilities

Uranium exploration and mine development is an environmentally hazardous activity which may give rise to substantial costs for environmental rehabilitation, damage control and losses. The Company's operations may use hazardous materials and produce hazardous waste, which may have an adverse impact on the environment or cause exposure to hazardous materials.

Environmental Liabilities (continued)

Despite efforts to conduct its activities in an environmentally responsible manner and in accordance with applicable laws, the Group may be subject to potential risks and liabilities associated with the potential pollution of the environment and the necessary disposal of mining waste products resulting from mineral exploration and production. Insurance against environmental risk (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to the Group (or to other companies in the minerals industry). To the extent that the Group becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to the Group and could have a material adverse effect on the Group. Laws and regulations intended to ensure the protection of the environment are constantly changing and are generally becoming more restrictive.

Climate Change

Increased regulation of greenhouse gas emissions could adversely affect the Group's costs of operations. Mining and processing of mineral resources is relatively energy dependent and depends on fossil fuels. Whilst Lotus has a strategy to minimise the use of fossil fuels where practicable (as explained in the Restart DFS) there is no assurance that Lotus will be able to implement this strategy or that it will provide the expected benefits.

Regulatory change by governments may represent an increased cost to the Group. Increasing regulation of greenhouse gas emissions, including the introduction of carbon emissions trading or abatement mechanisms, and tighter emission reduction targets or the introduction of a carbon tax in any jurisdiction the Group operates is likely to raise energy costs and costs of production.

Further to this, the Group's activities may be impacted in the future by the effects of climate change, including factors such as increased or decreased rainfall, increased severity of weather events, impacts on ground stability and movement and impacts to planned sources of water for operations. The effects of these risks could materially adversely affect the Group's activities and performance.

Health and Safety

Lotus aspires to conduct its activities to high standards of occupational health and safety. Lotus has systems in place for the management of risks appropriate for its current level of activity which will be updated as appropriate when the decision to restart operations is made. Despite this, uranium exploration and mining is inherently a high risk environment. In addition, Lotus has interests in a developing country, embedding systems for managing occupational health and safety risks, and maintaining and ensuring compliance with these systems may present challenges for the Group.

Operating in developing countries where HIV/AIDS, ebola, malaria, cholera, COVID 19 and other diseases may represent a threat to maintaining a skilled workforce. There can be no assurances that such infections will not affect project staff, and there is the risk that operations could be affected in the event of such a safety threat. Any failure to comply with the necessary occupational health and safety requirements, could result in a safety claim, fines, penalties and compensation for damages against the Group as well as reputational damage.

Community Acceptance and Reputation

All industries, including the mining industry, are subject to community actions in the various jurisdictions in which they are present including in Malawi. In recent years, communities and non-governmental organisations (NGOs) have become more vocal and active with respect to mining activities at, or near, their communities. These parties may take actions, such as road blockades, applications for injunctions seeking work stoppage and lawsuits for damages.

Additionally, the Group's relationship with the communities in which it operates is important to ensure the future success of existing operations and the construction and development of its projects. While Lotus believes the relationships it has with the communities in which it will operate is strong, there is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities.

Community Acceptance and Reputation (continued)

Certain NGOs, some of which oppose globalisation and resource development, are also often vocal critics of the mining industry and its practices. Adverse publicity generated by such NGOs or others related to extractive industries generally, or its operations specifically, could have an adverse effect on the Group's reputation or financial condition.

General Economic Conditions

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Lotus' quoted securities regardless of the Group's operating performance. Share market conditions are affected by many factors such as general economic outlook, interest rates, inflation rates, currency fluctuations, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities.

The Group's future revenues and the Group's share price may be affected by these factors, which are beyond the Group's control.

Environmental Regulation

The Group's exploration and mining activities are governed by a range of environmental legislation and regulations. As the Group is still in the evaluation phase of its interests in exploration projects, Lotus 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.

Reference to Previous ASX Announcements

The information in this announcement that relates to the Mineral Resource Estimate at Kayelekera was announced on 9 June 2022 and 15 February 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcements of 9 June 2022 and 15 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.

The information in this announcement that relates to the Ore Reserve Estimate at Kayelekera was announced on 11 August 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement dated 11 August 2022 and that all material assumptions and technical parameters underpinning the Ore Reserve 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.

Forward Looking Statements

This Directors Report includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond Lotus Resource Limited's control. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this announcement, including, without limitation, those regarding Lotus Resource Limited's future expectations. Readers can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" and other similar expressions. Risks, uncertainties and other factors may cause Lotus Resource Limited's actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements).

These factors include, but are not limited to, the failure to complete and commission the mine facilities, processing plant and related infrastructure in the timeframe and within estimated costs currently planned; variations in global demand and price for uranium; fluctuations in exchange rates between the U.S. Dollar and the Australian Dollar; uncertainty in the estimation of mineral resources and mineral reserves; the failure of Lotus Resource Limited's suppliers, service providers and partners to fulfil their obligations under construction, supply and other agreements; the inherent risks and dangers of mining exploration and operations in general; environmental risks; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in government regulations, policies or legislation; the inability to enter into a mine development agreement with the Government of Malawi on acceptable terms; foreign investment risks in Malawi; breach of any of the contracts through which the Company holds property rights; defects in or challenges to the Company's property interests; uninsured hazards; industrial disputes, labour shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; reliance on key personnel and the retention of key employees; the impact of the Covid-19 pandemic on the Company's business and operations; and global and regional economic conditions. Readers are cautioned not to place undue reliance on forward-looking statements. The information concerning possible production in this announcement is not intended to be a forecast. They are internally generated goals set by the board of directors of Lotus Resource Limited. The ability of the Company to achieve any targets will be largely determined by the Company's ability to secure adequate funding, implement mining plans, resolve logistical issues associated with mining and enter into any necessary offtake arrangements with reputable third parties. Although Lotus Resource Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

DIRECTORS

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

Mr Michael Bowen

Non-Executive Chairman – Since appointment 22 February 2021

Experience and expertise	Mr Bowen is a partner of the national law firm, Thomson Geer Lawyers. He practices primarily corporate, commercial and securities law with over 40 years of experience and emphasis on mergers, acquisitions, capital raisings and resources. He was a Non-Executive Director of ASX listed company Omni Bridgeway Limited (ASX: OBL), where he chaired the remuneration committee and a member of the audit and risk, corporate governance and nomination committees. He is also a Non-Executive Director of ASX listed companies Genesis Minerals Limited (ASX: GMD) and Emerald Resources NL (ASX: EMR). Mr Bowen holds a Bachelor of Laws, Jurisprudence and Commerce from the University of Western Australia. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia since 1979 and is also admitted as a solicitor of the High Court of Australia. He is a Certified Public Accountant and member of the Australian Society of Accountants.
Other current directorships	Genesis Minerals Limited (Non-Executive Director) Emerald Resources NL (Non-Executive Director)
Former directorships in the last 3 years	Omni Bridgeway Limited (Non-Executive Director)
Special responsibilities	Board Chairman
Interests in shares and options	
Ordinary shares	5,250,000
Unlisted Options	Nil

Mr Grant Davey

Non-Executive Director - Since appointment 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 Kayelekera Uranium mine in Malawi from Paladin Energy Limited. He is a member of the Australian Institute of Company Directors (AICD).
Other current directorships	Cradle Resources Limited (Executive Director) Frontier Energy Limited (Executive Chairman)
Former directorships in the last 3 years	Waroona Energy Inc. (Non-Executive Director) (TSXV: WHE)
Special responsibilities	Nil
Interests in shares and options	
Ordinary shares	179,459,031[1]
Unlisted Options	Nil

1 Following shareholder approval on 20 July 2021, 226,463,927 shares were issued to Kayelekera Resources Pty Ltd, an entity related to non-executive director Mr Grant Davey, in consideration for the Project interest acquired. The shares were subject to a 12-month escrow period which expired on 16 August 2022. As advised to the ASX on 26 July 2021, the Company was made aware of a claim by a third party to a 22.5% interest in the aforementioned shares issued. On 23 August 2023 50,954,438 were transferred to that third party with an appeal pending.

Mr Mark Hanlon

Non-Executive Director – Since appointment 22 February 2021

Experience and expertise	Mr Hanlon has over 25 years of experience in the resources and resource services sector, as well as in commercial and merchant banking. He has a broad background of senior executive experience across a wide range of industries including mining and mining services.
Other current directorships	Red River Resources Limited (Non-Executive Director) Waroona Energy Inc (Non-Executive Director; TSXV: WHE)
Former directorships in the last 3 years	Copper Strike Limited (Non- Executive Chairman)
Special responsibilities	Chair of Audit and Risk Committee (from 1 July 2022) Chair of Remuneration and Nomination Committee (from 1 July 2022)
Interests in shares and options	
Ordinary shares	6,500,000
Unlisted Options	Nil

Ms Dixie Marshall

Non-Executive Director – Since appointment 1 April 2022

Experience and expertise	Ms Marshall has over 38 years' experience in media, advertising, government relations and communications. She has worked across a range of platforms, including television, radio, newspapers, and digital. Ms Marshall has an advanced knowledge of data and digital innovation as applied to communications, marketing and policy development. She has won awards for journalism, and more recently advertising. Ms Marshall is currently the Chief Growth Officer of Marketforce, WA's oldest advertising agency, and previously worked from the Western Australian Government Premier's Office for six years as the Director of Strategic Communications giving a unique insight into government policy. Ms Marshall is the Deputy Chair of the WA Football Commissioner, member of the Australian Sports Commission and a former Commissioner of Tourism.
Other current directorships	Frontier Energy Limited (Non-Executive Director) Marketforce (Chief Growth Officer) WA Football Commission (Deputy Chair) Member Australian Sports Commission
Former directorships in the last 3 years	Nil
Special responsibilities	Chair of Environment, Social and Governance Committee (from 1 July 2022)
Interests in shares and options	
Ordinary shares	Nil
Unlisted Options	2,000,000

Mr Keith Bowes

Managing Director – Since appointment 15 February 2021

Experience and expertise	Mr Bowes is a highly regarded mining executive with over 20 years of experience working on project development and operations in Africa, South America and Australia across a range of commodities and processes. He was previously the project manager for the Panda Hill niobium project in Tanzania and the Sovereign Metals graphite project in Malawi. Mr Bowes project managed the Boss Resources' redevelopment program for the Honeymoon Uranium Mine including all study phases and commercial trials of the new processing technology. As part of the study, he led the development in the application of two new technologies that have redefined the Honeymoon opportunity (leach chemistry and IX resins).
Other current directorships	Copper Strike Limited (Non-Executive Director)
Former directorships in the last 3 years	Matador Mining Limited (Executive Director)
Special responsibilities	Managing Director
Interests in shares and options	
Ordinary shares	4,000,000[2]
Unlisted Options	10,478,475

2 Mr Keith Bowes has a beneficial interest in 226,463,927 shares (in addition to the number reported above) by virtue of him holding an interest in Kayelekera Resources Pty Ltd, an entity related to non-executive director Mr Grant Davey, and from which the Project interest was acquired.

COMPANY SECRETARY

Ms Catherine Anderson
Company Secretary – Appointed 12 January 2023

Experience and expertise	Ms Anderson is a legal practitioner admitted in Western Australia and Victoria with over 30 years' experience in both high-level private practice and in-house roles, particularly in the area of capital raisings, corporate acquisitions, structuring and regulatory compliance. Ms Anderson has advised on all aspects of corporate and commercial law and brings extensive experience over a range of industries, in particular the mining and IT/cyber security sectors. Ms Anderson is an experienced company secretary for both listed and unlisted public companies and has served as a director of an ASX listed junior explorer. She has provided consultancy services to entities wishing to proceed to IPO and ASX listing, and has twice been nominated for the Telstra Business Woman of the Year Award.
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 Brian Scott
Company Secretary – Resigned on 12 January 2023

Experience and expertise	Mr Scott has previously worked as a partner in a leading global law firm specialising in M&A, project development, commercial contracts and capital raisings. Mr Scott holds an LLB (Honours), First Class, from Edinburgh University and has been admitted to practice in England & Wales.
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

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:

	Board Meeting		Committee Meetings					
			Audit and Risk		Environmental, Social and Governance		Nomination & Remuneration	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Michael Bowen	8	8	6	6	-	-	-	-
Mr Mark Hanlon	8	8	6	6	-	-	1	1
Ms Dixie Marshall	8	7	6	4	3	3	1	1
Mr Keith Bowes	8	8	-	-	3	3	-	-
Mr Grant Davey	8	7	-	-	3	2	1	1

Committee membership

The Board has established sub-committees for Audit and Risk, Nomination and Remuneration, and Environmental, Social and Governance. The Board sub-committees were established effective 1 July 2022 in recognition of the increasing complexity in the Company's activities as it progresses towards a restart of operations at Kayelekera, and in recognition of the increased size of the Lotus Resources Board facilitating appropriate memberships for each committee.

For further information, please see the Company's Corporate Governance Statement.

Principal Activity

The principal activity of the Group during the year was the exploration and development of the Group's Kayelekera Uranium Project, in Malawi.

Significant Changes in the State Of Affairs

There were no significant or material changes to the Group's state of affairs, other than as disclosed below:

- The Group released the Restart Definitive Feasibility Study in relation to the Kayelekera Uranium Project. Refer to the Directors Report and ASX announcements dated 11 August 2022.
- On 2 September 2022, the Company completed an institutional placement issuing 104,166,667 new shares to raise $25,000,000 (before costs) to provide funding to progress the development of the Kayelekera Uranium Project, including finalising the Mine Development Agreement, advancing offtake negotiations, FEED and project financing prior to a final investment decision. The capital raise was the source of funding for the final instalment of the rehabilitation bond repayment in March 2023 and will also fund the care and maintenance activities at Kayelekera and corporate costs for a period of at least 18 months, for general working capital purposes and to fund the costs of the offer.
- The rehabilitation and closure cost estimate for the Kayelekera Uranium Mine was revised during the financial year resulting in a decrease to the provision and the exploration and evaluation asset. Refer to note 15 for details.
- The scheduled US$3,000,000 environmental bond repayment was made during the financial year in addition to the issue of the $3,000,000 worth of deferred consideration shares to the vendor on the third anniversary of the acquisition of the Kayelekera mine. Refer to note 29 for details.

Results

The Group incurred a loss after income tax and non-controlling interest of $9,916,736 for the financial year (2022: loss after income tax and non-controlling interest of $11,996,177).

As at 30 June 2023, the net current assets and net assets of the Group amounted to $16,353,637 (2022: $3,332,947, net current liabilities) and $33,684,890 (2022: $14,774,219), respectively.

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 year subsequent to 30 June 2023.

Matters Subsequent to the end of the Financial Year

On 13 July 2023 Lotus announced a merger by way of Scheme of Arrangement with ASX listed A-Cap Energy Limited (**A-Cap**) under which Lotus will acquire 100% of the A-Cap shares on issue. Refer to the Review of Activities for more details.

On 20 September 2023 8,500,000 unlisted options were exercised at an average exercise price of $0.04 per option for gross proceeds of $350,000 before costs, resulting in the issue of the same number of Lotus ordinary shares.

There was no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ANNUAL STATEMENT OF ORE RESERVES AND MINERAL RESOURCES

Mineral Resources Governance

Lotus Resources reviews its Mineral Resource and Ore Reserve (where 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. There was no update to the Mineral Resources and Ore Reserves required as at 30 June 2023.

Mineral Resources Estimate

The information in this document that relates to Mineral Resources for Kayelekera at the project was reported by the Company in announcements to the ASX dated 15 February 2022 and 9 June 2022. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Table 2 - Lotus Mineral Resource Inventory – June 2023[8]

Project	Category	Mt	Grade (U_3O_8 ppm)	U_3O_8 (M kg)	U_3O_8 (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile[9]	1.6	760	1.2	2.6
Kayelekera	Indicated	29.3	510	15.1	33.2
Kayelekera	Inferred	8.3	410	3.4	7.4
Kayelekera	**Total**	***40.1***	***510***	***20.4***	***44.8***
Kayelekera	Inferred – LG Stockpiles[10]	2.4	290	0.7	1.5
Kayelekera	**Total All Materials**	***42.5***	***500***	***21.1***	***46.3***
Livingstonia	Inferred	6.9	320	2.2	4.8
Total		***49.4***	***475***	***23.3***	***51.1***

Ore Reserves

The Ore Reserve estimate has been developed using the 9 June 2022 Mineral Resource Estimate for Kayelekera only (i.e. excluding the Livingstonia Resource Estimate) and is based on the optimised mine plan and production schedule prepared as part of the Restart Definitive Feasibility Study reported in ASX announcements dated 11 August 2022 and referred to in the Directors Report.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and in the case of estimates of Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Table 3 - Lotus Resources Ore Reserve Inventory – June 2023[11]

Project	Category	Mt	Grade (U_3O_8 ppm)	U_3O_8 (M kg)	U_3O_8 (M lbs)
Kayelekera	Open Pit - Proved	0.6	902	0.5	1.2
Kayelekera	Open Pit - Probable	13.7	637	8.7	19.2
Kayelekera	RoM Stockpile – Proved	1.6	760	1.2	2.6
Kayelekera	**Total - Kayelekera**	**15.9**	**660**	**10.4**	**23.0**

8 See ASX announcements dated 15 February 2022 and 9 June 2022 for information on the Kayelekera Project and Livingstonia Deposit Mineral Resource Estimates. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcements of 15 February 2022 and 9 June 2022 and that all material assumptions and technical parameters underpinning the Mineral Resource Estimate in that announcement continue to apply and have not materially.

The Kayelekera Project Mineral Resource Estimates are reported inclusive of the Kayelekera Project Ore Reserve Estimates Mineral Resources are based on a 100% ownership basis of which Lotus has an 85% interest.

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

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

11 Ore Reserves are reported based on a dry basis. Proved Ore Reserves are inclusive of RoM stockpiles and are based on a 200ppm cut-off grade for arkose and a 390ppm cut-off grade for mudstone. Ore Reserves are based on a 100% ownership basis of which Lotus has an 85% interest. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 11 August 2022 and that all material assumptions and technical parameters underpinning the Ore Reserve Estimate in that announcement continue to apply and have not materially changed.

Shares and Options on Issue

At the date of this report, the Company has 1,352,482,044 (2022: 1,326,008,228) fully paid ordinary shares on issue.

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

Unlisted Options - Number	Issue Date	Expiry Date	Exercise Price
2,500,000	23 October 2020	23 October 2023	$0.08
2,000,000	26 August 2021	1 January 2024	$0.00
6,000,000	26 August 2021	10 February 2024	$0.00
1,230,000	29 November 2021	29 July 2026	$0.00
550,800	29 November 2021	29 July 2024	$0.00
11,050	14 December 2021	14 December 2024	$0.00
1,319,000	14 December 2021	14 December 2026	$0.00
2,000,000	1 April 2022	31 March 2025	$0.00
2,697,857	14 November 2022	31 October 2025	$0.00
3,823,073	14 November 2022	31 October 2027	$0.00
250,000	14 November 2022	5 January 2025	$0.00
250,000	14 November 2022	5 January 2026	$0.00
22,631,780	**Total Unlisted Options**		

The number of shares that were issued during the year on the conversion of options was 20,063,211 (2022: 23,382,434). The weighted average exercise price of these options was 2.40 cents (2022: 3.47 cents). A further 8,500,000 options were exercised post balance date at an average exercise price of $0.04 per share.

There were 4,568,188 options that expired or were cancelled during the year and none since the end of the year. There were no options that lapsed unexercised during the year.

Dividends

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

Indemnification of Officers and Auditors

Indemnification of Officers

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.

Indemnification of Auditor

To the extent permitted by law, Lotus Resources has agreed to indemnify its auditor, RSM Australia Partners (**RSM**), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The Directors have not provided RSM with any indemnities. No payment has been made to indemnify RSM during or since the end of the financial year.

Insurance Premiums

The Company paid a premium during the year in respect of a Director and Officer liability insurance policy, insuring the Directors and Officers of the Company against a liability incurred as such a Director or 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, for audit and non-audit services provided during the year are set out in note 23.

The Board is satisfied that the provision of the non-audit services is compatible with the 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 34 to 42 forms part of the Directors' Report and is signed 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.

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*.

Signed in accordance with a resolution of the directors:

Mr Michael Bowen
Non-Executive Chairman

22 September 2023

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 Michael Bowen	Non-Executive Chairman
Mr Keith Bowes	Managing Director
Mr Grant Davey	Non-Executive Director
Mr Mark Hanlon	Non-Executive Director
Ms Dixie Marshall	Non-Executive Director
Mr Michael Ball	Chief Financial Officer

Nomination & Remuneration Committee

The Board of Directors of the Company are responsible for determining and reviewing remuneration policies for the directors and executives. Effective 1 July 2022, the Board established a Nomination and Remuneration Committee in recognition of the increasing complexity in the Company's activities as it progresses towards a restart of operations at Kayelekera, and in recognition of the increased size of the Lotus Resources Board facilitating appropriate memberships for sub-committees.

The Committee regularly assessess remuneration in light of market conditions and peer companies. The Committee also seeks independent advice as required 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.

Further information on the committee's role, responsibilities and membership in relation to remuneration and composition is set out in the Corporate Governance Statement.

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 structure takes into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the achievement of strategic objectives; and
- 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.

The executive remuneration framework has three components:

- Total Fixed Remuneration (TFR);
- Short-Term Incentives (STI); and
- Long Term Incentives (LTI).

Employment and Consultancy Agreements

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

Total Fixed Remuneration

Total Fixed Remuneration (TFR) consists of base compensation (which is calculated on a total cost basis and excludes any fringe benefits charges related to employee benefits) as well as employer contributions to superannuation funds.

TFR is reviewed annually (or as required) through a process that considers individual and overall performance of the Group. As noted above, the Nomination and Remuneration Committee 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. Executives do not receive any retirement benefits, other than statutory superannuation.

Component	Managing Director – Keith Bowes (Appointed 15 February 2021)
Fixed remuneration	$400,000 Inclusive of superannuation effective 1 April 2022
Contract duration	No fixed term
Termination	Statutory entitlements will be paid as required by law. Three months written notice. If there is a material diminution in the Executives position within the Company, the Executive is entitled to payment in lieu of twelve months' notice in addition to statutory entitlements and any unvested incentives will vest immediately in full.
Other benefits	A car park and mobile phone is provided in addition to statutory leave provisions.
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. In the event of a change of control event, all unvested equity incentives will immediately vest in full.

Component	Chief Financial Officer – Michael Ball (Appointed 5 January 2022)
Fixed remuneration	$275,000 Inclusive of superannuation
Contract duration	No fixed term
Termination	Statutory entitlements will be paid as required by law. Three months written notice. If there is a material diminution in the Executives position within the Company, the Executive is entitled to payment in lieu of twelve months' notice in addition to statutory entitlements, subject to the limits imposed under the Corporations Act, and any unvested incentives will vest immediately in full.
Other benefits	A car park and mobile phone is provided in addition to statutory leave provisions.
Equity incentives	The Executive is eligible to receive 250,000 zero exercise price options which vest upon completion of 12 months service period and a further 250,000 zero exercise price options which vest upon completion of 24 months service period. 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. In the event of a change of control event, all unvested equity incentives will immediately vest in full.

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 which is included in the Base Fees set out below.

Non-executive director fees are reviewed annually by the Board taking into account comparable roles and market data. There were no options issued to non-executive directors during the financial year. Fees for the financial year are as follows:

Name	Base Fees (Annual)	Term of Agreement	Notice Period
Mr Michael Bowen	$75,000	No fixed term	Statutory
Mr Grant Davey	$50,000	No fixed term	Statutory
Mr Mark Hanlon	$50,000	No fixed term	Statutory
Ms Dixie Marshall	$50,000	No fixed term	Statutory

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

Short-Term and Long-Term Incentives

The Group adopted an Incentive Option Plan (the Option Plan) which was approved by shareholders at the 2022 Annual General Meeting. 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 and seek to generate long term shareholder value.

The company may utilise both short-term and long-term incentive programs to balance the short- and long-term aspects of business performance, to reflect market practice, to attract and retain key talent and to ensure a strong alignment between the incentive arrangements of executives and the creation and delivery of shareholder return.

Both short term incentives and long-term incentives were issued under the Option Plan in the 2023 financial year.

The following table contains details of the options granted to the Managing Director, Executives and Senior Management under the Option Plan during the financial year where the vesting criteria did not contain any market conditions.

Options Number	Grant date	Expiry date	Exercise Price	Spot Price at Grant Date	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
1,767,624	14/11/2022	31/10/2025	$0.00 each	$0.240	Nil	3.18%	$0.240
250,000	14/11/2022	05/01/2025	$0.00 each	$0.240	Nil	3.18%	$0.240
250,000	14/11/2022	05/01/2026	$0.00 each	$0.240	Nil	3.18%	$0.240
1,109,676	14/11/2022	31/10/2027	$0.00 each	$0.240	Nil	3.18%	$0.240
930,233	25/11/2022	31/10/2025	$0.00 each	$0.205	Nil	3.18%	$0.205
883,721	25/11/2022	31/10/2027	$0.00 each	$0.205	Nil	3.18%	$0.205

The pre-determined performance conditions relating to the above options include the following:

- safety performance conditions;
- a service condition;
- conditions related to financial performance against budget;
- project performance conditions relating to the Mine Development Agreement and offtake contracting;
- a resource growth target; and
- performance against environmental, social and governance targets.

The table below sets out details of the options granted during the period under the Option Plan that had market based vesting criteria related to performance against a peer 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
1,109,676	14/11/2022	31/10/2027	$0.00 each	$0.240	Nil	3.18%	$0.188
883,721	25/11/2022	31/10/2027	$0.00 each	$0.205	Nil	3.18%	$0.164

Short-term incentives

The Managing Director, Key Management Personnel and other employees have the opportunity to earn an annual Short-Term Incentive (STI) if predefined targets are achieved. Zero exercise priced options were issued as part of the STI for the financial year 2023. Vesting for the options is contingent upon meeting pre-determined measurable financial and non-financial performance targets over the twelve-month performance period ended 30 June 2023. A service vesting condition must also be met. Performance and the associated number of options to vest will be assessed by the Board after the completion of the statutory audit.

Employees at Lotus (Africa) Limited can be rewarded under the short-term incentive by cash payment instead of options.

The STI awards for the executive team in the 2023 financial year were based on the scorecard measures and weighting as disclosed below. Targets were approved by the Nomination and Remuneration Committee through a rigorous process to align the Company's strategic and business objectives.

The Committee has the discretion to adjust short term incentives downwards in light of unexpected or unintended circumstances.

Long-Term Incentives

The Long-Term Incentive (LTI) is designed to focus executives on delivering long-term shareholder returns. Eligibility for the plan is restricted to executives and nominated senior management, being the employees who are most able to influence shareholder value. eligible participants have the opportunity to earn an LTI if predefined targets are achieved over the three-year performance vesting period. The LTI targets comprise a combination of total shareholder return and milestone based targets

Zero exercise priced options were issued as part of the LTI for the financial year 2023. Vesting for the options is contingent upon pre-determined measurable financial and non-financial performance indicators over a three-year performance period ending 30 June 2025. A service vesting condition must also be met. Performance and the associated number of options to vest will be assessed by the Board after the completion of the statutory audit for the financial year ending 30 June 2025.

As the first tranche of LTI's were issued in the 2022 financial year, no LTI's vested during the financial year.

Claw Back Policy For Incentives

Under the terms and conditions of the Company's incentive plan offer and option plan rules, the Board (or Nomination and Remuneration Committee as its delegate) has discretion to determine forfeiture of unvested equity awards in certain circumstances (e.g. unlawful, fraudulent or dishonest behaviour or a serious breach of obligations to the Company). All incentives offers and final outcomes are subject to the full discretion of the Board (or Nomination and Remuneration Committee as its delegate).

Remuneration of Key Management Personnel

Details of the nature and amount of the remuneration of the key management personnel of the Group are:

		SHORT-TERM			POST-EMPLOY-MENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Non-Monetary $	Cash Bonus $	Superan-nuation $	Options $	Total $	Fixed Remu-nera-tion %	Perfor-mance Based Remu-neration %
Non-Executive Directors									
Mr M Bowen	2023	67,873	-	-	7,127	75,083	150,083	50%	50%
	2022	68,182	-	-	6,818	434,917	509,917	15%	85%
Mr Grant Davey	2023	50,000	-	-	-	50,055	100,055	50%	50%
	2022	50,000	-	-	-	289,944	339,944	15%	85%
Mr M Hanlon	2023	45,249	-	-	4,751	50,055	100,055	50%	50%
	2022	45,455	-	-	4,545	289,944	339,944	15%	85%
Ms D Marshall	2023	45,249	-	-	4,751	492,883	542,883	9%	91%
	2022	11,364	-	-	1,136	121,533	134,033	9%	91%
Executive Director									
Mr K Bowes	2023	372,500	8,422	-	27,500	406,272	814,694	50%	50%
	2022	265,000	3,438	48,700	-	841,989	1,159,127	23%	77%
Other KMP									
Mr M Ball*	2023	248,724	8,422	-	26,276	181,105	464,527	61%	39%
	2022	123,016	3,438	-	12,302	-	138,756	100%	-
Total KMP	**2023**	**829,595**	**16,844**	**-**	**70,405**	**1,255,453**	**2,172,297**	**42%**	**58%**
	2022	563,017	6,876	48,700	24,801	1,978,327	2,621,721	23%	77%

*Michael Ball joined on 5 January 2022 and the share-based payments for 2023 included joining options valued at $92,884.

Use of Remuneration Consultants

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

Options Holdings of Key Management Personnel

2023	Held at 1 July 2022	Held at the date of appoint-ment	Granted as com-pensation	Exercised	Other changes	Held at date of resigna-tion	Held at 30 June 2023	Vested during the year
Mr Michael Bowen	3,000,000	-	-	(3,000,000)	-	-	-	-
Mr Keith Bowes	9,628,000	-	2,697,675	(1,750,000)	(97,200)	-	10,478,475	-
Mr Grant Davey	2,000,000	-	-	(2,000,000)	-	-	-	-
Mr Mark Hanlon	2,000,000	-	-	(2,000,000)	-	-	-	-
Ms Dixie Marshall	2,000,000	-	-	-	-	-	2,000,000	-
Mr Michael Ball	-	-	1,779,070	-	-	-	1,779,070	-

Shareholdings of Key Management Personnel

2023	Held at 1 July 2022	Held at the date of appointment	Acquired at market value	Received on exercise of options	Disposal	Other Changes	Held at 30 June 2023
Mr Michael Bowen	2,250,000	-	-	3,000,000	-	-	5,250,000
Mr Keith Bowes[2]	2,250,000	-	-	1,750,000	-	-	4,000,000
Mr Grant Davey[1]	177,459,031	-	-	2,000,000	-	-	179,459,031
Mr Mark Hanlon	4,500,000	-	-	2,000,000	-	-	6,500,000
Ms Dixie Marshall	-	-	-	-	-	-	-
Mr Michael Ball	-	-	-	-	-	-	-

1 Following shareholder approval on 30 July 2021, 226,463,927 shares were issued to Kayelekera Resources Pty Ltd, an entity related to non-executive director Grant Davey, in consideration for the Project interest acquired. These shares were subject to a 12-month escrow period which expired on 16 August 2022. As advised to the ASX on 26 July 2021, the Company was made aware of a claim by a third party to a 22.5% interest in the aforementioned shares issued. On 23 August 2023 50,954,438 were transferred to that third party with an appeal pending.

2 Mr Keith Bowes has a beneficial interest in 226,463,927 shares (in addition to the number reported above) by virtue of him holding an interest in Kayelekera Resources Pty Ltd, an entity related to non-executive director Mr Grant Davey, and from which the Project interest was acquired .

Other key management personnel transactions with the Group

Mr Michael Bowen, who is a Non-Executive Director of the Company is a Partner of national law firm Thompson Geer Lawyers (**Thomson Geer**). The Company used Thompson Geer for general legal services and also transactional support. The services provided by Thompson Geer were done so at an arm's length basis and on normal commercial terms. During the year, the Company incurred costs under this arrangement totalling $140,052 (2022: $28,734). There is a balance of $107,965 (2022: $4,056) owing to Thompson Geer as at 30 June 2023 in relation to the provision of services.

Mr Grant Davey, who is a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (**Matador Capital**). The Company made payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space, general office services, bookkeeping services, company secretarial services, ESG consulting services, corporate development and investor relation services and technical exploration and geological staff to the Company at cost plus 5%. During the year, the Company incurred costs under this arrangement totalling $635,589 (2022: $290,064). These services provided by Matador Capital were done so at an arm's length basis and on normal commercial terms. In addition to Mr Davey's Director fees payment of $50,000 (2022: $50,000) as disclosed in the remuneration table above, he is paid a consulting fee of $100,000 (2022: $100,000) in relation to government liaison and in country services. There is a balance of $62,895 (2022: $75,347) owing to Matador Capital as at 30 June 2023 in relation to the provision of services.

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

Additional Information

The Company aims to align Executive remuneration to the Company's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last 5 years as required by the *Corporations Act 2001*. However, as the Group is in a development phase these are not necessarily consistent with the specific measures in determining the variable amounts of remuneration to be awarded to Key Management Personnel. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration rewarded.

	2023 $	2022 $	2021 $	2020 $	2019 $
EBITDA	(8,125,934)	(11,857,196)	(5,872,822)	(16,487,057)	(813,199)
EBIT	(8,128,157)	(11,858,413)	(5,897,844)	(16,550,494)	(821,364)
Loss after income tax	(9,916,736)	(11,996,177)	(5,897,844)	(16,569,943)	(821,364)

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

	2023 $	2022 $	2021 $	2020 $	2019 $
Share price	18.5 cents	21.5 cents	19.0 cents	7.0 cents	4.5 cents
Total dividends declared	0.00 cents	0.00 cents	0.00 cents	0.00 cents	0.00 cents
Basic loss per share	0.76 cents	1.03 cents	0.72 cents	4.58 cents	0.82 cents

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

Auditor's Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Lotus Resources Limited for the year ended 30 June 2023, 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
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 22 September 2023

Corporate Governance Statement

Lotus Resources and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Lotus Resources has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2023 corporate governance statement is dated as at 30 June 2023 and reflects the corporate governance practices in place throughout the 2023 financial year. The 2023 corporate governance statement was approved by the Board on 22 September 2023. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed on the Company's website at www.lotusresources.com.au/corporate-governance/.

Annual Financial Statements

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended June 30 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Other gains – net	3	1,195,764	2,580,303
Corporate and administrative expenses	4(a)	(2,888,286)	(2,680,259)
Care and maintenance costs	4(b)	(3,573,338)	(3,542,955)
Exploration and evaluation expenses	10	(1,064,041)	(4,695,630)
Finance costs – accretion interest	15	(1,428,869)	-
Finance costs - other		(148,572)	(137,764)
Impairment charges	9	(522,578)	(1,242,547)
Depreciation charges	9	(2,223)	(1,217)
Share-based payments expense	22	(1,917,251)	(3,242,821)
Loss before income tax		**(10,349,394)**	**(12,962,890)**
Income tax expense	5	(211,138)	-
Loss after income tax		**(10,560,532)**	**(12,962,890)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translating foreign operations		418,082	1,076,551
Total other comprehensive income		**418,082**	**1,076,551**
Total comprehensive loss for the year		**(10,142,450)**	**(11,886,339)**
Loss attributable to:			
Non-controlling interests		(643,796)	(966,713)
Members of the parent		(9,916,736)	(11,996,177)
		(10,560,532)	**(12,962,890)**
Total comprehensive loss attributable to:			
Non-controlling interests		(643,517)	(995,866)
Members of the parent		(9,498,933)	(10,890,473)
		(10,142,450)	**(11,886,339)**
Loss per share			
Basic and diluted loss per share (cents)	26	(0.76)	(1.03)

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

Statement of Financial Position

as at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Current Assets			
Cash and cash equivalents	6	15,519,217	4,876,370
Other current assets	7	1,169,556	887,955
Inventories	8	492,560	6,846
Total Current Assets		**17,181,333**	**5,771,171**
Non-Current Assets			
Plant and equipment	9	3,797	4,230
Exploration and evaluation assets	10	39,532,314	46,279,048
Other financial assets	11	15,053,100	14,552,735
Total Non-Current Assets		**54,589,211**	**60,836,013**
Total Assets		**71,770,544**	**66,607,184**
Current Liabilities			
Trade and other payables	12	811,449	1,746,244
Provisions	13	16,247	6,731
Other liabilities	14	-	7,351,143
Total Current Liabilities		**827,696**	**9,104,118**
Non-Current Liabilities			
Provisions	15	37,257,958	42,728,847
Total Non-Current Liabilities		**37,257,958**	**42,728,847**
Total Liabilities		**38,085,654**	**51,832,965**
Net Assets		**33,684,890**	**14,774,219**
Equity			
Contributed equity	16	143,537,936	114,923,546
Reserves	17	(31,577,701)	(30,991,816)
Accumulated losses	18	(76,866,298)	(68,391,981)
Equity attributable to owners of the Company		35,093,937	15,539,749
Non-controlling interest	17	(1,409,047)	(765,530)
Total Equity		**33,684,890**	**14,774,219**

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

Statement of Changes in Equity

For the year ended June 30 2023

Consolidated 2023	Contributed Equity $	Share-Based Payment Reserve $	Option Premium Reserve $	Foreign Currency Reserve $	Accumulated Losses $	Capital Reserves $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2022	**114,923,546**	**2,637,335**	**1,361,434**	**(44,625)**	**(68,391,981)**	**(34,945,960)**	**(765,530)**	**14,774,219**
Loss after income tax	-	-	-	-	(9,916,736)	-	(643,796)	(10,560,532)
Other comprehensive income	-	-	-	417,803	-	-	279	418,082
Total comprehensive loss for the year	**-**	**-**	**-**	**417,803**	**(9,916,736)**	**-**	**(643,517)**	**(10,142,450)**
Transactions with equity holders in their capacity as equity holders								
Shares issued for deferred consideration	3,000,000	-	-	-	-	-	-	3,000,000
Exercise of options	482,044	-	-	-	-	-	-	482,044
Expiry of employee share scheme options	-	(80,985)	-	-	80,985	-	-	-
Share-based payments	1,478,520	438,731	-	-	-	-	-	1,917,251
Share issue costs	(1,346,174)	-	-	-	-	-	-	(1,346,174)
Placement of shares	25,000,000	-	-	-	-	-	-	25,000,000
Reclassification of options premium reserve	-	-	(1,361,434)	-	1,361,434	-	-	-
Balance at 30 June 2023	**143,537,936**	**2,995,081**	**-**	**373,178**	**(76,866,298)**	**(34,945,960)**	**(1,409,047)**	**33,684,890**

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

Statement of Changes in Equity

For the year ended June 30 2023

Consolidated 2022	Contributed Equity $	Share-Based Payment Reserve $	Option Premium Reserve $	Foreign Currency Reserve $	Accumulated Losses $	Capital Reserves $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2021	**78,142,783**	**46,040**	**1,361,434**	**(1,150,329)**	**(56,441,844)**	**-**	**386,285**	**22,344,369**
Loss after income tax	-	-	-	-	(11,996,177)	-	(966,713)	(12,962,890)
Other comprehensive income	-	-	-	1,105,704	-	-	(29,153)	1,076,551
Total comprehensive loss for the year	**-**	**-**	**-**	**1,105,704**	**(11,996,177)**	**-**	**(995,866)**	**(11,886,339)**
Transactions with equity holders in their capacity as equity holders								
Shares issued to non-controlling interest	35,101,909	-	-	-	-	(34,945,960)	(155,949)	-
Exercise of options	898,869	-	-	-	-	-	-	898,869
Expiry of employee share scheme options	-	(46,040)	-	-	46,040	-	-	-
Share-based payments	605,485	2,637,335	-	-	-	-	-	3,242,820
Share issue costs	174,500	-	-	-	-	-	-	174,500
Balance at 30 June 2022	**114,923,546**	**2,637,335**	**1,361,434**	**(44,625)**	**(68,391,981)**	**(34,945,960)**	**(765,530)**	**14,774,219**

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

Statement of Cash Flows

For the year ended June 30 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities			
Other income received		102,472	249,008
Interest received		934,579	37,606
Payments to suppliers and employees		(3,337,438)	(6,225,038)
Payments for care and maintenance		(5,731,906)	(3,887,106)
Finance costs paid		(148,573)	(137,764)
Income tax paid		(161,944)	-
Net cash used in operating activities	27	(8,342,810)	(9,963,294)
Cash flows from investing activities			
Proceeds from disposals of tenements		-	2,196,001
Purchases of plant and equipment		(524,641)	(1,047,065)
Payment of environmental bond	14	(4,518,392)	(2,707,123)
Other financial assets		-	(44,826)
Net cash used in investing activities		(5,043,033)	(1,603,013)
Cash flows from financing activities			
Proceeds from issue of shares		25,000,000	174,500
Share issue transaction costs		(1,346,174)	-
Proceeds from the exercise of options		482,044	898,869
Net cash from financing activities		24,135,870	1,073,369
Net increase/(decrease) in cash and cash equivalents		10,750,027	(10,492,938)
Cash and cash equivalents at the beginning of the financial year	6	4,876,370	14,751,569
Effect of exchange rate changes on cash and cash equivalents		(107,180)	617,739
Cash and cash equivalents at the end of the year	**6**	**15,519,217**	**4,876,370**

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

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated 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 or Lotus Resources) have not been presented within this financial report as permitted by the Corporations Act 2001. Supplementary information about the parent entity is disclosed in note 31.

The financial report was authorised for issue on 22 September 2023 by the Directors of the Company.

New or amended Accounting Standards and Interpretations adopted

The Group 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. The adoption of these Accounting Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

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 2023. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Basis of Preparation

The consolidated financial statements are 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.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of the financial report are set out either in the respective notes or below. They have been consistently applied unless otherwise stated.

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

Historical cost convention

The financial report has been prepared under the historical cost convention, except as otherwise disclosed below or on the respective notes.

Critical accounting estimates

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 19.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred a net loss after income tax of $10,560,532 (2022: $12,962,890) and had net cash outflows from operating activities and investing activities of $8,342,810 (2022: $9,963,294) and $5,043,033 (2022: $1,603,013) respectively for the year ended 30 June 2023. As at that date the consolidated entity had net current assets of $16,353,637 (2022: $3,332,947, net current liabilities).

The consolidated entity has sufficient cash reserves to meets its expected outflows for a period of at least 12 months from the date of signing of this report, however it is expected that additional capital will be required in the future for the consolidated entity to meet its objectives. Lotus Resources has demonstrated that it has the ability to raise capital when required to further its objectives and the Directors are confident that it will be able to raise capital when required. Therefore, 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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lotus Resources as at 30 June 2023 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred tax assets and liabilities are always classified as non-current.

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of the parent entity and the Group is Australian Dollars ($), with the exception of Lotus (Africa) Limited whose functional currency is United States Dollars (US$).

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

The consolidated entity's financial assets during the financial year comprised other receivables and a security deposit.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

The consolidated entity derecognises a financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the consolidated entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Goods and Services Tax (and other similar taxes)

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 tax authority. In these circumstances 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 tax authority 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 tax authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

2. 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 consolidated 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. 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.

During the financial year, the consolidated entity operated in two business segments and one geographical location, being the exploration, evaluation and development of Uranium assets in Africa. In the previous financial year, the consolidated entity operations relating to the exploration and evaluation of Other Minerals in Australia were sold.

Consolidated 30 June 2023	Operating Loss $	Total Assets $	Total Liabilities $
Uranium	(4,291,973)	55,713,692	(37,300,374)
Corporate	(6,268,559)	16,056,852	(785,280)
	(10,560,532)	**71,770,544**	**(38,085,654)**

Consolidated 30 June 2022	Operating Profit/(Loss) $	Total Assets $	Total Liabilities $
Uranium	(9,250,229)	61,309,485	(50,221,699)
Other Minerals	2,375,763	-	-
Corporate	(6,088,424)	5,297,699	(1,611,266)
	(12,962,890)	**66,607,184**	**(51,832,965)**

3. OTHER GAINS - NET

	Consolidated 2023 $	Consolidated 2022 $
Finance income - interest	1,093,292	37,606
Gain on disposals of tenements	-	2,375,763
Other losses	-	(229,970)
Other income (including foreign currency gains)	102,472	396,904
	1,195,764	2,580,303

During the year ended 30 June 2022, 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 disposal resulted in a gain on disposal of $2,375,763.

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.

Foreign currency gain or loss on financial assets and financial liabilities

Finance costs attributable to qualifying assets are capitalised as part of the asset (e.g. interest on borrowings). All other finance gains or losses are realised when earned or expensed in the period in which they are incurred, respectively. These are mainly foreign currency gains or losses on financial assets and financial liabilities.

4. EXPENSES

	Consolidated 2023 $	Consolidated 2022 $
(a) Corporate and administrative expenses		
Director fees and salaries, including superannuation expense	1,120,574	736,518
Accounting and company secretarial fees	141,363	273,460
Legal fees	23,997	181,809
Other administrative costs	1,602,352	1,488,472
	2,888,286	2,680,259
(b) Care and maintenance costs		
Processing costs	299,596	383,052
Engineering fees	1,079,480	1,370,373
Site services costs	1,044,028	142,533
Safety, health, environment and radiation	745,138	267,810
Maintenance costs	130,718	147,182
Security fees	274,378	293,250
Administration, corporate and expatriate expenditures	-	938,755
	3,573,338	3,542,955

5. TAXATION

	Consolidated 2023 $	Consolidated 2022 $
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Income tax expense – withholding tax expense on interest payments	211,138	-

Income tax expense comprises amounts withheld from interest payments under Malawian tax law. These amounts are able to be recouped against assessable company income tax. Given the uncertainty around the timing of the generation of assessable income tax with the Kayelekera Uranium Project currently on care and maintenance, these amounts have been de-recognised for accounting purposes.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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.

5. TAXATION (continued)

Lotus Resources Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

At 30 June 2023, the Group had significant unused tax losses relating to the operating losses incurred under Malawian tax law by subsidiary Lotus (Africa) Limited, the owner of the Kayelekera Uranium Mine. The availability of the losses for utilisation to offset against future taxable incomes is subject to negotiation with the Malawian Government under the Mine Development Agreement. The Group also has tax losses relating to the Australian tax consolidation group.

No deferred tax assets have been recognised with respect to these losses because the Directors do not believe it is appropriate to recognise the deferred tax asset at this point in time. This benefit will only be obtained if:

- the Group expects to derive 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 Group 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.

6. CASH AND CASH EQUIVALENTS

	Consolidated 2023 $	Consolidated 2022 $
Cash at bank and on hand	1,019,215	4,876,370
Term deposits	14,500,002	-
	15,519,217	4,876,370

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.

7. OTHER CURRENT ASSETS

	Consolidated 2023 $	Consolidated 2022 $
Prepayments	538,529	418,559
GST receivables	403,456	288,377
Security deposit	74,826	74,826
Other receivables	152,745	106,193
	1,169,556	887,955

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.

The Group's exposure to credit risk related to other receivables is disclosed in note 20.

Allowance for expected credit losses

The Group did not recognise any losses (2022: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

8. INVENTORIES

	Consolidated 2023 $	Consolidated 2022 $
Spare parts, supplies and consumables	492,560	6,846

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method. During the financial year, inventories amounting to $15,664 (2022: $11,031) was recognized as an expense and included in the care and maintenances costs in the statement of profit or loss and other comprehensive income. There are no items which are identified as obsolete during the financial year.

9. PLANT AND EQUIPMENT

	Furniture and Fixtures $	Mine Plant and Equipment $	Motor Vehicles $	Total $
At 30 June 2023 (Consolidated)				
Cost	86,708	1,691,926	113,140	1,891,774
Accumulated depreciation and impairment	(82,911)	(1,691,926)	(113,140)	(1,887,977)
Net carrying amount	3,797	-	-	3,797
Year ended 30 June 2023 (Consolidated)				
At 1 July 2022, net of accumulated depreciation	4,230	-	-	4,230
Additions	1,790	522,578	-	524,368
Depreciation charge for the year	(2,223)	-	-	(2,223)
Impairment charge for the year	-	(522,578)	-	(522,578)
At 30 June 2023, net of accumulated depreciation	3,797	-	-	3,797
At 30 June 2022 (Consolidated)				
Cost	84,918	1,169,348	113,140	1,367,406
Accumulated depreciation and impairment	(80,688)	(1,169,348)	(113,140)	(1,363,176)
Net carrying amount	4,230	-	-	4,230
Year ended 30 June 2022 (Consolidated)				
At 1 July 2021, net of accumulated depreciation	1,409	-	-	1,409
Additions	4,038	1,155,407	87,140	1,246,585
Depreciation charge for the year	(1,217)	-	-	(1,217)
Impairment charge of the year	-	(1,155,407)	(87,140)	(1,242,547)
At 30 June 2022, net of accumulated depreciation	4,230	-	-	4,230

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 straight line method over their estimated useful lives of each part of an item of plant and equipment. The useful lives for each class of asset for the current period are as follows:

- Motor vehicles 5 years
- Furniture and fixtures 3–5 years
- Mine plant and equipment 9 years

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

9. PLANT AND EQUIPMENT (continued)

Derecognition

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

As outlined in note 29, the Company acquired the Kayelekera Uranium Project in the financial year ended 30 June 2020. As part of the acquisition, the Company acquired a significant amount of mine-related infrastructure, property, plant and equipment. Given the mine is currently in care and maintenance, these assets have been assessed to have a nil fair value. Capital expenditures made whilst the mine is on care and maintenance are immediately impaired in full.

10. EXPLORATION AND EVALUATION ASSETS

	Consolidated 2023 $	Consolidated 2022 $
Exploration and evaluation expenditure carried forward in respect of areas of interest (net of amounts written off)	39,532,314	46,279,048
Reconciliation		
Carrying amount at the beginning of the year	46,279,048	59,798,200
Assets acquired	-	33,843
Exploration and evaluation expenditures	1,064,041	4,695,630
Provision for impairment	(1,064,041)	(4,695,630)
Change in estimates provision for rehabilitation and closure costs (note 15)	(8,537,051)	(18,455,993)
Movement in exchange rates	1,790,317	4,902,998
Carrying amount at the end of the year	39,532,314	46,279,048

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.

The Kayelekera Uranium Project is under care and maintenance, hence any new exploration and evaluation expenditures are being impaired and charged to profit or loss.

11. OTHER FINANCIAL ASSET

	Consolidated 2023 $	Consolidated 2022 $
Security deposit	15,053,100	14,552,735

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 2022: 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 in 2020.

12. TRADE AND OTHER PAYABLES

	Consolidated 2023 $	Consolidated 2022 $
Trade payables	107,273	495,263
Other payables and accruals	704,176	1,250,981
	811,449	1,746,244

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

The Group's exposure to liquidity risk related to trade and other payables are disclosed in note 20.

13. PROVISIONS – CURRENT

	Consolidated 2023 $	Consolidated 2022 $
Annual leave provision	16,247	6,731

Provisions

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.

13. PROVISIONS – CURRENT (continued)

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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.

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as part of corporate and administrative expenses in profit or loss in the periods during which related services are rendered by employees.

14. OTHER LIABILITIES

	Consolidated 2023 $	Consolidated 2022 $
Environmental bond – current	-	4,351,143
Deferred consideration – current	-	3,000,000
Total current	-	7,351,143

	Current	Non-current
Environmental bonds		
Opening balance – 1 July	4,351,143	2,671,220
Repayment of environmental bond	(4,351,143)	(2,740,916)
Reclassification of non-current liability to current	-	4,006,832
Foreign currency movement	167,249	414,007
Closing balance – 30 June	-	4,351,143

Deferred consideration of $3,000,000 was settled in March 2023 through issuance of 12,987,013 ordinary shares in Lotus Resources Limited in accordance with the terms of the sale and purchase agreement.

During the financial year, the final instalment for US$3,000,000 of the reimbursement of the US$10,000,000 which had previously been advanced by Paladin to Lotus (Africa) Limited to fund the environmental bond in favour of the Government of Malawi (Environmental Bond) was settled in March 2023. The repayment schedule was set out in note 29.

15. PROVISIONS – NON-CURRENT

	Consolidated 2023 $	Consolidated 2022 $
Rehabilitation and closure provision	37,257,958	42,728,847
Reconciliation – Non-current provisions		
Opening balance – 1 July	42,728,847	56,201,656
Decrease in provision for closure cost	(8,537,051)	(18,455,993)
Accretion of interest	1,428,869	-
Foreign currency movements	1,637,293	4,983,184
Closing balance – 30 June	37,257,958	42,728,847

The Group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit. 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.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at reporting date, discounted to present value using an appropriate pre-tax discount rate. Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The provisions are reassessed at least annually. A change In any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision.

As part of the work performed for the Kayelekera Restart Definitive Feasibility Study (DFS), a new closure cost estimate was prepared. The cost estimate was prepared by expert consultants considering the closure and rehabilitation costs of the Kayelekera mine using the base case mine design and mine plan detailed in the DFS, and management's estimate of the likely timing of the expenditures. Costs were inflated using long-term inflation rates applicable to the expected currency denomination that the outflows are expected to be influenced by. The future value was then discounted to present value using the long-term risk-free rate that best matched the currency and timing of the expected outflows.

The resulting adjustment to the provision was adjusted against the related exploration and evaluation asset.

The Company also has in place a cash backed environmental performance bond of $15,053,100 (2022: $14,552,735) or US$10,000,000 as outlined in note 11. 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 2023 $	Consolidated 2022 $
Fully paid ordinary shares	143,537,936	114,923,546

	2023 Number of Shares	2022 Number of Shares	2023 $	2022 $
Movements during the year:				
Opening balance	1,206,765,153	954,718,792	114,923,546	78,142,783
Issue of shares – capital raising	104,166,667	1,900,000	25,000,000	174,500
Issue of shares to consultant	-	300,000	-	90,000
Exercise of options	12,050,861	19,846,721	482,044	898,869
Issue of shares to employees upon exercise of options	8,012,350	3,535,713	1,478,520	515,485
Transaction with minority interest (note 29)	12,987,013	226,463,927	3,000,000	35,101,909
Share issue costs	-	-	(1,346,174)	-
Closing balance	1,343,982,044	1,206,765,153	143,537,936	114,923,546

Ordinary shares are classified as equity. 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.

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.

17. RESERVES AND NON-CONTROLLING INTEREST

	Consolidated 2023 $	Consolidated 2022 $
Share-based payment reserve	2,995,081	2,637,335
Capital reserve	(34,945,960)	(34,945,960)
Option premium reserve	-	1,361,434
Foreign exchange reserve	373,178	(44,625)
	(31,577,701)	(30,991,816)
Movement in reserves		
Share based payment reserve		
Opening balance	2,637,335	46,040
Share-based payment expense	1,917,251	3,242,281
Transferred to share capital	(1,478,520)	(604,946)
Transferred to retained losses	(80,985)	(46,040)
Closing balance	2,995,081	2,637,335
Capital reserve		
Opening balance	(34,945,960)	-
Shares issued to non-controlling interest	-	(34,945,960)
Closing balance	(34,945,960)	(34,945,960)
Option premium reserve		
Opening balance	1,361,434	1,361,434
Reclassification to retained earnings	(1,361,434)	-
Closing balance	-	1,361,434
Foreign exchange reserve		
Opening balance	(44,625)	(1,150,329)
Exchange rate differences on translating foreign operations	417,803	1,105,704
Closing balance	373,178	(44,625)
Non-controlling interest		
Opening balance	(765,530)	386,285
Loss after income tax and other comprehensive loss	(643,517)	(995,866)
Shares issued to non-controlling interest	-	(155,949)
Closing balance	(1,409,047)	(765,530)

	Number	Number
Movement in options:		
Opening balance	48,176,742	44,854,463
Granted	7,184,651	26,169,000
Exercised	(19,661,425)	(22,846,721)
Expired	(4,568,188)	-
Closing balance	31,131,780	48,176,742
Weighted average exercise price of outstanding options (Cents)	1.77	2.39
Weighted average remaining life of outstanding options (Years)	1.50	1.47

17. RESERVES AND NON-CONTROLLING INTEREST (continued)

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.

Capital reserve

This reserve is used to record the value of equity instruments issued to a non-controlling interest as part of the acquisition of the additional interest in the Kayelekera Uranium Mine. Refer to note 29 for additional information.

Option premium reserve

This reserve was used to record the value of monies raised from issue of options and from issue of incentive options. During the financial year, this amount was reclassified as part of accumulated losses.

Option lapsed

No options lapsed during the year.

Option expired and cancelled

4,568,188 options expired or were cancelled during the year.

Foreign currency translation reserve

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

18. ACCUMULATED LOSSES

	Consolidated 2023 $	Consolidated 2022 $
Balance at 1 July	(68,391,981)	(56,441,844)
Loss for the year	(9,916,736)	(11,996,177)
Reclassification of options premium reserve	1,361,434	-
Transfer from share-based payments reserve	80,985	46,040
Balance at 30 June 2023	(76,866,298)	(68,391,981)

19. CRITICAL 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 report. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed 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 the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. 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. In addition, costs are only capitalised that are expected to be recovered either through successful development or disposal of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written-off in the period in which this determination is made.

Rehabilitation provision

A provision has been made for the present value of 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.

20. 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.

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.

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:

	Consolidated 2023 $	Consolidated 2022 $
Cash and cash equivalents	15,519,217	4,876,370
Other assets (excluding prepayments, GST receivables and other assets)	227,571	181,019
Other financial asset (security deposit)	15,053,100	14,552,735
	30,799,888	19,610,124

20. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Consolidated - 2023 **Financial Liabilities**					
Trade and other payables	(811,448)	(811,448)	(811,448)	-	-
	(811,448)	(811,448)	(811,448)	-	-
Consolidated – 2022 **Financial Liabilities**					
Trade and other payables	(1,746,244)	(1,746,244)	(1,746,244)	-	-
Other liabilities	(7,351,143)	(7,351,143)	(7,351,143)	-	-
	(9,097,387)	(9,097,387)	(9,097,387)	-	-

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 exposed to fluctuations in foreign currencies arising from costs incurred in currencies other than the functional currency of the Company and Group entities.

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures to the United States dollar and Malawi Kwacha.

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.

20. FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying Amount	
	Consolidated 2023 $	Consolidated 2022 $
Variable rate instruments		
Financial assets	30,552,317	19,429,105

The Group's variable rate instruments comprised the cash and cash equivalents and security deposit.

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 2022.

	+100 basis points		-100 basis points	
	Profit $	Equity $	Profit $	Equity $
2023				
Financial instruments with variable interest rate				
Financial assets	305,523	305,523	(305,523)	(305,523)
2022				
Financial instruments with variable interest rate				
Financial assets	194,291	194,291	(194,291)	(194,291)

The weighted average effective interest rate on variable rate instruments was 4.30% (2022: 0.83%).

Fair value measurements

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

21. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, pay dividends to shareholders, issue new shares or sell assets.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

22. SHARE BASED PAYMENTS

Share-based payment accounting policy

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.

22. SHARE BASED PAYMENTS (continued)

Share-based payment transactions

Share based compensation benefits are provided to employees via the Group's incentive plans. The incentive plans consist of short term and long-term incentives plans for Executive Directors, other Executives and senior management and the short-term incentive plan for all other employees. The equity instruments used for the Group incentive plans are zero exercise priced options. Information relating to these plans is set out in the Remuneration Report and below.

The following tables illustrate the number and weighted average fair value of, and movements in, options relating to share-based payments during the year.

	30 June 2023	
	Options No.	Weighted average fair value
Balance at 1 July	23,169,000	$0.194
Granted during the year	7,184,651	$0.214
Vested and exercised during the year	(8,012,350)	$0.185
Lapsed or expired during the year	(1,209,521)	$0.275
Balance at 30 June	21,131,780	$0.199

Below are options granted during the year 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
1,767,624	14/11/2022	31/10/2025	$0.00 each	$0.240	Nil	3.18%	$0.240
250,000	14/11/2022	05/01/2025	$0.00 each	$0.240	Nil	3.18%	$0.240
250,000	14/11/2022	05/01/2026	$0.00 each	$0.240	Nil	3.18%	$0.240
1,109,676	14/11/2022	31/10/2027	$0.00 each	$0.240	Nil	3.18%	$0.240
930,233	25/11/2022	31/10/2025	$0.00 each	$0.205	Nil	3.18%	$0.205
883,721	25/11/2022	31/10/2027	$0.00 each	$0.205	Nil	3.18%	$0.205

Below are options granted during the year 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
1,109,676	14/11/2022	31/10/2027	$0.00 each	$0.240	Nil	3.18%	$0.188
883,721	25/11/2022	31/10/2027	$0.00 each	$0.205	Nil	3.18%	$0.164

22. SHARE BASED PAYMENTS (continued)

Below are options granted during the previous financial year 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	1/01/2024	$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	1/01/2024	$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%	$0.170
2,000,000	01/04/2022	31/03/2025	$0.00 each	$0.370	Nil	2.35%	$0.370

* 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.

Below are options granted during the previous financial year 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

	30 June 2022	
	Options No.	Weighted average fair value
Balance at 1 July	26,169,000	$0.187
Vested and exercised during the year	(3,000,000)	$0.138
Balance at 30 June	23,169,000	$0.194

	Consolidated 2023 $	Consolidated 2022 $
Share based payments expense	1,917,251	3,242,821

23. AUDITOR'S REMUNERATION

The following amounts were paid or payable for services provided by the auditors of the Group and its related practices.

	Consolidated 2023 $	Consolidated 2022 $
Audit and review services:		
RSM Australia Partners		
- audit and review of financial reports	61,300	56,000
Ernst & Young Malawi		
- audit of financial report	36,354	19,290
	97,654	75,290

24. RELATED PARTY DISCLOSURES

a. Ultimate parent

Lotus Resources Limited is the ultimate Australian entity.

b. Subsidiaries

Interests in subsidiaries are set out in note 30.

c. Key management personnel compensation

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

	2023 $	2022 $
Short-term employee benefits	846,439	618,593
Post-employment benefits	70,405	24,801
Share-based payments	1,255,453	1,978,327
	2,172,297	2,621,721

d. Loans to related parties

No loans were advanced to related parties during the reporting year (2022: Nil).

e. Amounts owed to related parties

As at the reporting date, $170,860 were owing to related parties (2022: $79,403) as disclosed in detail below.

f. Other key management personnel transactions with the Group

Mr Michael Bowen, who is a Non-Executive Director of the Company is a Partner of national law firm Thompson Geer Lawyers (**Thomson Geer**). The Company used Thompson Geer for general legal services and also transactional support. The services provided by Thompson Geer were done so at an arm's length basis and on normal commercial terms. During the year, the Company incurred costs under this arrangement totalling $140,052 (2022: $28,734). There is a balance of $107,965 (2022: $4,056) owing to Thomson Geer as at 30 June 2023 in relation to the provision of these services.

24. RELATED PARTY DISCLOSURES (continued)

Mr. Grant Davey, who was a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (**Matador Capital**). The Company 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 5%. The Company also uses Matador Capital's technical and project management expertise. During the year the Company incurred costs under this arrangement totalling $635,589 (2022: $290,064). In addition to Mr Davey's Director payment of $50,000 disclosed in the remuneration table above, he was also paid a consulting fee of $100,000 in relation to government liaison and on country services. 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 $62,895 (2022: $75,347) owing to Matador Capital as at 30 June 2023 in relation to the provision of these services.

25. COMMITMENTS

Exploration Project commitments

Commitments for tenement rentals and expenditure commitments due within one year amounted to $47,383 (2022: $51,347).

26. EARNINGS PER SHARE

	Consolidated 2023 $	Consolidated 2022 $
Reconciliation of earnings to profit or loss:		
Loss after income tax used for basic and dilutive EPS	(9,916,736)	(11,996,177)

	Consolidated 2023 No.	Consolidated 2022 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	1,309,279,308	1,167,267,583

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.

27. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities		
Loss after income tax	(10,560,532)	(12,962,890)
Adjustments for:		
Gain on disposals of tenements	-	(2,196,001)
Depreciation expense	2,223	1,217
Share based payments	1,917,251	3,242,820
Provision for rehabilitation - accretion of interest	1,428,869	-
Foreign currency translation difference	48,914	65,093
Impairment of property, plant and equipment	522,578	1,242,547
Adjusted operating loss before changes in working capital	(6,640,697)	(10,607,214)
Change in other current assets, including inventories	(657,796)	(133,879)
Change in trade and other payables	(1,044,317)	777,799
Net cash used in operating activities	(8,342,810)	(9,963,294)

28. CONTINGENT LIABILITIES

Kayelekera Uranium Project

At 30 June 2023, 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 royalty on revenue to the Malawi Government (the rate is subject to ongoing negotiations with the 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. Liability to make royalty payments only arises upon the restart of production from Kayelekera.

29. 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. This transaction has been accounted for as a business combination.

Acquisition Agreement

The consideration payable for the acquisition was as follows:

- $200,000 in cash, plus 90,000,000 ordinary shares in Lotus Resources Limited to be issued on completion (Initial Consideration);
- a royalty of 3.5% of gross returns at the Kayelekera mine up to a maximum of $5.0 million in favour of the Paladin Energy Limited ; and
- $3,000,000 worth of ordinary shares in Lotus Resources Limited 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).

Environmental Bond

In addition to the consideration set out above, subsidiary Lotus (Africa) Limited, 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 Energy Limited to Lotus (Africa) Limited to fund the environmental bond in favour of the Government of Malawi (Environmental Bond). The following repayment schedule was agreed:

i. US$4,000,000 on completion (13 March 2020);

ii. US$1,000,000 on the date that is not later than 1 year after completion (13 March 2021);

iii. US$2,000,000 on the date that is not later than 2 years after completion (13 March 2022); and

iv. US$3,000,000 on the date that is not later than 3 years after completion (13 March 2023).

As at 30 June 2023, all the remaining amounts due for the environmental bond and the deferred consideration were fully settled.

Increase in Ownership Interest

In 2022, the Company increased its ownership interest in the Kayelekera Uranium Project from 65% to 85%, by acquiring the remaining 23.5% interest in Lily Resources Pty Ltd, 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, at an estimated fair value of $35,101,909 based on the market price of the equity instruments at grant date.

30. 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 2023 %	Ownership Interest 2022 %
Westview Resources Pty Ltd	Australia	-	100%
Providence Metals Pty Ltd	Australia	100%	100%
Lily Resources Pty Ltd	Australia	100%	100%
Lotus (Africa) Limited	Malawi	85%	85%

In 2022, the Company increased its shareholding in Lily Resources Pty Ltd to 100% which resulted in the ownership in Lotus (Africa) Limited increasing to 85%. Refer to note 29 for further details.

Westview Resources Pty Ltd was voluntarily de-registered.

31. PARENT ENTITY DISCLOSURES

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

	2023 $	2022 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	(13,734,621)	(53,962,918)
Total comprehensive loss	(13,734,621)	(53,962,918)
Statement of financial position		
Total current assets	16,053,055	5,293,468
Total assets	16,056,852	5,297,699
Total current liabilities	(785,280)	(4,611,266)
Total liabilities	(785,280)	(4,611,266)
Net assets	15,271,572	686,434
Equity		
Issued capital	143,537,936	114,923,545
Reserves	2,995,081	4,651,147
Accumulated losses	(131,261,445)	(118,888,258)
Total equity	15,271,572	686,434

Guarantees

Lotus Resources Limited has no guarantees other than as disclosed in note 29.

Other Commitments and Contingencies

Lotus Resources Limited has no other commitments and contingencies other than as disclosed in notes 28 and 29.

32. EVENTS OCCURING AFTER THE REPORTING DATE

On 13 July 2023 Lotus announced a merger by way of Scheme of Arrangement with ASX listed A-Cap Energy Limited (**A-Cap**) under which Lotus will acquire 100% of the A-Cap shares on issue. Refer to the Review of Activities for more details in the Directors' Report.

On 20 September 2023 8,500,000 unlisted options were exercised at an average exercise price of $0.04 per option for gross proceeds of $350,000 before costs, resulting in the issue of the same number of Lotus ordinary shares.

There were no other matters or circumstances that have arisen since 30 June 2023 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2023 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 Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia this 22nd day of September 2023.

Independent Auditor's Report

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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 2023, 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 2023 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.

RSM

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.

Key Audit Matter	How our audit addressed this matter
Exploration and Evaluation Assets Refer to Note 10 in the financial statements	
The Group has capitalised exploration and evaluation expenditure with a carrying value of $39,532,314 as at 30 June 2023. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resource*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value exceeds the recoverable value. We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the asset including: • Determining whether the expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest; • determining whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be assessed; and • Assessing whether any indicators of impairment are present, and if so, judgments applied to determine and quantify any impairment loss.	Our audit procedures included: • Assessing the Group’s accounting policy for compliance with Australian Accounting Standards; • Obtaining management reconciliation of capitalised exploration and evaluation expenditure by area of interest and agreeing to general ledger; • Assessing whether the right to tenure of the area of interest was current; • Testing a sample of additions to supporting documentation and ensuring the amounts capitalised during the year are in compliance with the Group’s accounting policy and relate to the area of interest; • Assessing and evaluating management’s assessment that no indicators of impairment existed for those tenements where the Group has rights of tenure; • Through discussions with the management and reading relevant supporting documentation, assessing management’s determination that exploration and evaluation activities have not yet reached a stage where the existence or otherwise of economically recoverable reserves may be reasonably determined; and • Assessing the appropriateness of the related financial statements disclosure.
Provision for mine closure and rehabilitation Refer to Note 15 in the financial statements	
As at the reporting date, the Group had a provision of $37,257,958 relating to the estimated future cost of mine closure and rehabilitation. We considered this to be a key audit matter due to the significant management judgments and estimates involved in assessing the provision of asset retirement obligation including: • The determination of costs to be incurred in future years and its timing; • The complexity involved in the quantification of the provision based on areas disturbed; and • The methodology used to calculate the provision amount to ensure compliance with Australian Accounting Standards.	Our audit procedures included: • Assessing the Group’s accounting policy for compliance with Australian Accounting Standards; • Testing key inputs such as inflation rate, discount rate, timing of rehabilitation, area of disturbances and unit costs to supporting documentation; • Assessing of the work performed by management’s expert, including the competency and objectivity of the expert; • Assessing the mathematical accuracy of the model used to calculate the provision; • Assessing the movement in the provision has been accounted for in accordance with Australian Accounting Standards; and • Assessing the appropriateness of the related financial statements disclosure.

Independent Auditor’s Report

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 2023 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/ar1.pdf. This description forms part of our auditor's report.

Independent 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 2023.

In our opinion, the Remuneration Report of Lotus Resources Limited, for the year ended 30 June 2023, 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

RSM AUSTRALIA PARTNERS

AWhyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 22 September 2023

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 20 September 2023.

a. Twenty largest shareholders

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

Rank	Name	Units	% Units
1	CITICORP NOMINEES PTY LIMITED	199,337,793	14.74
2	KAYELEKERA RESOURCES PTY LTD	175,509,489	12.98
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	164,967,018	12.20
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	57,874,931	4.28
5	DESERTFOX PTY LTD	46,954,438	3.47
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	42,770,091	3.16
7	TR NOMINEES PTY LTD	40,500,000	2.99
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,477,294	2.18
9	NATIONAL NOMINEES LIMITED	25,669,535	1.90
10	BNP PARIBAS NOMS PTY LTD <DRP>	21,782,013	1.61
11	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	21,718,473	1.61
12	MRS PAMELA JULIAN SARGOOD	19,400,000	1.43
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	14,667,879	1.08
14	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	12,530,064	0.93
15	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	11,942,300	0.88
16	MR DARREN CRAIG GLOVER	11,904,762	0.88
16	MR BENJAMIN LEIGH HARPER	11,904,762	0.88
18	HAWTHORN GROVE INVESTMENTS PTY LTD	8,504,747	0.63
19	HUICEN CAPITAL PTY LIMITED	8,000,000	0.59
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	7,732,451	0.57
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**933,148,040**	**69.00**
Total Remaining Holders Balance		**419,334,004**	**31.00**

a. Twenty largest shareholders (continued)

The names of the holders of unlisted options are:

Rank	Name	Units	% Units
1	MR KEITH BOWES	10,478,475	46.30
2	TR NOMINEES PTY LTD	2,500,000	11.05
3	MS DIXIE INA MARSHALL	2,000,000	8.84
4	MR MICHAEL BARRIE BALL	1,779,070	7.86
5	MR THEO CORNELIUS KEYTER	1,346,396	5.95
6	MR CHRISTOPHER BRUCE KNEE	1,000,000	4.42
6	MRS RUTH MARY MCKENZIE + MR STUART ANDREW MCKENZIE	1,000,000	4.42
8	MR JACOBUS CHARL CILLIERS	785,815	3.47
9	MRS TARA ELIZABETH KILEY + MR ADAM KILEY <KILEY FAMILY A/C>	558,140	2.47
10	TSI CAPITAL PTY LTD	424,000	1.87
11	MR BRIAN SCOTT	333,582	1.47
12	MS AMY SULLIVAN	287,815	1.27
13	MR KAREL JOHAN DONDERS	44,714	0.20
14	MR TRENT DAVEY	23,848	0.11
15	MS JAYDE ROBINSON	21,612	0.10
16	MS NADINE MAYER	20,867	0.09
17	MS ASHLEE GORMAN	16,396	0.07
18	MS JESSICA JANETH CABALLERO GONGORA	7,225	0.03
19	FRANK HERNAN TERRONES FERNANDEZ	3,825	0.02
Totals: Holders of Unlisted Options		**22,631,780**	**100**

b. Distribution of equity security holders

Ordinary Shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	608	204,313	0.02
1,001 - 5,000	1,107	3,425,272	0.25
5,001 - 10,000	801	6,261,848	0.46
10,001 - 100,000	1,866	67,306,439	4.98
100,001 Over	597	1,275,284,172	94.29
Total	**4,979**	**1,352,482,044**	**100.00**

There are 791 holders of a less than marketable parcel of shares (as at 20 September 2023, a less than marketable parcel is 1,924 shares), representing a total of 493,652 shares.

b. Distribution of equity security holders (continued)

Unlisted Options

Range	Total holders	Units	% of Issued Capital
1 - 1,000	0	0	0.00
1,001 - 5,000	1	3,825	0.02
5,001 - 10,000	1	7,225	0.03
10,001 - 100,000	5	127,437	0.56
100,001 Over	12	22,493,293	99.39
Total	**19**	**22,631,780**	**100.00**

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	%
Kayelekera Resources Pty Ltd	175,509,489	12.98
MM Asset Management Inc.	79,857,097	5.90

d. Restricted Securities

There are nil restricted securities as at 20 September 2023.

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

Class	Total Holdings
UNL OPTS EXP 01/01/2024	2,000,000
UNL OPTS EXP 05/01/2025	250,000
UNL OPTS EXP 05/01/2026	250,000
UNL OPTS EXP 10/02/2024	6,000,000
UNL OPTS EXP 14/12/2024	11,050
UNL OPTS EXP 14/12/2026	1,319,000
UNL OPTS EXP 23/10/2023, EXERCISABLE AT $0.08	2,500,000
UNL OPTS EXP 29/07/2024	550,800
UNL OPTS EXP 29/11/2026	1,230,000
UNL OPTS EXP 31/03/2025	2,000,000
UNL OPTS EXP 31/10/2025	2,697,857
UNL OPTS EXP 31/10/2027	3,823,073

h. Unquoted Securities >20% Holders

Class	Holder	Number	%
UNL OPTS EXP 01/01/2024	MR CHRISTOPHER BRUCE KNEE	1,000,000	50.00
	MR STUART ANDREW MCKENZIE	1,000,000	50.00
UNL OPTS EXP 05/01/2025	MR MICHAEL BARRIE BALL	250,000	100.00
UNL OPTS EXP 05/01/2026	MR MICHAEL BARRIE BALL	250,000	100.00
UNL OPTS EXP 10/02/2024	MR KEITH BOWES	6,000,000	100.00
UNL OPTS EXP 14/12/2024	MS JESSICA JANETH CABALLERO GONGORA	7,225	65.38
	MR FRANK HERNAN TERRONES FERNANDEZ	3,825	34.62
UNL OPTS EXP 14/12/2026	MR THEO CORNELIUS KEYTER	565,000	42.84
	TSI CAPITAL PTY LTD	424,000	32.15
	MR JACOBUS CHARL CILLIERS	330,000	25.02
UNL OPTS EXP 23/10/2023, EXERCISABLE AT $0.08	TR NOMINEES PTY LTD	2,500,000	100.00
UNL OPTS EXP 29/07/2024	MR KEITH BOWES	550,800	100.00
UNL OPTS EXP 29/11/2026	MR KEITH BOWES	1,230,000	100.00
UNL OPTS EXP 31/03/2025	MS DIXIE INA MARSHALL	2,000,000	100.00
UNL OPTS EXP 31/10/2025	MR KEITH BOWES	930,233	24.33
UNL OPTS EXP 31/10/2027	MR KEITH BOWES	1,767,442	46.23
	MR MICHAEL BARRIE BALL	767,442	20.07

i. Interest in Mining Tenements

As at 22 September 2023, the Company's tenement interests are shown in the table below.

Tenement	Ownership	Project	Location
ML0152 - Kayelekera	85%	Kayelekera	Malawi
EPL418 - Chilumba	85%	Kayelekera	Malawi
EPL489 - Nthalire	85%	Kayelekera	Malawi
EPL502 - Juma-Miwanga	85%	Kayelekera	Malawi
EPL417 - Rukuru	85%	Kayelekera	Malawi
EL595 - Livingstonia	85%	Kayelekera	Malawi
EL583 - Livingstonia West	85%	Kayelekera	Malawi
Mapambo (Formerly EPL0225)	Under Application	Kayelekera	Malawi

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