



ABN 38 119 992 175

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR
31 DECEMBER 2022**

LOTUS RESOURCES LIMITED
ABN 38 119 992 175

Interim Financial Report – Half-Year Ended 31 December 2022

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

Directors	Mr Michael Bowen Mr Keith Bowes Mr Grant Davey Mr Mark Hanlon Ms Dixie Marshall	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director Non-Executive Director
Company Secretary	Ms Catherine Anderson	
Principal Place of Business	Level 20, 140 St Georges Terrace Perth, Western Australia, 6000	
Website Address	www.lotusresources.com.au	
Auditor	RSM Australia Partners Level 32, Exchange Tower 2 The Esplanade Perth, Western Australia, 6000	
Solicitor	Thomson Geer Level 27, Exchange Tower 2 The Esplanade Perth, Western Australia, 6000	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000	
Securities Exchange	ASX Limited Level 40, Central Park, 152-159 St Georges Terrace Perth, Western Australia, 6000 ASX Code: LOT OTCQB Level 12, 300 Vesey Street New York, NY 10282 OTC Code: LTSRF	

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as "the Consolidated Entity" or "the Group") consisting of Lotus Resources Limited ("the Company") and the entities it controlled at the end of, or during, the six months ended 31 December 2022.

Directors

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

Name	Period of Directorship
Mr Michael Bowen <i>Non-Executive Chairman</i>	Director since 22 February 2021 (date of appointment)
Mr Keith Bowes <i>Managing Director</i>	Director since 15 February 2021 (date of appointment)
Mr Grant Davey <i>Non-Executive Director</i>	Director since 22 June 2020 (date of appointment)
Mr Mark Hanlon <i>Non-Executive Director</i>	Director since 22 February 2021 (date of appointment)
Ms Dixie Marshall <i>Non-Executive Director</i>	Director since 1 April 2022 (date of appointment)

Principal Activities

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

Review of Operations

Kayelekera Project Overview

The Kayelekera Uranium Project ("**Kayelekera**" or the "**Project**") is located in northern Malawi, southern Africa, 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) U₃O₈ including the inaugural resource at Livingstonia (see page 20), and historically produced approximately 11 Mlbs U₃O₈ 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.

The 2022 financial year saw significant progress made by Lotus Resources in positioning Kayelekera to be able to recommence production quickly once the uranium price has recovered to meet the future impending shortfall in uranium supply. Significant achievements during the half year included the following:

1. **Completion and release of the Restart Definitive Feasibility Study** in August 2022 which confirmed Kayelekera as a low cost, quick restart uranium operation.
2. **Continued discussions with major global utilities** and uranium traders to re-introduce the Project and discuss potential offtake agreements.
3. **Multiple visits to Malawi** to meet with Government Ministers and representatives to progress the **Mine Development Agreement**.
4. **Community Development Agreement** negotiated with qualified communities, awaiting Government ratification to execute.
5. Further progress towards developing the Company's **Environmental, Social and Governance (ESG)** strategy and the release of the second annual Sustainability Report in November 2022.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Kayelekera Project Overview (continued)

- **Completion of a \$25 million placement** to provide funding to progress the development of the Kayelekera Uranium Project, including finalising the Mine Development Agreement, advancing offtake negotiations, Front End Engineering and Design and project financing prior to a final investment decision. The capital raise will also provide funding for the final instalment of the rehabilitation bond repayment in March 2023, for care and maintenance activities at Kayelekera and corporate costs and working capital for a period of at least 18 months.
- 6. **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.

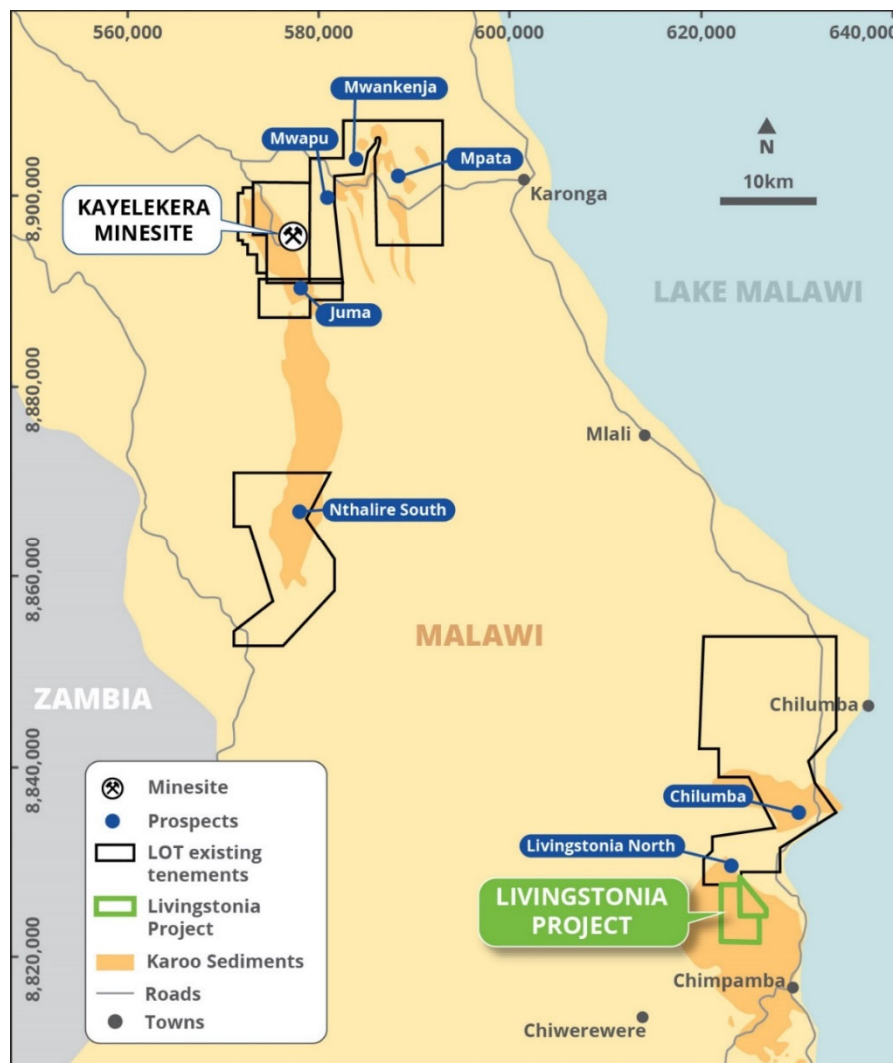


Figure 1: Location of the Kayelekera Uranium Mine and Livingstonia Uranium Tenements

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.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Restart Definitive Feasibility Study (continued)

Table 1 sets out the key project outputs from the Study.

Table 1: Key Project Outputs¹

Production	LOM total / Avg.
Mine Life (Years)	9.5
Total Material Mined (Mt)	40.5
Strip Ratio	1.8
Ore Tonnes (Mt)	14.3
Ave Mined Grades (ppm U ₃ O ₈)	648
Total U ₃ O ₈ Mined (Mlbs)	20.5
Existing Stockpiles	
Tonnes (Mt)	4.1
Grade (ppm U ₃ O ₈)	470
Plant	
Crusher Feed (Mt)	18.4
Crusher Feed Grade (ppm U ₃ O ₈)	609
Ave Feed Upgrade factor	1.30
Ave Ore Sorting Recovery (%)	77.8
Mill Feed (Mt)	12.8
Average Mill Feed Grade (ppm U ₃ O ₈)	792
Process Plant Recovery (%)	86.7
Av. 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 ² (US\$ / t ore)	27.60
G&A Costs (US\$M pa)	11.10
Cash costs ³ (US\$ / lb)	30.10
AISC ⁴ (US\$ / lb)	37.70
Initial Capital costs	
Initial Capital (US\$M)	78.3
Contingency (US\$M)	9.5
Pre-Production (US\$M)	11.5

The key highlights of the Restart DFS are as follows:

- Quick restart to production following a final investment decision
 - Development to first production estimated at 15 months in the Study.
- 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%.
- Simple mining technique lowers operating costs
 - Shallow open pit mining with low strip ratio of 1.8:1 (waste to ore ratio)
- High degree of confidence
 - 96% of the uranium produced from the mine plan being sourced from ore reserves.

¹The 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.

²Includes maintenance costs and power costs.

³Cash Costs include all mining and stockpile rehandling, processing, maintenance, and general and administrative costs.

⁴AISC 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).

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Restart Definitive Feasibility Study (continued)

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)⁵.
 - 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/lb³ and AISC of US\$36.2/lb⁴ during the first 7 years of production (after ramp-up).
7. Robust mine life with exploration upside
 - 10-year Life of Mine (LOM), with production of 19.3 million pounds (Mlbs) U₃O₈ 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 Environmental, Social and Governance (ESG) results
 - Power related carbon di-oxide (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 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).

The Company's continues to focus on completing the Mine Development Agreement with the Government of Malawi, the power supply agreement with Malawian electricity utility (ESCOM) and with continued engagement with the various nuclear energy utilities to secure offtake agreements with the necessary volumes and pricing mechanisms to support the restart of Kayelekera. Lotus management also continue to explore and develop various financing options to fund the restart.

Discussions with Offtake Partners

A total of 10.9 Mlbs of uranium (U₃O₈ equivalent) was successfully produced, marketed and delivered from the Kayelekera Project during the period from 2009 to 2014 to conversion facilities located in the United States, Canada and France operated by Honeywell, Cameco, and Orano, respectively.

Given the long-term nature of supply contracts with nuclear utilities 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 half year the Company continued to engage with potential offtake partners and was invited to participate in a number of requests for proposal (RFP's) for supply contracts. 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 been relatively stable over the half year, despite the impact on markets of the increasing interest rates and the conflict in Europe, with the spot U₃O₈ price keeping a tight range around US\$50/lb. Positive sentiment within the uranium market driven primarily by zero-carbon emissions targets and the energy crises continues to provide the most optimistic outlook for uranium producers for many years. 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.

⁵ Initial Capital Intensity = Initial Capital Cost (US\$88 million) / Steady State Average Production (2.4Mlbs U₃O₈)

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Care and Maintenance Activities at Kayelekera

Health & Safety

The Kayelekera mine has achieved 3,101 Lost Time Injury (LTI) free days with a total 3,346,987 person hours worked as at 31 December 2022 (105,546 for the 6-month period ending 31 December 2022). During the period there were no reportable health and safety incidents. The 12-month rolling Total Recordable Injury Frequency Rate (TIFR) has remained steady at 0.76, 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) Maintaining a high level of security and safety at site;
- 2) Ensuring compliance with all regulatory requirements;
- 3) Managing the site water balance in the various storage facilities including water treatment and discharge following the wet season; and
- 4) On-going maintenance of critical equipment.

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.

Post reporting date, a non-binding Term Sheet covering many of the material terms was finalised that meets both the requirements of the Company and the government and people of Malawi. The Company has started engagement with the lawyers appointed by the GoM to assist them in finalising the MDA.

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

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.

The 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 lower 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. Uranium 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.

DIRECTORS' REPORT (continued)

Government and Community Relations (continued)

Sustainability Statement

Sustainability at Lotus is currently governed directly through the Board and focuses on the Company's performance in the areas of health, safety, radiation, environment, social responsibilities and sustainable development.

Mineral Resource and Ore Reserve Statements

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) owns an 85% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 51.1Mlbs U₃O₈ (see table below), and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Study⁶ which has determined an Ore Reserve of 23Mlbs U₃O₈ and demonstrated that Kayelekera can support a viable long-term operation and has the potential to be one of the first uranium projects to recommence production in the future.

Lotus Mineral Resource Inventory – June 2022⁷

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile ⁸	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 ⁹	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

Lotus Ore Reserve Inventory – July 2022¹⁰

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O 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	15.9	660	10.4	23.0

⁶ See ASX announcement dated 11 August 2002 for information on the Definitive Feasibility Study.

⁷ See ASX announcement dated 15 February 2022 for information on the Kayelekera mineral resource estimate. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 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.

⁸ RoM stockpile has been mined and is located near mill facility.

⁹ 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.

¹⁰ 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.

DIRECTORS' REPORT (continued)

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 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.

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 time frame 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 off take 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.

Results

The consolidated entity made a loss of \$5,483,709 after income tax for the half-year (2021: loss of \$3,571,881).

Significant Changes in the State of Affairs

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, Front End Engineering and Design (FEED) and project financing prior to a final investment decision. The capital raise will also provide funding for the final instalment of the rehabilitation bond repayment in March 2023, for 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.

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

DIRECTORS' REPORT (continued)

Events Subsequent to Reporting Date

Ms Catherine Anderson was appointed Company Secretary on 12 January 2023. Mr Brian Scott resigned as Company Secretary on that date as continues with the company as Commercial Manager.

Post reporting date 3,000,000 options held by Mr Keith Bowes vested and 1,125,000 shares were issued upon conversion of options.

On 14 March 2023, the Company plans to issue 12,987,013 ordinary shares valued at A\$3,000,000 (per the valuation set out in the sale and purchase agreement) to Paladin Energy Limited ("**Paladin**") in full settlement of the deferred consideration under the terms of the sale and purchase agreement for the Kayelekera Uranium Project. On 13 March 2023, Lotus made a payment of US\$3,000,000 (approximately A\$4,545,455) to Paladin to settle the final instalment of the reimbursement of the rehabilitation bond relating to the Kayelekera Uranium Project. Refer to note 29 in the June 2022 annual report for further details. Refer also to note 6 in this report for further details.

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

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

Section 307C of the Corporations Act 2001 requires our auditor, RSM Australia Partners, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this Directors' report for the six months ended 31 December 2022.

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



Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia, this 14th day of March 2023.



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Lotus Resources Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 14 March 2023

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RSM Australia Partners ABN 36 965 185 036

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 \$	Consolidated 31 December 2021 \$
Other income	10	585,184	2,264,367
Care and maintenance expenses		(1,422,325)	(1,349,746)
Exploration and evaluation expenses		(636,941)	(1,662,780)
Corporate and administrative expenses		(1,671,921)	(1,292,243)
Impairment charges		(524,641)	-
Depreciation charges		(1,009)	(338)
Finance charges – accretion interest		(717,255)	-
Share based payments expense	9	(924,798)	(1,531,140)
Loss before income tax		(5,313,706)	(3,571,881)
Income tax expense	11	(170,003)	-
Loss for the half-year		(5,483,709)	(3,571,881)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		159,147	387,594
Total other comprehensive loss		(5,324,562)	(3,184,287)
Total comprehensive loss for the half-year		(5,324,562)	(3,184,287)
Loss attributable to:			
Non-controlling interests		(295,116)	(343,898)
Members of the parent		(5,188,593)	(3,227,983)
		(5,483,709)	(3,571,881)
Total comprehensive loss attributable to:			
Non-controlling interests		(345,925)	(337,384)
Members of the parent		(4,978,637)	(2,846,903)
		(5,324,562)	(3,184,287)
Loss per share:			
Basic loss per ordinary share (cents)		(0.43)	(0.32)
Diluted loss per ordinary share (cents)		(0.41)	(0.31)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalents	3	23,599,577	4,876,370
Other assets		1,035,777	894,801
Total Current Assets		24,635,354	5,771,171
NON-CURRENT ASSETS			
Plant and equipment		3,221	4,230
Exploration and evaluation assets	4	46,799,118	46,279,048
Other financial assets	5	14,666,800	14,552,735
Total Non-Current Assets		61,469,139	60,836,013
TOTAL ASSETS		86,104,493	66,607,184
CURRENT LIABILITIES			
Trade and other payables		422,935	1,746,244
Provisions		7,657	6,731
Other liabilities	6	7,400,040	7,351,143
Total Current Liabilities		7,830,632	9,104,118
NON-CURRENT LIABILITIES			
Provisions		43,914,407	42,728,847
Total Non-Current Liabilities		43,914,407	42,728,847
TOTAL LIABILITIES		51,745,039	51,832,965
NET ASSETS		34,359,454	14,774,219
EQUITY			
Contributed equity	7	140,387,065	114,923,546
Reserves	8	(31,335,582)	(30,991,816)
Accumulated losses		(73,580,574)	(68,391,981)
Equity attributable to owners of the Company		35,470,909	15,539,750
Non-controlling interest		(1,111,455)	(765,530)
TOTAL EQUITY		34,359,454	14,774,219

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2022

Consolidated	Contributed equity \$	Share based payment reserve \$	Options premium reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Capital reserves \$	Non-controlling interest \$	Total equity \$
2022								
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 for the period	-	-	-	-	(5,188,593)	-	(295,116)	(5,483,709)
Other comprehensive income	-	-	-	209,956	-	-	(50,809)	159,147
Total comprehensive loss for the half-year	-	-	-	209,956	(5,188,593)	-	(345,925)	(5,324,562)
Transactions with equity holders in their capacity as equity holders								
Share based payments	1,478,520	(553,722)	-	-	-	-	-	924,798
Exercise of options	331,173	-	-	-	-	-	-	331,173
Capital raising	25,000,000	-	-	-	-	-	-	25,000,000
Share issue costs	(1,346,174)	-	-	-	-	-	-	(1,346,174)
At 31 December 2022	140,387,065	2,083,613	1,361,434	165,331	(73,580,574)	(34,945,960)	(1,111,455)	34,359,454

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

Consolidated 2021	Contributed equity \$	Share based payment reserve \$	Options premium reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Capital reserves \$	Non-controlling interest \$	Total equity \$
At 1 July 2021	78,142,783	46,040	1,361,434	(1,150,329)	(56,441,844)	-	386,285	22,344,369
Loss for the period	-	-	-	-	(3,227,983)	-	(343,898)	(3,571,881)
Other comprehensive income	-	-	-	381,080	-	-	6,514	387,594
Total comprehensive loss for the half-year	-	-	-	381,080	(3,227,983)	-	(337,384)	(3,184,287)
Transactions with equity holders in their capacity as equity holders								
Shares issued to non-controlling interest	35,101,909	-	-	-	-	(34,945,960)	(155,949)	-
Share based payments	191,785	1,339,355	-	-	-	-	-	1,531,140
Exercise of options	709,884	-	-	-	-	-	-	709,884
Expiry of Employee Share Scheme options	-	(46,040)	-	-	46,040	-	-	-
Capital Raising	174,500	-	-	-	-	-	-	174,500
At 31 December 2021	114,320,861	1,339,355	1,361,434	(769,249)	(59,623,787)	(34,945,960)	(107,049)	21,575,605

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

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	Consolidated 31 December 2022 \$	Consolidated 31 December 2021 \$
Cash flows from operating activities		
Payments to suppliers and employees	(3,404,055)	(2,750,922)
Payments for care and maintenance	(1,610,488)	(1,251,958)
Interest received	377,543	6,114
Income tax paid	(127,803)	-
Net cash outflow from operating activities	(4,764,803)	(3,996,766)
Cash flows from investing activities		
Payments for exploration expenditure – acquisition costs	-	(33,843)
Payments for plant and equipment	(524,641)	(624,380)
Proceeds from sale of tenements	-	2,196,001
Net cash (outflow)/inflow from investing activities	(524,641)	1,537,778
Cash flows from financing activities		
Proceeds from issue of shares	25,000,000	174,500
Costs relating to issue of shares	(1,346,174)	-
Proceeds from the exercise of options	331,173	709,884
Net cash inflow from financing activities	23,984,999	884,384
Net increase/(decrease) in cash held	18,695,555	(1,574,604)
Cash and cash equivalents at the beginning of the period	4,876,370	14,751,569
Effects of exchange rate changes on cash and cash equivalents	27,652	319,974
Cash and cash equivalents at the end of the period	23,599,577	13,496,939

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New or amended Accounting Standards and Interpretations adopted

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

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

2. SEGMENT REPORTING

During the half-year, the consolidated entity operated in one business segment and two geographical locations, being the exploration, evaluation and development of Uranium assets in Africa, and Corporate activities in Australia.

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

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

Consolidated 31 December 2022	Operating Loss \$	Total Assets \$	Total Liabilities \$
Uranium	(1,967,440)	62,228,856	48,416,110
Corporate	(3,516,269)	23,875,637	3,328,929
	(5,483,709)	86,104,493	51,745,039

Consolidated 31 December 2021	Operating Loss \$
Uranium	(1,935,931)
Other Minerals	2,375,763
Corporate	(4,011,713)
	(3,571,881)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CASH AND CASH EQUIVALENTS	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
Cash at bank and on hand	<u>23,599,577</u>	<u>4,876,370</u>

4. EXPLORATION AND EVALUATION ASSETS	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
Exploration, evaluation and development costs carried forward in respect of areas of interest	<u>46,799,118</u>	<u>46,279,048</u>

Movement in exploration and evaluation assets

Carrying amount at beginning of period	46,279,048	59,798,200
Assets acquired	-	33,843
Exploration and evaluation expenditures	636,941	4,695,630
Provision for impairment	(636,941)	(4,695,630)
Change in estimates provision for rehabilitation and closure costs	-	(18,455,993)
Movement in exchange rates	<u>520,070</u>	<u>4,902,998</u>
Carrying amount at end of period	<u>46,799,118</u>	<u>46,279,048</u>

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.

As a result of the previously recorded impairment upon placing the mine on care and maintenance, any new exploration and evaluation expenditures are being impaired.

5. OTHER FINANCIAL ASSETS	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
Security deposits	<u>14,666,800</u>	<u>14,552,735</u>

Security deposits consist of a collateral deposit in the form of a bond issued for rehabilitation obligations of the Kayelekera Uranium Project in Malawi in the amount of US\$10,000,000 (30 June 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
6. OTHER LIABILITIES		
Environmental bond – current**	4,400,040	4,351,143
Deferred consideration – current*	3,000,000	3,000,000
Total other liabilities, current	<u>7,400,040</u>	<u>7,351,143</u>
	Current	Non-current
	\$	\$
Movement in environmental bonds		
Opening balance – 1 July 2022	4,351,143	-
Foreign currency movement	48,897	-
Closing balance – 31 December 2022	<u>4,400,040</u>	<u>-</u>

* Deferred consideration of \$3,000,000 worth of ordinary shares in Lotus Resources Limited is expected to be settled on 14 March 2023 by the issue of 12,987,013 ordinary shares. Refer to note 14 for further details.

** In addition, 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 to Lotus (Africa) Limited to fund the environmental bond in favour of the Government of Malawi (Environmental Bond). The balance above represents the final instalment of US\$3,000,000 which was made on 13 March 2022. Refer to note 14 for further details.

	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
7. CONTRIBUTED EQUITY		
Fully paid ordinary shares	<u>140,387,065</u>	<u>114,923,546</u>
Movement in contributed equity:		
	No.	\$
At 1 July 2022	1,206,765,153	114,923,546
Issue of shares on capital raising	104,166,667	25,000,000
Issue of shares on exercise of options	8,279,087	331,173
Issue of shares to employees upon exercise of options	8,012,350	1,478,520
Share issue costs	-	(1,346,174)
At 31 December 2022	<u>1,327,223,257</u>	<u>140,387,065</u>

	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
8. RESERVES		
Share based payment reserve	2,083,613	2,637,335
Capital reserve	(34,945,960)	(34,945,960)
Option premium reserve	1,361,434	1,361,434
Foreign currency translation reserve	165,331	(44,625)
	<u>(31,335,582)</u>	<u>(30,991,816)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. RESERVES (CONTINUED)	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
Share based payment reserve		
Opening balance	2,637,335	46,040
Share based payment expense	924,798	3,242,281
Transferred to share capital	(1,478,520)	(604,946)
Transferred to accumulated losses	-	(46,040)
Closing balance	<u>2,083,613</u>	<u>2,637,335</u>
Capital reserve		
Opening balance	(34,945,960)	-
Shares issued to non-controlling interest	-	(34,945,960)
Closing balance	<u>(34,945,960)</u>	<u>(34,945,960)</u>
Option premium reserve		
Opening balance	1,361,434	1,361,434
Movement during the period	-	-
Closing balance	<u>1,361,434</u>	<u>1,361,434</u>
Foreign currency translation reserve		
Opening balance	(44,625)	(1,150,329)
Exchange rate differences on translating foreign operations	209,956	1,105,704
Closing balance	<u>165,331</u>	<u>(44,625)</u>

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.

Option premium reserve

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

Option expired

3,511,605 options expired during the period.

Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SHARE-BASED PAYMENTS

Movement in options:

	31 December 2022 Options No.	30 June 2022 Options No.
Opening balance	48,176,742	44,854,463
Options granted	7,184,651	26,169,000
Options exercised	(16,291,437)	(22,846,721)
Options expired	(2,474,734)	-
Options lapsed	(1,045,800)	-
Closing balance	35,549,422	48,176,742

Details of the 7,184,651 options granted during the period ended 31 December 2022 are set out below (including the assumptions used in fair value estimation).

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

Options Number	Grant date	Expiry date	Exercise Price	Spot Price at Grant Date	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
1,679,624	14/11/2022	31/10/2025	\$0.00 each	\$0.240	Nil	3.150%	\$0.240
88,000	14/11/2022	31/10/2025	\$0.00 each	\$0.240	Nil	3.150%	\$0.240
1,109,676	14/11/2022	31/10/2027	\$0.00 each	\$0.240	Nil	3.150%	\$0.240
250,000	14/11/2022	5/01/2025	\$0.00 each	\$0.240	Nil	3.150%	\$0.240
250,000	14/11/2022	5/01/2026	\$0.00 each	\$0.240	Nil	3.150%	\$0.240
883,721	25/11/2022	31/10/2027	\$0.00 each	\$0.205	Nil	3.176%	\$0.205
930,233	25/11/2022	31/10/2025	\$0.00 each	\$0.205	Nil	3.176%	\$0.205

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

- 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.

Below are options granted during the period 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
883,721	25/11/2022	31/10/2027	\$0.00 each	\$0.205	Nil	3.184%	\$0.1641
1,109,676	14/11/2022	31/10/2027	\$0.00 each	\$0.240	Nil	3.176%	\$0.1875

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated 31 December 2022 \$	Consolidated 31 December 2021 \$
10. OTHER GAINS/LOSSES		
Gain on sale of tenement	-	2,375,763
Loss on sale of available for sale financial assets	-	(229,970)
Other income	585,184	118,574
	<u>585,184</u>	<u>2,264,367</u>

During the period ended 31 December 2021, the Company sold 100% of its non-core Hylea Project for consideration of \$1,000,000 cash payment plus shares in ASX listed company Sunrise Energy Metals Limited at fair value on receipt of \$1,375,763. The sale resulted in a gain on disposal of \$2,375,763.

11. INCOME TAX EXPENSE

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 these amounts have been de-recognised for accounting purposes.

12. DIVIDENDS

No dividends were declared or paid during the half-year ended 31 December 2022 (2021: nil).

13. CONTINGENT LIABILITIES

There are no material changes to contingent liabilities since 30 June 2022.

Kayelekera Uranium Project

As at 31 December 2022, the Company had three agreements providing royalty payments to local government and former owners for production from the Kayelekera Uranium Project. Royalties payable on production comprises an uncapped 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.

The Company also has in place a cash backed environmental performance bond of \$14,666,800 (US\$10,000,000) as outlined in note 5. 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.

14. EVENTS SUBSEQUENT TO REPORTING DATE

Ms Catherine Anderson was appointed Company Secretary on 12 January 2023. Mr Brian Scott resigned as Company Secretary on that date as continues with the company as Commercial Manager.

Post reporting date 3,000,000 options held by Mr Keith Bowes vested and 1,125,000 shares were issued upon conversion of options.

On 14 March 2023, the Company plans to issue 12,987,013 ordinary shares valued at A\$3,000,000 (per the valuation set out in the sale and purchase agreement) to Paladin Energy Limited ("**Paladin**") in full settlement of the deferred consideration under the terms of the sale and purchase agreement for the Kayelekera Uranium Project. On 13 March 2023, Lotus made a payment of US\$3,000,000 (approximately A\$4,545,455) to Paladin to settle the final instalment of the reimbursement of the rehabilitation bond relating to the Kayelekera Uranium Project. Refer to note 29 in the June 2022 annual report for further details. Refer also to note 6 in this report for further details.

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

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Michael Bowen
Non-Executive Chairman

Dated at Perth, Western Australia this 14th day of March 2023.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF LOTUS RESOURCES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lotus Resources Limited which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of Lotus Resources Limited 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 Lotus Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

RSM

RSM Australia Partners

A handwritten signature in dark ink, appearing to read 'A Whyte'.

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 14 March 2023