



ABN 38 119 992 175

# ANNUAL REPORT

for the year ended 30 June 2022



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

<b>Directors</b>	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
<b>Company Secretary</b>	Mr Brian Scott	
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## LETTER FROM THE CHAIRMAN

Dear Shareholders

On behalf of the Board of Directors for Lotus Resources Limited, I am delighted to present the Annual Report for the financial year ended 30 June 2022.

This past year has seen further improved sentiment in the nuclear and uranium industries, as the world continues to look to transition away from fossil fuels to a zero-carbon emission future. Uranium is increasingly becoming a part of this conversation and is central to most countries long-term energy strategy, with Australia possibly being one of the few exceptions to this. The standout for nuclear is that it is the only energy source that provides zero carbon emissions twenty-four hours of the day, irrespective of location or the prevailing conditions.

The positive sentiment for the sector has been reflected in the reported uranium spot price during the past 12 months which has increased from US\$35/lb (1 September 2021) to approximately US\$50/lb currently (30 September 2022). Whilst this increase is very encouraging for the market, we believe higher pricing is not only likely but essential to incentivise new production entering the market to match the forecasted demand.

In readiness for this, the Company has continued to advance the Kayelekera uranium mine for a quick re-start when these conditions prevail. The major achievement during the past year was the release of our Definitive Feasibility Study (DFS), which not only confirmed Kayelekera as one of the lowest capital cost uranium projects (US\$88 million) globally, which can also recommence production quickly (15 months development for construction/refurbishment) once a Final Investment Decision (FID) is made.

In addition, the DFS also highlighted annual production of 2.4Mlbs U<sub>3</sub>O<sub>8</sub> per annum (first seven years), with a 10-year life-of-mine producing a total of 19.3Mlbs U<sub>3</sub>O<sub>8</sub>. 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. Considering this was one of the first Studies in the sector to be released during the current high inflationary environment, which has been fully accounted for in the Study, this was an excellent achievement and puts the Company in a strong position going forward.

Lotus also significantly strengthened its balance sheet with a strongly supported A\$25 million capital raising completed in September 2022. This raising has put the Company in a sound financial position, allowing it to continue the advancement of the Kayelekera Project, whilst ensuring we remain funded through to 2024.

The most satisfying achievement however was the release of our inaugural Sustainability Report back in December 2021. This report puts a line in the sand regarding the Company's current position and future ambitions regarding ESG. The Company is now busy preparing its 2022 Sustainability Report which will provide a more quantitative analysis of our ESG position. The Company is committed to becoming a leader in the industry regarding ESG as we are committed to leave a lasting positive legacy in Malawi long after the mine is gone.

On behalf of the Lotus Board and management team, I would like to thank the Malawi government, most notably the Minister of Mines, The Honourable Dr Albert Mbawala, and the Minister of Finance, the Honourable Mr Sosten Gwengue, for their continued support and the faith they have shown in the Kayelekera Project. We look forward to continue working closely together in the years ahead.

Finally, I 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 Michael Bowen  
Non-Executive Chairman

## 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 2022 and the auditor's report thereon.

### REVIEW OF ACTIVITIES

#### 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 (see page 20), and historically produced approximately 11 Mlbs  $U_3O_8$  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.

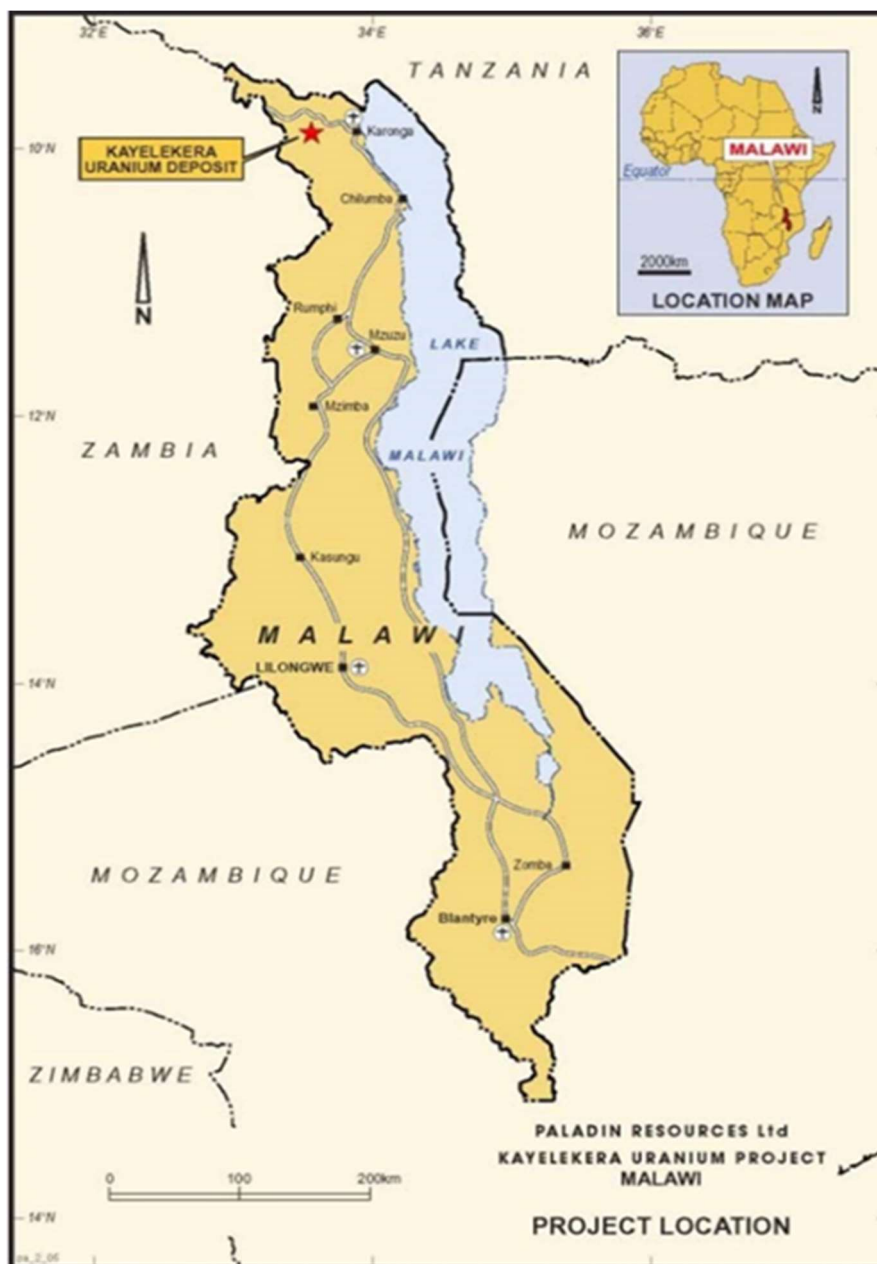


Image 1: Location Kayelekera Uranium Mine

## DIRECTORS' REPORT (continued)

### REVIEW OF ACTIVITIES (continued)

#### Project Overview (continued)

The 2022 financial year has seen 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.



Image 2: Kayelekera Processing Facility

Major achievements by the Company during the 2022 financial year included the following:

- **Increased the Company's uranium Mineral Resource** to 51.1 Mlbs through exploration drill programs at the Kayelekera mining lease and at the Livingstonia uranium deposit, which was acquired during the financial year.
- **Completion of multiple technical studies** to improve project returns, the results of which have been incorporated in the Restart Definitive Feasibility Study.
- **Continued discussions with multiple major global utilities** to re-introduce the Project and discuss potential offtake agreements. These discussions have been led by Dr Robert Rich, the Company's Uranium Marketing and Sales Executive based in the USA and have involved in person meetings between Company Management and utilities in North America and Europe.
- **Further strengthened the Board and management** team with the appointment of high calibre independent non-executive director Dixie Marshall and experienced resources CFO Michael Ball.
- **Multiple visits to Malawi** to meet with Government Ministers and representatives to progress the **Mine Development Agreement** and visit the Kayelekera mine site.
- Continued engagement of an **Environmental, Social and Governance (ESG)** consultant to assist in developing an ESG strategy for the Company that will define performance measurements, reporting methods and communication plans. This resulted in the release of the inaugural annual Sustainability Report in December 2021, with the 2022 report due later this year.
- **Completion and release of the Restart Definitive Feasibility Study** which confirmed Kayelekera as a low cost, quick restart uranium operation.

The work completed during the 2022 financial year has focused on setting the Company in line with its vision to be

*"A responsible uranium producer, building strong local communities, a safe and healthy work environment and make a positive contribution to a carbon free future"*



## DIRECTORS' REPORT (continued)

### REVIEW OF ACTIVITIES (continued)

#### Expansion of Uranium Mineral Resource Base

During the 2022 financial year, Lotus Resources completed multiple exploration drilling programs seeking to increase the mineral resource base for the Kayelekera Uranium Project. These programs resulted in the reporting of an increase in the uranium mineral resource at Kayelekera and an inaugural resource at Livingstonia, leading to a mineral resource estimate of 49.4 million tonnes (Mt) at 475 parts per million (ppm)  $U_3O_8$  for 51.1 Mlbs  $U_3O_8$ .

A 35 hole (4,533 meter) reverse circulation (RC) program successfully expanded the known mineralised zone surrounding Kayelekera by extending the footprint by up to 100 meters from the existing resource drilling. Results from the drilling program, coupled with a revised cut-off grade following the positive ore sorting test work, resulted in a 23% increase in the Mineral Resource Estimate at Kayelekera to 46.3 Mlbs  $U_3O_8$ . Refer to ASX announcements dated 27 January 2022 and 15 February 2022 for more details.

A 29 hole RC drilling program was performed at the Livingstonia prospect shortly after the acquisition in October 2021. The prospect has the potential to be a satellite deposit being located 90 kilometers from Kayelekera. The drilling program was designed to convert the historic mineral resource estimate into a JORC 2012 compliance mineral resource and to test for potential extensions. The program was successful culminating in the release of an inaugural mineral resource estimate for Livingstonia providing for 6.9Mt at 320ppm for 4.8Mlbs  $U_3O_8$ . Refer to ASX announcements dated 12 April 2022 and 9 June 2022 for more details.

An exploratory 7 hole (1,140 meter) RC drilling program was carried out at the Chilumba prospect, which is located 8km from the Livingstonia uranium resource, to test surface radiometric anomalies. Assays have been received and results are being processed with initial results indicating that further work is warranted.

Exploration activities performed at the Millenje rare earth prospect during the year included additional geophysics, mapping, trenching and a small RC drilling program. Assays have been received and results are being processed.

Refer to the Annual Statement of Mineral Resources and Ore Reserves on page 20 for details.

#### Restart Definitive Feasibility Study

Following completion of the positive Restart Scoping Study (refer to ASX announcement 20 October 2020) the company undertook multiple technical studies that were identified as having the potential to improve Kayelekera's returns by reducing operating costs, sustaining capital costs, extending life of mine, and by increasing annual production rates. The studies performed included reviews of ore sorting, power supply options, acid recovery and optimisation of tailings facilities. The studies were completed during the first half of the financial year with the results being incorporated into the Restart Definitive Feasibility Study (the **Restart DFS** or **the Study**) released on 11 August 2022.

The Restart DFS has confirmed Kayelekera ranks as one of the lowest capital cost uranium projects globally whilst also having the ability to quickly recommence production once a Final investment Decision (FID) has been made.

The project is capable of a quick restart with the Study estimating a 15 month development period incorporating front end engineering and design, refurbishment of the existing plant and construction and installation of items of new plant.

The mine plan extends over a six-year mining period at the existing open pit using a multi-stage approach, followed by a further four years of production sourced from stockpile rehandle. The plan is for approximately 14.3Mt of ore to be mined at a strip ratio of 1.8:1.0 (ratio of waste tonnes to ore tonnes) which will be supplemented by 4.1Mt of ore already stockpiled at site from the previous operational phase.

Life of mine production is estimated at 19.3Mlbs of  $U_3O_8$  over a 10-year life-of-mine, with average production of 2.4Mlbs  $U_3O_8$  per annum over the first 7 years before mining finishes and production is sourced from stockpiles. The low initial capital cost of US\$88 million ranks the Project as one of the lowest capital cost uranium projects globally with an Initial Capital Intensity of US\$37/lb<sup>1</sup>. Included in the initial capital cost is US\$35.8 million for new plant and infrastructure to improve the project economics and plant reliability which were not considered in the Restart Scoping Study<sup>2</sup>.

<sup>1</sup> Initial Capital Intensity = Initial Capital Cost (US\$88 million) / Steady State Average Production (2.4Mlbs  $U_3O_8$ )

<sup>2</sup> Refer ASX Announcement dated 20 October 2020.

## DIRECTORS' REPORT (continued)

### REVIEW OF ACTIVITIES (continued)

#### Restart Definitive Feasibility Study (continued)

Cash Costs<sup>3</sup> are forecast at US\$29.1/lb with All in Sustaining Cash Cost (AISC)<sup>4</sup> forecast at US\$36.2/lb during the first 7 years of production, excluding ramp-up. Life of mine cash costs<sup>3</sup> are forecast at US\$30.1/lb and AISC<sup>4</sup> at US\$37.7/lb.

Despite the current high inflation environment, operating costs are lower compared to the historical operations and Re-Start Scoping Study estimates due to:

- Increased feed grades from ore sorting;
- Lower power costs from grid power; and
- Improved acid utilisation from nanofiltration.

Table 1: Key Project Outputs<sup>5</sup>

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 <sub>3</sub> O <sub>8</sub> )	648
Total U <sub>3</sub> O <sub>8</sub> Mined (Mlbs)	20.5
<b>Existing Stockpiles</b>	
Tonnes (Mt)	4.1
Grade (ppm U <sub>3</sub> O <sub>8</sub> )	470
<b>Plant</b>	
Crusher Feed (Mt)	18.4
Crusher Feed Grade (ppm U <sub>3</sub> O <sub>8</sub> )	609
Ave Feed Upgrade factor	1.30
Ave Ore Sorting Recovery (%)	77.8
Mill Feed (Mt)	12.8
Average Mill Feed Grade (ppm U <sub>3</sub> O <sub>8</sub> )	792
Process Plant Recovery (%)	86.7
Av. Annual Production (Mlbs)	2.03
Steady State Annual Production (Mlbs)	2.42
LOM Production (Mlbs)	19.3
<b>Operating costs</b>	
Mining Costs (US\$ / t mined)	3.04
Processing Costs <sup>6</sup> (US\$ / t ore)	27.60
G&A Costs (US\$M pa)	11.10
Cash costs <sup>7</sup> (US\$ / lb)	30.10
AISC <sup>8</sup> (US\$ / lb)	37.70
<b>Initial Capital costs</b>	
Initial Capital (US\$M)	78.3
Contingency (US\$M)	9.5
Pre-Production (US\$M)	11.5

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

<sup>4</sup> 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).

<sup>5</sup> 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.

<sup>6</sup> Includes maintenance costs and power costs.

<sup>7</sup> Cash Costs include all mining and stockpile rehandling, processing, maintenance, and general and administrative costs.

<sup>8</sup> 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).



## DIRECTORS' REPORT (continued)

### REVIEW OF ACTIVITIES (continued)

#### Restart Definitive Feasibility Study (continued)

The Project plan has significantly reduced power generation related carbon dioxide emissions by approximately 72% (or 21,000tpa) compared to the historical operation through a number of initiatives, including the planned sourcing of power for the operation from connection to the local power grid, solar power and battery, supplemented by diesel generators.

The Company's focus is now on completing the Mine Development Agreement with the Government of Malawi and accelerating engagement with the various nuclear energy utilities and securing offtake agreements with the necessary volumes and pricing mechanisms to support the restart of Kayelekera. Alongside this the Company will be taking steps to explore and develop various financing options to fund the restart.

#### Discussions with Offtake Partners

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

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

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

During the 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 and have involved in person meetings between Company Management and utilities in North America. Further meetings with utilities including European and Asian utilities and traders occurred in London in September.

#### Uranium Market

The uranium market has continued to improve over the financial year with the spot  $U_3O_8$  price increasing from approximately US\$31/lb to US\$50/lb, peaking at US\$64/lb in April 2022. Positive sentiment within the uranium market driven primarily by zero-carbon emissions targets and the energy crises have provided 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.

#### Care and Maintenance Activities at Kayelekera

##### Health & Safety

The Kayelekera mine has achieved 2,917 Lost Time Injury (LTI) free days with a total 3,346,987 manhours worked as at 30 June 2022 (249,054 for the 12-month period ending 30 June 2022). During the financial year there were no reportable health and safety incidents, while 30 Malaria cases at the site were observed. The 12-month rolling Total Recordable Injury Frequency Rate (TIFR) has reduced from 5.71 to 0.71, 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.

## **DIRECTORS' REPORT (continued)**

### **REVIEW OF ACTIVITIES (continued)**

#### **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 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. Over the course of the financial year various meetings were held between Company Management and the Government of Malawi in Malawi and Australia to progress 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 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 Company's commitment includes:

- Adhering to the laws and regulations of host countries;
- Respecting and responding to local customs, traditions and cultures;
- Contributing to local economic development of communities;
- Being open and transparent in all communications;
- Investing in projects that are of mutual benefit to the company and the community;
- Embracing principles of local procurement and employment; and
- Undertaking activities in a manner that is conducive to ensuring that the local operating company is, and remains, a responsible member of the community.

#### **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.

## **DIRECTORS' REPORT (continued)**

### **REVIEW OF ACTIVITIES (continued)**

#### **Sustainability and ESG (continued)**

In December 2021, Lotus reached an important milestone with the publishing of our first Sustainability Report. Lotus is proud of our achievements and developments in this area and is pleased to outline them in this report, which will become part of the Company's annual reporting suite.

Furthermore, to support the sustainability project team established previously, Lotus has recently established an ESG Board Sub-Committee to further ensure that the Company continues to improve on this solid foundation and meet its objectives.

Despite our Kayelekera mine currently being in care and maintenance, we still aim to maximise opportunities to create value for our stakeholders. While financial and operational success is important, we never lose sight of the vital role that our people, including our contractors, play in driving sustainable performance. Their safety will always be our greatest priority.

We have also worked hard to support the local communities in the region surrounding the Kayelekera mine, so they receive real benefit from our activities. We are committed to working closely with the local communities as real partners so when Lotus thrives, they do too. Lotus also upholds high standards of environmental responsibility and we have kicked off projects to reduce our use of natural resources.

#### **Strategy**

Lotus is committed to the goal of sustainable development which is reflected in its corporate values. The Company's values include the promotion and creation of shared wealth, becoming a significant uranium supplier, operating with global good practice, safety and environmental stewardship, employee welfare and recognition, and the contribution and response to the attitudes and expectations of local communities in the country in which the Company operates.

Lotus is also cognisant of the extra diligence that is required by those in the uranium industry and emphasises acting with integrity, honesty and cultural sensitivity in all its dealings.

In implementing its sustainable development program, Lotus aims to achieve a balance between economic, environmental and social needs in all phases of its operation, and takes into consideration its employees, communities, shareholders and other key stakeholders.

#### **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.

#### **ESG Board Sub-Committee**

The Board recently established an ESG Sub-Committee to assist the Board to fulfill its responsibilities in relation to environmental, social and governance matters arising out of the Company's activities and sustainability reporting. This Sub-Committee's responsibilities include

- reviewing and monitoring sustainability policies, practices and disclosures that conform with the Company's ESG strategy;
- supporting the development and implementation of a contemporary and sophisticated framework for ESG reporting based on an agreed multi-year roadmap;
- reviewing measurable objectives and targets against the sustainability strategy ensuring an evidence-based approach to reporting and data collection with best-in-class benchmarks;
- reviewing and making recommendations to the Board for approval of the Sustainability Report and other related information regarding sustainability matters;
- reviewing public positions on key sustainability issues and non-financial governance issues in light of the risk appetite set by the Board; and
- reviewing and making recommendations to the Board for approval the ASX Corporate Governance Statement of the Company, the Company's Modern Slavery Statement (which is to be adopted), and Codes and Policies published on the Company's website and other related information regarding sustainability matters.

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

### REVIEW OF ACTIVITIES (continued)

#### Sustainability and ESG (continued)

##### Kayelekera Mine Site Performance

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

- Continued implementation of the Response Plan for COVID-19 with the full workforce having received at least two vaccine doses.
- 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 seen at the onset of the dry season. However, all mean concentrations for RDP sampling remain very low compared to the DLI (7.00µm3).
- 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 wall of the Decant Pond. Movements were within the norms expected for the areas.
- Prism ground movements monitoring at the processing plant site continue to show reduction in ground movement intensity around Kayelekera as the dry season moves in. The largest ground movements were mapped on slopes to the west of the plant and at around 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 sixty five days discharging 765,361m<sup>3</sup> 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 2022 are given below.

Water Storage Facility	June 2022	June 2021
Return Water Pond (RWP1)	26.9%	36.6%
Return Water Pond (RWP2)	60.7%	61.9%
Decant Pond	67.9%	67.4%
Seepage Pond	19.5%	89.0%
Tailings Storage Facility (mRSL)	798.425	798.558

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

Employees	June 2022	June 2021
Permanent staff (Expat)	2	2
Permanent staff (National)	17	17
Contractors – FTE	18	18
Contractor Security	20	20
Third Party Contractors	3	3

## **DIRECTORS' REPORT (continued)**

### **REVIEW OF ACTIVITIES (continued)**

#### **Sustainability and ESG (continued)**

##### **Kayelekera Mine Site Performance (continued)**

Stakeholder consultation is an ongoing activity with communications focused on current activities onsite (e.g., exploration work), 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 plans to delegate to the audit and risk committee responsibility for implementing the risk management system with the recent establishment of the Audit and Risk sub-committee.

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. Lotus is implementing 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.

### **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 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.

## DIRECTORS' REPORT (continued)

### 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.

## DIRECTORS' REPORT (continued)

### 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	<p>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.</p> <p>He is also a Non-Executive Director of ASX listed company Omni Bridgeway Limited (ASX: OBL), where he is chair of 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 company's Genesis Minerals Limited (ASX: GMD) and Emerald Resources NL (ASX: EMR).</p> <p>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.</p>	
Other current directorships	<p>Omni Bridgeway Limited (Non-Executive Director) Genesis Minerals Limited (Non-Executive Director) Emerald Resources NL (Non-Executive Director)</p>	
Former directorships in the last 3 years	Trek Metals Limited (Non-Executive Director)	
Special responsibilities	Board Chairman	
Interests in shares and options	Ordinary shares	5,250,000
	Unlisted Options	-

Mr Grant Davey Non-Executive Director - Since appointment 22 June 2020		
Experience and expertise	<p>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.</p> <p>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 currently a Company Director for Cradle Resources Limited (ASX: CXX), Frontier Energy Limited (ASX: FHE), Metallum Resources Inc. (TSXV: MZN) and is a member of the Australian Institute of Company Directors (AICD).</p>	
Other current directorships	<p>Cradle Resources Limited (Executive Director) Frontier Energy Limited (Executive Chairman) Metallum Resources Inc. (non-Executive Director)</p>	
Former directorships in the last 3 years	<p>Boss Resources Limited (Non-Executive Director) Matador Mining Limited (Non-Executive Director)</p>	
Special responsibilities	Nil	
Interests in shares and options	Ordinary shares	179,459,031 <sup>1</sup>
	Unlisted Options	-

<sup>1</sup> 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 has been made aware of a claim by a third party to a 22.5% interest in the aforementioned shares issued. As such, 50,954,438 are being held on trust until the matter is resolved and are not reflected in the balance reported above.



## DIRECTORS' REPORT (continued)

### DIRECTORS (continued)

Mr Mark Hanlon Non-Executive Director – Since appointment 22 February 2021		
Experience and expertise	<p>Mr Hanlon has over 25 years of experience in the resources and resource services sector, as well as in commercial and merchant banking.</p> <p>He has a broad background of senior executive experience across a wide range of industries including mining and mining services. Mr Hanlon is currently a Non-Executive Director with ASX listed company Red River Resources Limited (ASX: RVR) where he also chairs the audit and risk committee. He is also Non-Executive Chair of ASX listed company, Copper Strike Limited (ASX: CSE).</p>	
Other current directorships	Red River Resources Limited (Non-Executive Director) Copper Strike Limited (Non- Executive Chairman)	
Former directorships in the last 3 years	Nil	
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	-

Ms Dixie Marshall Non-Executive Director – Appointed 1 April 2022		
Experience and expertise	<p>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.</p> <p>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.</p> <p>Ms Marshall is the Deputy Chair of the WA Football Commissioner, member of the Australian Sports Commission and a former Commissioner of Tourism WA and currently a Non-Executive Director of Frontier Energy Limited (ASX: FHE).</p>	
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

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS (continued)

Mr Keith Bowes Managing Director – Since appointment 15 February 2021		
Experience and expertise	<p>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.</p> <p>He was previously the project manager for the Panda Hill niobium project in Tanzania and the Sovereign Metals graphite project in Malawi.</p> <p>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).</p>	
Other current directorships	Nil	
Former directorships in the last 3 years	Matador Mining Limited (Executive Director)	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary shares	2,875,000 <sup>2</sup>
	Unlisted Options	9,003,000
<sup>2</sup> Mr Keith Bowes has a beneficial interest in 226,463,927 shares (in addition 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

Mr Brian Scott Company Secretary – Appointed 24 March 2022		
Experience and expertise	<p>Mr Scott has previously worked as a partner in a leading global law firm specialising in M&amp;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 &amp; Wales. Mr Scott is also the current company secretary of Cradle Resources Limited and is joint company secretary of Matador Mining Limited.</p>	
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' REPORT (continued)

### DIRECTORS' MEETINGS

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

Director	Board Meetings	
	Held	Attended
Mr Michael Bowen	6	6
Mr Keith Bowes	6	6
Mr Grant Davey	6	5
Mr Mark Hanlon	6	6
Ms Dixie Marshall <sup>(i)</sup>	2	2

(i) Appointed 1 April 2022

### 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.

There were no sub-committees formed during the financial year ended 30 June 2022.

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:

- Completion of the increase in the Group's ownership interest 65% to 85% in Lotus (Africa) Limited, the holding company for the Kayelekera Uranium Project, occurred during the financial year. The purchase consideration consisted of 226,463,927 ordinary shares in Lotus Resources Limited. Refer to note 29 for details.
- The rehabilitation and closure cost estimate for the Kayelekera Uranium Mine was revised during the financial year resulting in a reduction to the provision and the exploration and evaluation asset of \$18,455,993. Refer to note 15 for details.
- The scheduled US\$2,000,000 environmental bond repayment was made during the year. Refer to note 29 for details.
- Completion of the sale of non-core Hylea Project for gain on sale of \$2,375,763. Refer to note 3 for details.

### RESULTS

The Group incurred a loss after income tax and non-controlling interest of \$11,996,177 for the financial year (2021: loss after income tax and non-controlling interest of \$5,014,490).

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In the opinion of the Directors, there is nothing material further to report, except as outlined in the Directors' Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to 30 June 2022.

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

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year:

- 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, 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.
- 8,076,408 unlisted options were exercised at \$0.04 per options for gross proceeds before costs of \$323,056.
- 7,000,000 unlisted zero exercise price options held by non-Executive Directors vested and were exercised post reporting date. 625,000 options held by the Managing Director at an exercise price of \$0.04 were exercised post balance date. A further 3,000,000 zero exercise priced options held by the Managing Director vested post balance date.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to change and is dependent on measures imposed by the Australian and Malawi Governments, such as vaccinations, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

### 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.

#### 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.

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

### ANNUAL STATEMENT OF ORE RESERVES AND MINERAL RESOURCES (continued)

#### Mineral Resources Estimate (continued)

**Table 2 - Lotus Resources Mineral Resource Inventory – June 2022**

Project	Category	Mt	Grade (U <sub>3</sub> O <sub>8</sub> ppm)	U <sub>3</sub> O <sub>8</sub> (M kg)	U <sub>3</sub> O <sub>8</sub> (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile <sup>9</sup>	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	<b>Total</b>	<b>40.1</b>	<b>510</b>	<b>20.4</b>	<b>44.8</b>
Kayelekera	Inferred – LG Stockpiles <sup>10</sup>	2.4	290	0.7	1.5
Kayelekera	<b>Total – Kayelekera</b>	<b>42.5</b>	<b>500</b>	<b>21.1</b>	<b>46.3</b>
Livingstonia	Inferred	6.9	320	2.2	4.8
<b>Total</b>	<b>All uranium resources</b>	<b>49.4</b>	<b>475</b>	<b>23.3</b>	<b>51.1</b>

#### 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 – July 2022**

Project	Category	Mt	Grade (U <sub>3</sub> O <sub>8</sub> ppm)	U <sub>3</sub> O <sub>8</sub> (M kg)	U <sub>3</sub> O <sub>8</sub> (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	<b>Total - Kayelekera</b>	<b>15.9</b>	<b>660</b>	<b>10.4</b>	<b>23.0</b>

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 Resources has an 85% interest.

<sup>9</sup> The RoM stockpile has been mined and is located near mill facility.

<sup>10</sup> Low grade stockpiles have been mined and placed on the medium-grade stockpile and are considered potentially feasible for blending or beneficiation, with initial studies to assess this optionality already completed.

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

### SHARES AND OPTIONS ON ISSUE

At the date of this report, the Company has 1,326,008,228 (2021: 1,188,800,828) fully paid ordinary shares on issue.

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

Unlisted Options - Number	Issue Date	Exercise Price	Expiry Date
1,406,000	14 December 2021	\$0.00	14 December 2024
1,885,000	14 December 2021	\$0.00	14 December 2026
648,000	29 November 2021	\$0.00	29 July 2024
1,230,000	29 November 2021	\$0.00	29 November 2026
3,000,000	26 August 2021	\$0.00	1 January 2024
6,000,000	26 August 2021	\$0.00	10 February 2024
2,000,000	1 April 2022	\$0.00	31 March 2025
5,000,000	23 October 2020	\$0.04	23 October 2023
2,500,000	23 October 2020	\$0.06	23 October 2023
2,500,000	23 October 2020	\$0.08	23 October 2023
4,434,278	13 March 2020	\$0.04	13 March 2023
643,102	4 October 2019	\$0.04	4 October 2022
<b>31,246,380</b>	<b>Total Unlisted Options</b>		

### OPTIONS EXERCISED, EXPIRED AND LAPSED

The number of shares that were issued during the year on the conversion of options was 22,846,721 (2021: 120,563,518). The weighted average price exercise price of these options was 3.47 cents (2021: 4.00 cents).

There were no options that expired during the year. 1,853,954 options have expired 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 financial year.

## **DIRECTORS' REPORT (continued)**

### **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 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 23 to 28 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.

Dated at Perth, Western Australia this 30th day of September 2022.

Signed in accordance with a resolution of the directors:



Mr Michael Bowen  
Non-Executive Chairman  
30 September 2022



## 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 – Appointed 1 April 2022
Mr Michael Ball	Chief Financial Officer – Appointed 5 January 2022
Mr Brian Scott	Company Secretary – Appointed 24 March 2022
Mr Stuart McKenzie	Company Secretary – Resigned 24 March 2022

### NOMINATION & REMUNERATION COMMITTEE

The Board of Directors of the Company are responsible for determining and reviewing remuneration policies for the directors and executives. The Board was of the opinion that given the size of the Board for the majority of the financial year ended 30 June 2022, sub-committees would largely include the entire Board. If necessary, the Board obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group. No such advice was obtained during the year. However, the Board regularly assess remuneration in light of market conditions and peer companies.

Effective 1 July 2022, the Board has resolved to establish 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.

Further information on the Boards role, responsibilities and membership is set out in 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 structures take into account:

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

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

### REMUNERATION STRUCTURE

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

## AUDITED REMUNERATION REPORT (continued)

### REMUNERATION STRUCTURE (continued)

#### 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.

#### Fixed remuneration

Fixed remuneration 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.

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

#### Executive remuneration

Remuneration for executives is set out in employment agreements. Details of these employment agreements are provided below. 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 (revised from \$220,000 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 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.
Other Equity incentives	<p>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.</p> <p>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.</p>

## AUDITED REMUNERATION REPORT (continued)

### REMUNERATION STRUCTURE (continued)

#### Non-Executive Director remuneration

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

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

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

Name	Base Salary/Fees (Annual)	Term of Agreement	Notice Period	Options
Mr Michael Bowen	\$75,000	No fixed term	Statutory	3,000,000 <sup>(iii)</sup>
Mr Grant Davey	\$50,000	No fixed term	Statutory	2,000,000 <sup>(iii)</sup>
Mr Mark Hanlon	\$50,000	No fixed term	Statutory	2,000,000 <sup>(iii)</sup>
Ms Dixie Marshall <sup>(i)</sup>	\$50,000	No fixed term	Statutory	2,000,000

(i) Appointed 1 April 2022

(ii) Vested and exercised post reporting date.

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

Zero exercised price options, as set out in the table above, were granted to non-executive directors as a joining bonus to assist the company in securing candidates of the highest calibre and to assist in minimising the cash fees payable. The options vest upon completion of 18 months service period and are not subject to any performance criteria.

#### Short-term and Long-term incentive

The Group adopted an incentive option plan on 28 November 2019 which was approved by shareholders at the 2019 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.

Both short term incentives and long-term incentives were issued under the Lotus Resources Limited Option Plan in the 2022 financial year.

A one-off set of options were issued to the Managing Director, Executives and Senior Management during the 2022 financial year in the form of zero exercise price options and which vest on two sets of criteria:

- Continuous employment to 31 December 2021 and achieving a share price of \$0.25 or above for five consecutive days; and
- Continuous employment to 31 December 2022 and achieving a share price of \$0.35 or above for five consecutive days.

#### Short-term incentives

A cash bonus payment was granted by the Board to the Managing Director and senior management relating to performance for the 2021 financial year. The bonus related to the achievement of pre-determined performance targets for the management of care and maintenance costs, growth in mineable resource and Restart Scoping Study results.

## AUDITED REMUNERATION REPORT (continued)

### REMUNERATION STRUCTURE (continued)

#### Short-term incentives (continued)

The Managing Director, Key Management Personnel and other employees were issued zero exercise priced options as part of the short-term incentive (STI) for financial year 2022. Vesting for the options is contingent upon pre-determined measurable financial and non-financial performance indicators over the twelve-month performance period ended 30 June 2022. 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 will be rewarded under the short-term incentive by cash payment instead of options.

#### Long-term incentives

The Managing Director, Key Management Personnel and Senior Management were issued zero exercise priced options as part of the long-term incentive (LTI) for financial year 2022. 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 2024. 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 ended 30 June 2024.

### 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-EMPLOYMENT		SHARE-BASED PAYMENTS			
		Salary & fees \$	Non-Monetary \$	Cash Bonus \$	Termination \$	Superannuation \$	Options \$	Total \$	Fixed Remuneration %	Performance Based Remuneration %
Non-Executive Directors										
Mr M Bowen (i)	2022	68,182	-	-	-	6,818	434,917	509,917	15%	85%
	2021	24,258	-	-	-	2,305	-	26,563	100%	-
Mr Grant Davey	2022	50,000	-	-	-	-	289,944	339,944	15%	85%
	2021	50,000	-	-	-	-	-	50,000	100%	-
Mr M Hanlon (i)	2022	45,455	-	-	-	4,545	289,944	339,944	15%	85%
	2021	16,172	-	-	-	1,536	-	17,708	100%	-
Ms D Marshall (ii)	2022	11,364	-	-	-	1,136	121,533	134,033	9%	91%
	2021	-	-	-	-	-	-	-	-	-
Mr J Sibley (iii)	2022	-	-	-	-	-	-	-	-	-
	2021	68,561	-	-	-	-	-	68,561	100%	-
Executive Directors										
Mr K Bowes (iv)	2022	265,000	3,438	48,700	-	-	841,989	1,159,127	23%	77%
	2021	91,530	-	-	-	-	-	91,530	100%	-
Mr E Smirnov (v)	2022	-	-	-	-	-	-	-	-	-
	2021	238,882	-	-	253,571	-	-	492,453	100%	-
Other KMP										
Mr M Ball (vi)	2022	123,016	3,438	-	-	12,302	-	138,756	100%	-
	2021	-	-	-	-	-	-	-	-	-
Total KMP	2022	563,017	6,876	48,700	-	24,801	1,978,327	2,621,721	23%	77%
	2021	489,403	-	-	253,571	3,841	-	746,815	100%	-

(i) Appointed 22 February 2021

(ii) Appointed 1 April 2022

(iii) Appointed 24 June 2020 - resigned 19 February 2021

(iv) Appointed 15 February 2021

(v) Appointed 29 June 2020 - resigned 10 February 2021

(vi) Appointed 5 January 2022

## AUDITED REMUNERATION REPORT (continued)

### USE OF REMUNERATION CONSULTANTS

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

### VOTING AND COMMENTS MADE AT THE COMPANY'S 2021 ANNUAL GENERAL MEETING

Lotus Resources Limited received 99.41% of "yes" votes on its remuneration report for the 2021 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### OPTIONS HOLDINGS OF KEY MANAGEMENT PERSONNEL

2022	Held at 1 July 2021	Held at the date of appointment	Granted as compensation	Exercised	Other changes	Held at date of resignation	Held at 30 June 2022	Vested during the year
Mr Michael Bowen	-	-	3,000,000	-	-	-	3,000,000	-
Mr Keith Bowes	1,750,000	-	7,878,000	-	-	-	9,628,000	-
Mr Grant Davey	-	-	2,000,000	-	-	-	2,000,000	-
Mr Mark Hanlon	824,054	-	2,000,000	(824,054)	-	-	2,000,000	-
Ms Dixie Marshall <sup>(i)</sup>	-	-	2,000,000	-	-	-	2,000,000	-
Mr Stuart McKenzie <sup>(iii)</sup>	-	-	2,283,000	(1,000,000)	(1,283,000)	-	-	-
Mr Michael Ball <sup>(ii)</sup>	-	-	-	-	-	-	-	-

(i) Appointed 1 April 2022

(ii) Appointed 5 January 2022

(iii) Resigned 24 March 2022

### SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

2022	Held at 1 July 2021	Held at the date of appointment	Acquired at market value	Received on exercise of options	Disposal	Other Changes	Held at 30 June 2022
Mr Michael Bowen	2,250,000	-	-	-	-	-	2,250,000
Mr Keith Bowes	2,250,000	-	-	-	-	- <sup>2</sup>	2,250,000
Mr Grant Davey	16,148,626	-	1,400,000	-	(15,599,084)	175,509,489 <sup>1</sup>	177,459,031
Mr Mark Hanlon	3,175,946	-	500,000	824,054	-	-	4,500,000
Ms Dixie Marshall <sup>(i)</sup>	-	-	-	-	-	-	-
Mr Stuart McKenzie <sup>(iii)</sup>	475,000	-	-	-	-	(475,000)	-
Mr Michael Ball <sup>(ii)</sup>	-	-	-	-	-	-	-

(i) Appointed 1 April 2022

(ii) Appointed 5 January 2022

(iii) Resigned 24 March 2022

<sup>1</sup> 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. 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 has been made aware of a claim by a third party to a 22.5% interest in the aforementioned shares issued. As such, 50,954,438 are being held on trust until the matter is resolved and are not reflected in the balances reported above.

<sup>2</sup> Mr Keith Bowes has a beneficial interest in 226,463,927 shares (in addition 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 \$28,734 (30 June 2021: \$115,464).

## AUDITED REMUNERATION REPORT (continued)

### Other key management personnel transactions with the Group (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 \$290,064 (30 June 2021: \$269,008). 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 (30 June 2021: \$50,000) disclosed in the remuneration table above, he is paid a consulting fee of \$100,000 (30 June 2021: \$100,000) in relation to government liaison and in country services.

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

### Amounts owed to related parties

Mr Simon Andrew, former Managing Director of Lotus Resources Ltd, has asserted a claim in relation to salary and superannuation and termination entitlements. The matter was settled post reporting date.

Thomson Geer, an entity associated with Mr Michael Bowen, was owed at reporting date \$4,056 (30 June 2021: \$11,572).

Matador Capital, an entity associated with Mr Grant Davey, was owed at reporting date \$75,347 (30 June 2021: \$17,358).

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

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

### 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, 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.

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
EBITDA	(12,961,673)	(5,872,822)	(16,487,057)	(813,199)	(2,149,968)
EBIT	(12,962,890)	(5,897,844)	(16,550,494)	(821,364)	(2,171,217)
Loss after Income Tax	(12,962,890)	(5,897,844)	(16,569,943)	(821,364)	(2,171,217)

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

	2022	2021	2020	2019	2018
Share price at end of the year	21.5 cents	19 cents	7 cents	4.5 cents	0.7 cents
Basic loss per share	1.03 cents	0.72 cents	4.58 cents	0.82 cents	0.14 cents

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

**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 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM**

RSM AUSTRALIA PARTNERS

*A Whyte*

ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 30 September 2022

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AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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

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 (4<sup>th</sup> edition) published by the ASX Corporate Governance Council.

The 2022 corporate governance statement is dated as at 30 June 2022 and reflects the corporate governance practices in place throughout the 2022 financial year. The 2022 corporate governance statement was approved by the Board on 30 September 2022. 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/](http://www.lotusresources.com.au/corporate-governance/).

**STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
for the year ended 30 June 2022

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Other gains	3	2,580,303	187,630
Corporate and administrative expenses	4(a)	(2,818,023)	(2,310,140)
Care and maintenance costs	4(b)	(3,542,955)	(3,370,818)
Exploration and evaluation expenses	9	(4,695,630)	-
Impairment charges	8	(1,242,547)	-
Depreciation charges	8	(1,217)	(620)
Share based payments expense	22	(3,242,821)	(403,896)
<b>Loss before income tax</b>		<b>(12,962,890)</b>	<b>(5,897,844)</b>
Income tax expense	5	-	-
<b>Loss after income tax</b>		<b>(12,962,890)</b>	<b>(5,897,844)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		1,076,551	(697,835)
<b>Total other comprehensive income</b>		<b>1,076,551</b>	<b>(697,835)</b>
<b>Total comprehensive loss for the year</b>		<b>(11,886,339)</b>	<b>(6,595,679)</b>
Loss attributable to:			
Non-controlling interests		(966,713)	(883,354)
Members of the parent		(11,996,177)	(5,014,490)
		<b>(12,962,890)</b>	<b>(5,897,844)</b>
Total comprehensive loss attributable to:			
Non-controlling interests		(995,866)	(1,144,495)
Members of the parent		(10,890,473)	(5,451,184)
		<b>(11,886,339)</b>	<b>(6,595,679)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents)	26	(1.03)	(0.72)

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 2022

	Note	Consolidated 2022 \$	Restated Consolidated 2021 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	4,876,370	14,751,569
Other assets	7	894,801	739,003
<b>Total Current Assets</b>		<b>5,771,171</b>	<b>15,490,572</b>
<b>Non-Current Assets</b>			
Plant and equipment	8	4,230	1,409
Exploration and evaluation assets	9	46,279,048	59,798,200
Other financial assets	10	14,552,735	13,572,826
<b>Total Non-Current Assets</b>		<b>60,836,013</b>	<b>73,372,435</b>
<b>Total Assets</b>		<b>66,607,184</b>	<b>88,863,007</b>
<b>Current Liabilities</b>			
Trade and other payables	12	1,746,244	625,023
Provisions	13	6,731	13,907
Other liabilities	14	7,351,143	2,671,220
<b>Total Current Liabilities</b>		<b>9,104,118</b>	<b>3,310,150</b>
<b>Non-Current Liabilities</b>			
Other liabilities	14	-	7,006,832
Provisions	15	42,728,847	56,201,656
<b>Total Non-Current Liabilities</b>		<b>42,728,847</b>	<b>63,208,488</b>
<b>Total Liabilities</b>		<b>51,832,965</b>	<b>66,518,638</b>
<b>Net Assets</b>		<b>14,774,219</b>	<b>22,344,369</b>
<b>Equity</b>			
Contributed equity	16	114,923,546	78,142,783
Reserves	17	(30,991,816)	257,145
Accumulated losses	18	(68,391,981)	(56,441,844)
Equity attributable to owners of the Company		15,539,750	21,958,084
Non-controlling interest		(765,530)	386,285
<b>Total Equity</b>		<b>14,774,219</b>	<b>22,344,369</b>

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

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

Consolidated 2022	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Foreign Exchange Reserve	Accumulated Losses	Capital Reserves	Non-Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>78,142,783</b>	<b>46,040</b>	<b>1,361,434</b>	<b>(1,150,329)</b>	<b>(56,441,844)</b>	-	<b>386,285</b>	<b>22,344,369</b>
Loss after income tax	-	-	-	-	(11,996,177)	-	(966,713)	(12,962,890)
Other comprehensive income	-	-	-	1,105,704	-	-	(29,153)	1,076,551
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,105,704</b>	<b>(11,996,177)</b>	<b>-</b>	<b>(995,866)</b>	<b>(11,886,339)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>								
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
Placement of shares	174,500	-	-	-	-	-	-	174,500
<b>Balance at 30 June 2022</b>	<b>114,923,546</b>	<b>2,637,335</b>	<b>1,361,434</b>	<b>(44,625)</b>	<b>(68,391,981)</b>	<b>(34,945,960)</b>	<b>(765,530)</b>	<b>14,774,219</b>

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 30 June 2021

Consolidated 2021	Contributed Equity	Share Based Payment Reserve	Option Premium Reserve	Foreign Exchange Reserve	Accumulated Losses	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>57,157,521</b>	<b>46,040</b>	<b>1,018,399</b>	<b>(713,635)</b>	<b>(51,427,354)</b>	<b>1,530,780</b>	<b>7,611,751</b>
Loss after income tax	-	-	-	-	(5,014,490)	(883,354)	(5,897,844)
Other comprehensive income	-	-	-	(436,694)	-	(261,141)	(697,835)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(436,694)</b>	<b>(5,014,490)</b>	<b>(1,144,495)</b>	<b>(6,595,679)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>							
Placement of shares	17,404,000	-	-	-	-	-	17,404,000
Exercise of options	4,822,541	-	-	-	-	-	4,822,541
Share based payments	60,861	-	343,035	-	-	-	403,896
Share issue costs	(1,302,140)	-	-	-	-	-	(1,302,140)
<b>Balance at 30 June 2021</b>	<b>78,142,783</b>	<b>46,040</b>	<b>1,361,434</b>	<b>(1,150,329)</b>	<b>(56,441,844)</b>	<b>386,285</b>	<b>22,344,369</b>

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

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Note	Consolidated 2022 \$	Restated Consolidated 2021 \$
<b>Cash flows from operating activities</b>			
Other income		249,008	-
Government stimulus measures received		-	55,950
Interest received		37,606	4,566
Payments to suppliers and employees		(6,225,038)	(2,655,490)
Payments for care and maintenance		(3,887,106)	(3,911,311)
Finance costs		(137,760)	-
Interest paid		(4)	-
<b>Net cash (outflow) from operating activities</b>	27	(9,963,294)	(6,506,285)
<b>Cash flows from investing activities</b>			
Proceeds from sale of tenements		2,196,001	-
Payments for plant and equipment		(1,047,065)	(2,029)
Deferred acquisition costs		(2,707,123)	(1,315,478)
Other financial assets		(44,826)	-
<b>Net cash (outflow) from investing activities</b>		(1,603,013)	(1,317,507)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		174,500	17,404,000
Proceeds from the exercise of options		898,869	4,822,541
Share issue transaction costs		-	(1,302,139)
Repayment of lease liabilities		-	(27,284)
<b>Net cash inflow from financing activities</b>		1,073,369	20,897,118
<b>Net (decrease)/increase in cash held</b>		(10,492,938)	13,073,326
<b>Cash and cash equivalents at the beginning of the financial year</b>	6	14,751,569	1,853,483
Effect of exchange rate changes on cash and cash equivalents		617,739	(175,240)
<b>Cash and cash equivalents at the end of the year</b>	6	4,876,370	14,751,569

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 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*.

The financial report was authorised for issue on 30 September 2022 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 2022. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

#### **Basis of Preparation**

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

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 for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *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.

#### **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 loss of \$12,962,890 and had net cash outflows from operating activities and investing activities of \$9,963,294 and \$1,603,013 respectively for the year ended 30 June 2022. As at that date the consolidated entity had net current liabilities of \$3,332,947.

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

- As disclosed in Note 32, on 2 September 2022, the Company completed an institutional placement to raise \$25,000,000 (before costs) to 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 the costs of the offer; and
- As disclosed in Note 14, deferred consideration of \$3,000,000 included in other current liabilities, will be settled by the issue of ordinary shares in Lotus Resources Limited on 13 March 2023.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lotus Resources as at 30 June 2022 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.

#### 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 State 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currency (continued)

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.

#### 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.

#### *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.

#### 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 the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### 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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Business combinations (continued)

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.

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 two geographical locations, being the exploration, evaluation and development of Uranium assets in Africa, and exploration and evaluation of Other Minerals in Australia.

<b>Consolidated 30 June 2022</b>	<b>Operating Profit/(Loss) \$</b>	<b>Total Assets \$</b>	<b>Total Liabilities \$</b>
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
	<b>(12,962,890)</b>	<b>66,607,184</b>	<b>51,832,965</b>

<b>Consolidated 30 June 2021</b>	<b>Operating Profit/(Loss) \$</b>	<b>Total Assets \$</b>	<b>Restated Total Liabilities \$</b>
Uranium	(3,495,892)	88,518,481	66,047,460
Other Minerals	-	-	-
Corporate	(2,401,952)	344,526	471,178
	<b>(5,897,844)</b>	<b>88,863,007</b>	<b>66,518,638</b>

#### Restatement

A \$3,000,000 liability has been reclassified from the Other Minerals segment to the Uranium segment in the comparative information for the period ended 30 June 2021.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>3. OTHER GAINS</b>		
Interest income	37,606	4,566
Australian tax office COVID relief	-	55,950
Gain on sale of tenement <sup>1</sup>	2,375,763	-
Other losses	(229,970)	-
Other income	396,904	127,114
	<u>2,580,303</u>	<u>187,630</u>

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

### *Revenue from contracts with customers*

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

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

### *Interest*

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

### *Other revenue*

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>4. EXPENSES</b>		
<b>(a) Corporate and administrative expenses</b>		
Director fees and salaries	736,518	921,800
Accounting and company secretarial fees	273,460	179,210
Finance costs	137,764	-
Legal fees	181,809	135,889
Other administrative costs	1,488,472	1,073,241
	<u>2,818,023</u>	<u>2,310,140</u>
<b>(b) Care and maintenance costs</b>		
Processing costs	383,052	235,425
Engineering fees	1,370,373	1,100,265
Site services costs	142,533	116,121
Safety, health, environment and radiation	267,810	513,727
Maintenance costs	147,182	376,272
Security fees	293,250	205,052
Administration, corporate and expatriate expenditures	938,755	823,956
	<u>3,542,955</u>	<u>3,370,818</u>

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

	Consolidated 2022 \$	Consolidated 2021 \$
<b>5. TAXATION</b>		
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Income tax expense	-	-

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. TAXATION (continued)

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.

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 2022, the Group had significant unused tax losses predominately 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. 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 2022 \$	Restated Consolidated 2021 \$
Cash at bank and on hand	4,876,370	14,751,569

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

#### Restatement

Refer to note 11 for details of a restatement of the 30 June 2021 balance to reclassify restricted cash consisting of a collateral deposit in the form of a bond issued for rehabilitation obligations of the Kayelekera Uranium Project in Malawi in the amount of US\$10,000,000 (30 June 2021: US\$10,000,000).



## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>7. OTHER ASSETS</b>		
Prepayments	418,559	397,007
GST receivable	288,377	250,901
Security bond	74,826	30,000
Other receivables	106,193	30,312
Other assets	6,846	30,783
	<u>894,801</u>	<u>739,003</u>

### 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 (2021: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

<b>8. PLANT AND EQUIPMENT</b>	<b>Furniture &amp; Fixtures \$</b>	<b>Plant &amp; Equipment \$</b>	<b>Motor Vehicles \$</b>	<b>Total \$</b>
<b>At 30 June 2022 (Consolidated)</b>				
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	<u>4,230</u>	<u>-</u>	<u>-</u>	<u>4,230</u>
<b>Year ended 30 June 2022 (Consolidated)</b>				
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 for the year	-	(1,155,407)	(87,140)	(1,242,547)
At 30 June 2022, net of accumulated depreciation	<u>4,230</u>	<u>-</u>	<u>-</u>	<u>4,230</u>
<b>At 30 June 2021 (Consolidated)</b>				
Cost	80,880	13,941	26,000	120,821
Accumulated depreciation and impairment	(79,471)	(13,941)	(26,000)	(119,412)
Net carrying amount	<u>1,409</u>	<u>-</u>	<u>-</u>	<u>1,409</u>
<b>Year ended 30 June 2021 (Consolidated)</b>				
At 1 July 2020, net of accumulated depreciation	-	-	-	-
Additions	2,029	-	-	2,029
Depreciation charge for the year	(620)	-	-	(620)
At 30 June 2021, net of accumulated depreciation	<u>1,409</u>	<u>-</u>	<u>-</u>	<u>1,409</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. PLANT AND EQUIPMENT (continued)

#### 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:

▪ Camp furniture and vehicles	3–5 years
▪ Motor vehicles	5 years
▪ Furniture and equipment	3–5 years
▪ IT Equipment	3 years
▪ Tailings storage facility	9 years
▪ Mine plant and equipment	9 years

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

#### Derecognition

An item of property, 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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.

	Consolidated 2022 \$	Consolidated 2021 \$
<b>9. EXPLORATION AND EVALUATION ASSETS</b>		
Exploration and evaluation expenditure carried forward in respect of areas of interest (net of amounts written off)	46,279,048	59,798,200
<b>Reconciliation</b>		
Carrying amount at the beginning of the year	59,798,200	65,056,336
Assets acquired	33,843	-
Exploration and evaluation expenditures	4,695,630	-
Provision for impairment	(4,695,630)	-
Change in estimates provision for rehabilitation and closure costs (note 15)	(18,455,993)	-
Movement in exchange rates	4,902,998	(5,258,136)
Carrying amount at the end of the year	46,279,048	59,798,200

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. Expenditures in the current year include \$2,600,412 of expenditures on the various technical studies and Restart Definitive Feasibility Study.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>10. OTHER FINANCIAL ASSETS</b>		
Security deposits	14,552,735	13,572,826

Security deposits consist of a collateral deposit in the form of a bond issued for rehabilitation obligations of the Kayelekera Uranium Project in Malawi in the amount of US\$10,000,000 (30 June 2021: US\$10,000,000). The security for environmental protection, rehabilitation and closure costs has been provided in the form required by the relevant Malawian authorities. The bond was transferred to the Company as part of the Kayelekera Uranium Project acquisition.

### Restatement

Refer to note 11 for details of a restatement of the 30 June 2021 balance to reclassify restricted cash consisting of a collateral deposit in the form of a bond issued for rehabilitation obligations of the Kayelekera Uranium Project in Malawi in the amount of US\$10,000,000 (30 June 2021: US\$10,000,000).

	Consolidated 2021 \$
<b>11. RESTATEMENT</b>	
<b>Current Assets – Cash and Cash Equivalents</b>	
Balance Reported	28,324,395
Reclassification of restricted cash	(13,572,826)
Restated balance	14,751,569
<b>Non-Current Assets – Other Financial Assets</b>	
Balance reported	-
Reclassification of restricted cash	13,572,826
Restated balance	13,572,826

The balances above were restated to reclassify restricted cash consisting of a collateral deposit in the form of a bond issued for rehabilitation obligations of the Kayelekera Uranium Project in Malawi in the amount of US\$10,000,000 (30 June 2021: US\$10,000,000).

	Consolidated 2022 \$	Consolidated 2021 \$
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade payables	495,263	268,144
Other payables and accruals	1,250,981	356,879
	1,746,244	625,023

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 credit and liquidity risks related to trade and other payables are disclosed in note 20.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>13. PROVISIONS – CURRENT</b>		
Annual leave provision	6,731	13,907

### 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.

### Employee benefits

#### Short-term employee benefits

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

#### Other long-term employee benefits

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

#### Defined contribution superannuation expense

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

	Consolidated 2022 \$	Consolidated 2021 \$
<b>14. OTHER LIABILITIES</b>		
Environmental bond – current	4,351,143	2,671,220
Deferred consideration – current <sup>1</sup>	3,000,000	-
Total current	7,351,143	2,671,220
Environmental bond – non – current	-	4,006,832
Deferred consideration – non-current	-	3,000,000
Total non-current	-	7,006,832
	<b>Current</b>	<b>Non-current</b>
<b>Environmental bonds</b>		
Opening balance – 1 July	2,671,220	4,006,832
Repayment of environmental bond	(2,740,916)	-
Reclassification of liability to current	4,006,832	(4,006,832)
Foreign currency movement	414,007	-
Closing balance – 30 June	4,351,143	-

<sup>1</sup>Deferred consideration of \$3,000,000 worth of ordinary shares in Lotus Resources Limited to be issued on the 13 March 2023. 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 by Paladin to Lotus (Africa) Limited to fund the environmental bond in favour of the Government of Malawi (Environmental Bond). The repayment schedule is set out in note 29.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>15. PROVISIONS – NON-CURRENT</b>		
Rehabilitation and closure provision	42,728,847	56,201,656
<b>Reconciliation – Non-current provisions</b>		
Opening balance – 1 July	56,201,656	61,427,529
Additional provision recognised	-	-
Decrease in provision for closure cost	(18,455,993)	-
Foreign currency movements	4,983,184	(5,225,873)
Closing balance – 30 June	42,728,847	56,201,656

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 balance 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 managements 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 \$14,552,735 (US\$10,000,000) as outlined in note 10. 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.

	Consolidated 2022 \$	Consolidated 2021 \$
<b>16. CONTRIBUTED EQUITY</b>		
Fully paid ordinary shares	114,923,546	78,142,783

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16. CONTRIBUTED EQUITY (continued)

	2022 Number of Shares	2021 Number of Shares	2022 \$	2021 \$
<i>Movements during the year:</i>				
Opening balance	954,718,792	672,326,050	78,142,783	57,157,521
Issue of shares – capital raising	1,900,000	161,300,000	174,500	17,404,000
Issue of shares to employees	535,713	529,224	101,785	60,861
Issue of shares to consultant	300,000	-	90,000	-
Exercise of options	19,846,721	120,563,518	898,869	4,822,541
Exercise of options – share based payments	3,000,000	-	413,700	-
Transaction with minority interest	226,463,927	-	35,101,909	-
Share issue costs	-	-	-	(1,302,140)
Closing balance	<u>1,206,765,153</u>	<u>954,718,792</u>	<u>114,923,546</u>	<u>78,142,783</u>

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

	Consolidated 2022 \$	Consolidated 2021 \$
Share based payment reserve	2,637,335	46,040
Capital reserve	(34,945,960)	-
Option premium reserve	1,361,434	1,361,434
Foreign exchange reserve	(44,625)	(1,150,329)
	<u>(30,991,816)</u>	<u>257,145</u>

#### *Movement in reserves*

##### *Share based payment reserve*

Opening balance	46,040	46,040
Share based payment expense	3,242,281	-
Transferred to share capital	(604,946)	-
Transferred to retained losses	(46,040)	-
Closing balance	<u>2,637,335</u>	<u>46,040</u>

##### *Capital reserve*

Opening balance	-	-
Shares issued to non-controlling interest	(34,945,960)	-
Closing balance	<u>(34,945,960)</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RESERVES (continued)

	Consolidated 2022 \$	Consolidated 2021 \$
<b>Option premium reserve</b>		
Opening balance	1,361,434	1,018,399
Movement during the year	-	343,035
Closing balance	1,361,434	1,361,434
<b>Foreign exchange reserve</b>		
Opening balance	(1,150,329)	(713,635)
Exchange rate differences on translating foreign operations	1,105,704	(436,694)
Closing balance	(44,625)	(1,150,329)
<b>Movement in options:</b>	<b>Number</b>	<b>Number</b>
Opening balance	44,854,463	155,417,981
Granted	26,169,000	31,000,000
Exercised	(22,846,721)	(120,563,518)
Expired	-	-
Lapsed	-	(21,000,000)
Closing balance	48,176,742	44,854,463
	<b>2022</b>	<b>2021</b>
Weighted average exercise price of outstanding options (Cents)	2.39	4.33
Weighted average remaining life of outstanding options (Years)	1.47	1.65

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

#### Option lapsed

No options lapsed during the year.

#### Option expired

No options expired during the year.

#### Foreign currency translation reserve

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

### 18. ACCUMULATED LOSSES

	Consolidated 2022 \$	Consolidated 2021 \$
Accumulated losses at the beginning of the year	(56,441,844)	(51,427,354)
Loss for the year	(11,996,177)	(5,014,490)
Transfer from share-based payments reserve	46,040	-
Accumulated losses at the end of the year	(68,391,981)	(56,441,844)



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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 sale 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.

#### *Coronavirus (COVID-19) pandemic*

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

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. FINANCIAL RISK MANAGEMENT (continued)

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:

	Carrying Amount	
	Consolidated 2022 \$	Consolidated 2021 \$
Cash and cash equivalents	4,876,370	14,751,569
Other assets (excluding prepayments and GST receivables)	113,039	61,095
Other financial assets	14,552,735	13,572,826
	<u>19,542,144</u>	<u>28,385,490</u>

#### 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.

Consolidated 30 June 2022	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
<b>Financial Liabilities</b>					
Trade and other payables	(1,746,244)	(1,746,244)	(1,746,244)	-	-
Other liabilities	(7,357,874)	(7,357,874)	(7,357,874)	-	-
	<u>(9,104,118)</u>	<u>(9,104,118)</u>	<u>(9,104,118)</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

Consolidated 30 June 2021	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
<b>Financial Liabilities</b>					
Trade and other payables	(625,023)	(625,023)	(625,023)	-	-
Other liabilities	(9,691,959)	(9,691,959)	(2,685,127)	(7,006,832)	-
	(10,316,982)	(10,316,982)	(3,310,150)	(7,006,832)	-

#### 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.

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

	Carrying Amount	
	Consolidated 2022 \$	Consolidated 2021 \$
<b>Variable rate instruments</b>		
Financial assets	19,429,105	28,324,395
Financial liabilities	-	-
	19,429,105	28,324,395

#### 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 2021.

#### Interest rate risk

	Consolidated 2022			
	+100 basis points		-100 basis points	
	Profit \$	Equity \$	Profit \$	Equity \$
<b>Financial instruments with interest rate</b>				
Financial assets	194,291	194,291	(194,291)	(194,291)
Financial liabilities	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Interest rate risk (continued)

	Consolidated 2021			
	+100 basis points		-100 basis points	
	Profit \$	Equity \$	Profit \$	Equity \$
<b>Financial instruments with interest rate</b>				
Financial assets	283,244	283,244	(283,244)	(283,244)
Financial liabilities	-	-	-	-

The weighted average effective interest rate on variable rate instruments was 0.83% (2021: 0.52%).

#### 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

### 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 measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. SHARE BASED PAYMENTS (continued)

#### Share-based payment accounting policy (continued)

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.

#### 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 2022	
	Options No.	Weighted average fair value
Outstanding at the beginning of the year	-	-
Granted during the year	26,169,000	\$0.187
Vested and exercised during the year	(3,000,000)	\$0.138
Outstanding at the end of the year	23,169,000	\$0.194

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. SHARE BASED PAYMENTS (continued)

#### Share-based payment transactions (continued)

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

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

	Consolidated 2022 \$	Consolidated 2021 \$
Share based payments expense	3,242,821	403,896

The previous period share based payments expense comprises:

- options with a fair value of \$343,035 that were issued as part of the fee arrangement for corporate advisory services provided; and
- shares to the value of \$60,861 that were issued to certain employees in lieu of annual leave entitlements.

### 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 2022 \$	Consolidated 2021 \$
<b>Audit and review services:</b>		
RSM Australia Partners		
- audit and review of financial reports	56,000	50,000
Ernst & Young Malawi		
- audit of financial report	19,290	19,236
	75,290	69,236

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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:

	2022	2021
	\$	\$
Short-term employee benefits	618,593	489,403
Post-employment benefits	24,801	3,841
Termination benefits	-	253,571
Share based payments	1,978,327	-
	<u>2,621,721</u>	<u>746,815</u>

#### (d) Loans to related parties

No loans were advanced to related parties during the reporting year (2021: Nil).

#### (e) Amounts owed to related parties

As at the reporting date, \$79,403 were owing to related parties (2021: \$34,898) 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 \$28,734. There is a balance of \$4,056 (2021: \$11,572) owing to Thomson Geer as at 30 June 2022 in relation to the provision of these services.

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 2%. The Company also uses Matador Capital's technical and project management expertise. During the year the Company incurred costs under this arrangement totalling \$290,064 (2021: \$269,008). 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 \$75,347 (2021: \$17,358) owing to Matador Capital as at 30 June 2022 in relation to the provision of these services.

#### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

### 25. COMMITMENTS

#### Exploration Project commitments

Commitments for mining license/tenement rentals and expenditure commitments due within one year total \$51,347 (2021: \$13,736)

### 26. EARNINGS PER SHARE

	Consolidated 2022 \$	Consolidated 2021 \$
Reconciliation of earnings to profit or loss:		
Loss after income tax used for basic and dilutive EPS	<u>(11,996,177)</u>	<u>(5,014,490)</u>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26. EARNINGS PER SHARE (continued)

	Consolidated 2022 No.	Consolidated 2021 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,167,267,583	820,557,319
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	1,167,267,583	820,557,319

#### 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 2022 \$	Consolidated 2021 \$
<b>Cash flows from operating activities</b>		
Loss for the year	(12,962,890)	(5,897,844)
Adjustments for:		
Gain on sale of tenements	(2,196,001)	-
Depreciation	1,217	25,022
Share based payments – contractors	1,546,483	343,035
Share based payments – employees	1,696,337	60,861
Impairment of property, plant and equipment	1,242,547	-
Foreign currency translated difference	65,093	(163,080)
Adjusted operating loss before changes in working capital	(10,607,214)	(5,632,006)
Change in other assets	(133,879)	(127,564)
Change in trade and other payables	777,799	(746,715)
Net cash used in operating activities	(9,963,294)	(6,506,285)

### 28. CONTINGENT LIABILITIES

#### Bank Guarantee

The Company had provided a bank guarantee of \$20,000 to the Department of Mines and Petroleum for a tenement bond. The tenements were sold during the year and the guarantee cash collateral was returned.

#### Kayelekera Uranium Project

At 30 June 2022, 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 \$5.0 million 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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.

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

#### Acquisition Agreement

The consideration payable for the acquisition is as follows:

- \$200,000 in cash, plus 90,000,000 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).

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

	2020 \$
Purchase consideration paid by Lotus Resources Limited to acquire Kayelekera Uranium Project:	
Cash paid	200,000
Ordinary Shares – Initial Consideration	3,060,000
Ordinary shares issued on third anniversary – Deferred Consideration	3,000,000
<b>Total purchase consideration</b>	<b>6,260,000</b>

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

	2020 Fair value \$
Cash and cash equivalents	14,643,349
Trade and other receivables	262,091
Exploration and evaluation asset	62,070,156
Trade and other payables	(551,263)
Environmental bond payable	(8,736,804)
Rehabilitation and mine closure provision	(61,427,529)
<b>Net assets acquired</b>	<b>6,260,000</b>
Net assets acquired attributable to Lotus Resources Limited	4,069,000
Net assets acquired attributable to non-controlling interest	2,191,000
	<b>6,260,000</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29. ACQUISITION OF KAYELEKERA URANIUM PROJECT (continued)

As prescribed in the accounting standards, business combinations were initially accounted for on a provisional basis for the year ended 30 June 2020. 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.

Purchase price allocation was completed during the year ended 30 June 2021. No adjustment to the provisional amounts recognised are required for the year ended 30 June 2021.

#### Increase in Ownership Interest

During the financial year, 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, estimated at 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	Ownership Interest
		2022 %	2021 %
Westview Resources Pty Ltd	Australia	100%	100%
Providence Metals Pty Ltd	Australia	100%	100%
Lily Resources Pty Ltd	Australia	100%	76.5%
Lotus (Africa) Limited	Malawi	85%	65%

During the financial year, 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.

### 31. PARENT ENTITY DISCLOSURES

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

	2022 \$	2021 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Loss after income tax	(53,962,918)	(13,891,899)
Total comprehensive loss	(53,962,918)	(13,891,899)
<b>Statement of financial position</b>		
Total current assets	5,293,468	15,094,684
Total assets	5,297,699	18,096,093
Total current liabilities	(4,611,266)	(471,177)
Total liabilities	(4,611,266)	(3,471,177)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. PARENT ENTITY DISCLOSURES (continued)

	2022 \$	2021 \$
Net assets	686,434	14,624,916
Equity		
Issued capital	114,923,545	78,142,781
Reserves	4,651,147	1,407,475
Accumulated losses	(118,888,258)	(64,925,340)
Total equity	686,434	14,624,916

#### Guarantees

Lotus Resources Limited has no guarantees other than as disclosed in note 28.

#### Other Commitments and Contingencies

Lotus Resources Limited has no other commitments and contingencies other than as disclosed in notes 25 and 28.

### 32. EVENTS OCCURRING AFTER THE REPORTING DATE

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

- On 11 August 2022 Lotus Resources released the Restart Definitive Feasibility Study for the Kayelekera Uranium Project. Refer to the ASX announcements on this date and the Directors Report for more details.
- 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 the costs of the offer.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to change and is dependent on measures imposed by the Australian and Malawi Governments, such as vaccinations, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.
- 8,076,408 unlisted options were exercised at \$0.04 per options for gross proceeds before costs of \$323,056.
- 7,000,000 unlisted zero exercise price options held by non-Executive Directors vested and were exercised post reporting date. 625,000 options held by the Managing Director at an exercise price of \$0.04 were exercised post balance date. A further 3,000,000 zero exercise priced options held by the Managing Director vested post balance date.

## 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 2022 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 30<sup>th</sup> day of September 2022.

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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 2022, 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 2022 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.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<b>Exploration and Evaluation Assets</b> Refer to Note 9 in the financial statements	
<p>The Group has capitalised exploration and evaluation expenditure with a carrying value of \$46,279,048 as at 30 June 2022.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resource</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>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;</li> <li>determining whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be assessed; and</li> <li>Assessing whether any indicators of impairment are present, and if so, judgments applied to determine and quantify any impairment loss.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the Group's accounting policy for compliance with Australian Accounting Standards;</li> <li>Obtaining management reconciliation of capitalised exploration and evaluation expenditure by area of interest and agreeing to general ledger;</li> <li>Assessing whether the right to tenure of the area of interest was current;</li> <li>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;</li> <li>Assessing and evaluating management's assessment that no indicators of impairment existed for those tenements where the Group has rights of tenure;</li> <li>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</li> <li>Assessing the appropriateness of the related financial statements disclosure.</li> </ul>
<b>Provision for mine closure and rehabilitation</b> Refer to Note 15 in the financial statements	
<p>As at the reporting date, the Group had a provision of \$42,728,847 relating to the estimated future cost of mine closure and rehabilitation.</p> <p>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:</p> <ul style="list-style-type: none"> <li>The determination of costs to be incurred in future years and its timing;</li> <li>The complexity involved in the quantification of the provision based on areas disturbed; and</li> <li>The methodology used to calculate the provision amount to ensure compliance with Australian Accounting Standards.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the Group's accounting policy for compliance with Australian Accounting Standards;</li> <li>Testing key inputs such as inflation rate, discount rate, timing of rehabilitation, area of disturbances and unit costs to supporting documentation;</li> <li>Assessing of the work performed by management's expert, including the competency and objectivity of the expert;</li> <li>Assessing the mathematical accuracy of the model used to calculate the provision;</li> <li>Assessing the movement in the provision has been accounted for in accordance with Australian Accounting Standards; and</li> <li>Assessing the appropriateness of the related financial statements disclosure.</li> </ul>



Key Audit Matter	How our audit addressed this matter
<b>Share-based payments</b> Refer to Note 22 in the financial statements	
<p>The Group entered share-based payment arrangements with key management personnel, advisors, and employees. The Group's recognised share-based payments of \$3,242,821 for the year ended 30 June 2022.</p> <p>We considered this to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The complexity of the accounting required to determine the grant date fair value of these instruments; and</li> <li>• The estimates and judgements applied to inputs of valuation models, including the likelihood of vesting conditions being met, and the appropriate valuation methodology to apply.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Reading the terms and conditions of the instruments issued;</li> <li>• Assessing the valuation methodology to ensure in compliance with AASB 2 <i>Share based payments</i>;</li> <li>• Assessing the mathematical accuracy of the underlying model;</li> <li>• Testing the inputs to the valuation model for reasonableness by evaluating the key assumptions used;</li> <li>• Recalculating the value of the share-based payment expense to be recognised and reserve balance for accuracy and factoring in any vesting conditions; and</li> <li>• Assessing the appropriateness of the related financial statements disclosure.</li> </ul>

## 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 2022 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](https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Lotus Resources Limited, for the year ended 30 June 2022, 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

A Whyte

ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 30 September 2022

## 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 29 September 2022.

### (a) Twenty largest shareholders

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

Rank	Name	Units	% Units
1	KAYELEKERA RESOURCES PTY LTD	175,509,489	13.24
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	121,435,534	9.16
3	CITICORP NOMINEES PTY LIMITED	100,618,548	7.59
4	PERPETUAL CORPORATE TRUST LTD <EALRL A/C>	50,954,438	3.84
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	50,580,667	3.81
6	SACHEM COVE SPECIAL OPPORTUNITIES FUND LP	48,561,178	3.66
7	BNP PARIBAS NOMS PTY LTD <DRP>	37,093,538	2.80
8	TR NOMINEES PTY LTD	35,600,000	2.68
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,899,706	2.25
10	NATIONAL NOMINEES LIMITED	28,405,269	2.14
11	WOODROSS NOMINEES PTY LTD	26,115,231	1.97
12	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	25,568,989	1.93
13	MRS PAMELA JULIAN SARGOOD	19,000,000	1.43
14	MCNEIL NOMINEES PTY LIMITED	16,866,645	1.27
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	15,894,520	1.20
16	BUTTONWOOD NOMINEES PTY LTD	12,347,204	0.93
17	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	12,075,138	0.91
18	MR DARREN CRAIG GLOVER	11,904,762	0.90
18	MR BENJAMIN LEIGH HARPER	11,904,762	0.90
20	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	11,841,287	0.89
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>842,176,905</b>	<b>63.51</b>
<b>Total Remaining Holders Balance</b>		<b>483,831,323</b>	<b>36.49</b>

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

Rank	Name	Units	% Units
1	TR NOMINEES PTY LTD	10,000,000	32.00
2	MR KEITH BOWES	7,878,000	25.21
3	MS DIXIE INA MARSHALL	2,000,000	6.40
4	MIKENTY PTY LTD <BOWES FAMILY A/C>	1,125,000	3.60
5	MR ADAM LEE KILEY	1,000,000	3.20
5	MR CHRISTOPHER BRUCE KNEE	1,000,000	3.20
5	MRS RUTH MARY MCKENZIE + MR STUART ANDREW MCKENZIE	1,000,000	3.20
8	MR THEO CORNELIUS KEYTER	989,000	3.17
9	TSI CAPITAL PTY LTD	707,000	2.26
10	HAWTHORN GROVE INVESTMENTS PTY LTD	642,857	2.06
11	MR JACOBUS CHARL CILLIERS	578,000	1.85
12	MR SAMUEL LEWIS MCCARDEL	500,000	1.60
13	MR CHRISTOPHER BRUCE KNEE <MOUNT BEDFORD CORPORATE A/C>	472,000	1.51
13	MR STUART MCKENZIE + MS RUTH MCKENZIE <MCKENZIE FAMILY A/C>	472,000	1.51
15	PERSHING AUSTRALIA NOMINEES PTY LTD <ACCUM A/C>	401,787	1.29
16	BEAUMY PTY LTD <ROBERT FROST FAMILY A/C>	401,786	1.29
16	MR LINDSAY BETTIOL	401,786	1.29
18	ADVENTURE CAPITAL PTY LTD	241,072	0.77
19	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	160,715	0.51
19	MR EMRE BASAR	160,715	0.51
<b>Totals: Top 20 holders of Unlisted Options</b>		<b>30,131,718</b>	<b>91.69</b>
<b>Total Remaining Holders Balance</b>		<b>1,114,662</b>	<b>8.31</b>

**(b) Distribution of equity security holders**

**Ordinary Shares**

Range	Total holders	Units	% of Issued Capital
1 - 1,000	603	205,715	0.02
1,001 - 5,000	1,199	3,638,121	0.27
5,001 - 10,000	868	6,768,745	0.51
10,001 - 100,000	2,059	74,449,084	5.61
100,001 Over	666	1,240,946,563	93.59
<b>Total</b>	<b>5,395</b>	<b>1,326,008,228</b>	<b>100.00</b>

There are 937 holders of a less than marketable parcel of shares (as at 29 September 2022, a less than marketable parcel is 2,174 shares), representing a total of 781,829 shares.

#### Unlisted Options

Range	Total holders	Units	% of Issued Capital
1 - 1,000	2	2	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	1	9,000	0.03
10,001 - 100,000	19	962,558	3.08
100,001 Over	21	30,274,820	96.89
<b>Total</b>	<b>43</b>	<b>31,246,380</b>	<b>100.00</b>

#### (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	13.24

#### (d) Restricted Securities

There are nil restricted securities as at 29 September 2022.

#### (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	3,000,000
UNL OPTS EXP 04/10/2022, EXERCISABLE AT \$0.04	643,102
UNL OPTS EXP 10/02/2024	6,000,000
UNL OPTS EXP 13/03/2023, EXERCISABLE AT \$0.04	4,434,278
UNL OPTS EXP 14/12/2024	1,406,000
UNL OPTS EXP 14/12/2026	1,885,000
UNL OPTS EXP 23/10/2023, EXERCISABLE AT \$0.04	5,000,000
UNL OPTS EXP 23/10/2023, EXERCISABLE AT \$0.06	2,500,000
UNL OPTS EXP 23/10/2023, EXERCISABLE AT \$0.08	2,500,000
UNL OPTS EXP 29/07/2024	648,000
UNL OPTS EXP 29/11/2026	1,230,000
UNL OPTS EXP 31/03/2025	2,000,000

**(h) Unquoted Securities >20% Holders**

Class	Holder	Number	%
UNL OPTS EXP 01/01/2024	MR ADAM LEE KILEY	1,000,000	33.33
	MR CHRISTOPHER BRUCE KNEE	1,000,000	33.33
	MR STUART ANDREW MCKENZIE	1,000,000	33.33
UNL OPTS EXP 04/10/2022, EXERCISABLE AT \$0.04	MR SAMUEL LEWIS MCCARDEL	500,000	77.75
	C P EQUITIES PTY LTD	143,102	22.25
UNL OPTS EXP 10/02/2024	MR KEITH BOWES	6,000,000	100.00
UNL OPTS EXP 13/03/2023, EXERCISABLE AT \$0.04	MIKENTY PTY LTD <BOWES FAMILY ACCOUNT>	1,125,000	25.37
UNL OPTS EXP 23/10/2023, EXERCISABLE AT \$0.04	TR NOMINEES PTY LTD	5,000,000	100.00
UNL OPTS EXP 23/10/2023, EXERCISABLE AT \$0.06	TR NOMINEES PTY LTD	2,500,000	100.00
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	648,000	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 14/12/2024	MR THEO CORNELIUS KEYTER	424,000	30.16
	TSI CAPITAL PTY LTD	283,000	20.13
UNL OPTS EXP 14/12/2026	MR THEO CORNELIUS KEYTER	565,000	29.97
	TSI CAPITAL PTY LTD	424,000	22.49

**(i) Interest in Mining Tenements**

As at 30 September 2022, 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