LOTUS RESOURCES LIMITED

(Formerly Hylea Metals Limited)

ABN 38 119 992 175

ANNUAL REPORT

for the year ended 30 June 2019

CORPORATE DIRECTORY

Directors	Mr Simon Andrew Mr Tim Kestell Mr Mark Milazzo	Managing Director Non-Executive Director Non-Executive Director
Company Secretary	Ms Amanda Burgess	
Principal Place of Business and Registered Office	22/589 Stirling Highway Cottesloe, Western Australia, 6011 Telephone: +61 8 9278 2441	
Website Address	www.lotusresources.com.au	
Auditor	RSM Australia Partners Level 32, Exchange Tower, 2 The Esplanade, Perth WA 6000	
Solicitor	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth, Western Australia, 6000	
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000 Telephone: + 61 8 9323 2000 Facsimile: + 61 8 9323 2033	
Securities Exchange	ASX Limited Exchange Plaza 2 The Esplanade Perth, Western Australia, 6000 ASX Code: LOT	

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the financial report of Lotus Resources Limited (formerly Hylea Metals Limited) (the **Company** or **Lotus Resources**) and its subsidiaries (the **consolidated entity** or **Group**) for the year ended 30 June 2019 and the auditor's report thereon.

DIRECTORS

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

Mr Simon Andrew
Managing Director – Appointed 2 January 2019

Simon has over 20 years' experience in financial markets in Asia and Australia. Previously he has held senior management positions at various global investment banks. These roles included leading the equity sales desk for BNP Paribas for the ASEAN region and heading the Refining and Petrochemicals sector research team at Deutsche Bank in Asia. Mr Andrew was a founding director of Emmerson Resources (ASX:ERM). He was responsible for securing the financing for the purchase of the Tennant Creek assets for Emmerson and arranging the IPO in 2007. He is currently a director of Rivers Gold Limited (ASX:RGL).

Mr Mark Milazzo
Non-Executive Director

Mr Milazzo is a Mining Engineer with over 30 years experience in the development and management of mines and mineral processing plants across a range of commodities in Australia and overseas. This includes both underground and surface operations, and covers a wide range of mining applications, from small scale selective to mechanised bulk extraction methods. He has been involved in a number of new mine development and mine expansion projects. He has previously served on a number of ASX listed company boards. Mr Milazzo is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

Mr Tim Kestell
Non-Executive Director

Mr. Kestell has over 20 years' experience in capital markets including working for Australian stockbrokers Euroz Securities and Patersons. In the past 14 years he has played a key role in floating and re-capitalising publicly listed companies. He is currently a director of Neon Capital Ltd, Capricorn Metals Limited and Blue Capital Ltd.

Mr David Berrie
Managing Director –Resigned 2 January 2019

Mr David Berrie has over 30 years' experience in the mining industry. Mr Berrie worked as a solicitor in the mining team at Clayton Utz before joining the international mining house Western Mining Corporation in 1987 with much of that time spent in the exploration division before transitioning over to BHP Billiton. Mr Berrie has extensive public company experience and continues to be a director in Summit Resources Ltd (ASX: SMM) and Magmatic Resources Ltd (ASX: MAG). Mr Berrie has a Bachelor of Laws and a Bachelor of Jurisprudence from the University of Western Australia.

Mr Keong Chan
Non-Executive Director –Resigned 31 October 2018

Mr Chan has provided advice to a number of companies on corporate matters in relation to capital raisings, IPOs, back door listings, mergers and acquisitions, takeovers/divestments and has sat on or acted as an advisor to a number of ASX listed boards. Mr Chan holds a Bachelor of Commerce from the University of Western Australia and a Master of International Customs Law and Administration from the University of Canberra.

COMPANY SECRETARY

Ms Amanda Burgess
Appointed 2 January 2019

Ms Burgess is a finance professional with over 25 years' experience in accounting and company administration. Ms Burgess holds a Bachelor of Economics from the University of Western Australia and is a CPA with the Australian Society of Certified Practicing Accountants. Ms Burgess currently holds CFO and Company Secretary positions with other Australian companies.

Mr David Berrie
Appointed 31 October 2018, resigned 2 January 2019

See details in page 4.

Mr Keong Chan
Resigned 31 October 2018

See details in page 4.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship From	To
Mr Simon Andrew*	Riversgold Limited	29/08/2019	Current
Mr David Berrie**	Magmatic Resources Ltd	28/10/2016	Current
	Summit Resources Ltd	19/10/2006	Current
Mr K Chan***	Aumake International Ltd	29/09/2017	Current
	Superior Lake Resources Ltd	15/11/2016	Current
Mr Mark Milazzo	Nil	-	-
Mr Tim Kestell	Yowie Group Ltd	17/05/2019	5/07/2019
	Capricorn Metals Ltd	5/03/2019	13/09/2019

* *Appointed 2 January 2019*
** *Resigned 2 January 2019*
*** *Resigned 31 October 2018*

DIRECTORS' INTERESTS

The relevant interest of each director in the securities of the Company at the date of this report is as follows:

Director	Ordinary shares	Options
Mr Simon Andrew*	-	-
Mr M Milazzo	-	-
Mr T Kestell	-	-

* *Appointed 2 January 2019*

DIRECTORS' MEETINGS

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

	Board Meetings		Nomination and Remuneration Committee Meetings	
Director	**Held**	**Attended**	**Held**	**Attended**
Mr S Andrew*	4	4	-	-
Mr D Berrie**	3	3	-	-
Mr K Chan***	3	1	-	-
Mr M Milazzo	7	7	-	-
Mr T Kestell	7	7	-	-

* *Appointed 2 January 2019*
** *Resigned 2 January 2019*
*** *Resigned 31 October 2018*

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee.

Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee
Mr S Andrew (Chairman)
Mr T Kestell

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the development of interests in exploration projects in the resource industry in Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs during the financial year.

RESULTS

The Group incurred a loss of $821,364 for the financial year after income tax (2018: loss $2,171,217). This loss included the incurrence of $72,157 (2018: $684,811) in exploration expenditure in accordance with the Group's accounting policies, and corporate and administrative costs of $790,890 (2018: $904,613).

REVIEW OF ACTIVITIES

During the year, the Group focused its activities in development of interests in exploration projects in the resource industry in Australia. The Group also pursued other projects and acquisitions, as detailed below.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group has entered into an agreement with Paladin Energy Limited (ASX:PDN) to acquire a 65% interest in the Kayelekera Uranium Project in Malawi as announced on 24 June 2019. The acquisition is an excellent opportunity for Lotus as Kayelekera is a world class uranium asset that has produced over 10.9Mlb of uranium and represents an opportunity to use the past production information to re-engineer certain mining and engineering processes in order to reduce the overall Capex and Opex of the operations.

Please refer to page 14 for further details about the Kayelekera Project and the acquisition details.

The Group will continue to pursue its interests in existing exploration projects.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Group.

DIVIDENDS

No dividend has been declared or paid by the Group to the date of this report.

ENVIRONMENTAL REGULATION

Lotus Resources exploration and mining activities are governed by a range of environmental legislation and regulations. The National Greenhouse and Energy Reporting Act 2007 require the Group to report its annual greenhouse gas emissions and energy use.

As the Group is still in the development phase of its interests in exploration projects, Lotus Resources 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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As stated above the Group has entered into an agreement to acquire a 65% interest in the Kayelekera Uranium Project in Malawi as announced on 24 June 2019. For further information about the project and acquisition details please refer to page 14, review of activities.

On 23 July 2019 the Company announced further capital raising updates to fund the Kayelekera acquisition.

The Company is proposing to fund the Acquisition with capital raisings to raise between $8 million and $8.5 million as follows:

1) a placement of 150,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise $3 million (before costs), together with one free attaching option exercisable at $0.04 each on or before the date which is 3 years from grant (**Option**) for every two Shares issued (**First Placement**);

2) an underwritten non-renounceable rights issue at an issue price of $0.02 per Share to raise $1 million (before costs), together with one free attaching Option for every two Shares issued (**Rights Issue**); and

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (cont'd)

3) a further placement of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise between $4 million and $4.5 million (before costs), together with one free attaching Option for every two Shares issued (**Second Placement**). Settlement of the Second Placement will be conditional on satisfaction of the key conditions' precedent to completion of the Acquisition.

The First Placement was to be issued in two tranches:

1) **Tranche 1**: 25,034,798 Shares to be issued under the Company's available placement capacity (15,020,751 Shares to be issued under Listing Rule 7.1 and 10,013,834 issued under Listing Rule 7.1A), with the attaching Options to be issued subject to shareholder approval; and

2) **Tranche 2:** the second tranche of 124,965,202 Shares will be issued subject to shareholder approval.

The Convertible Loan (see below **Convertible Note Agreement** section) replaces Tranche 1 of the First Placement. This is being done so that all Shares issued under the First Placement and the Second Placement will be issued after the record date for the Rights Issue and will not be eligible to participate in the Rights Issue. The Shares issued on conversion of the Convertible Loan will also be issued after the record date for the Rights Issue.

Underwriting arrangements

As announced on 24 June 2019, the Company has received a firm commitment letter from BW Equities Pty Ltd to underwrite the above capital raisings up to $8 million (meaning that $0.5 million of the Second Placement is not underwritten). This underwriting commitment will terminate if each of the following has not been satisfied by 5.00pm (Perth time) on 28 February 2020:

1) the Company obtaining all necessary shareholder approvals for the acquisition and the capital raisings (other than the first tranche of the First Placement);

2) satisfaction of the following conditions precedent to completion of the acquisition:

   (i) all Malawi government consents necessary to complete the acquisition being obtained;

   (ii) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the acquisition being obtained; and

   (iii) all consents and approvals required from the noteholders of Paladin Energy Limited to complete the acquisition being obtained.

The Company has agreed to pay an underwriting fee of 5% of the amount of the firm commitment, payable on settlement of the relevant parts of the capital raising.

Convertible Note Agreement

The terms of the Convertible Loan Agreement with Matador Capital Pty Ltd (Matador) include the following:

(a) Subject to shareholder approval, the Convertible Loan will be converted for the issue of Shares at the deemed issue price of $0.02 per Share (Conversion Shares);
(b) Matador will also be issued 1 free attaching Option for every two Conversion Share that is issued;
Conversion will occur automatically subject to and conditional upon Shareholders approving the Acquisition;
(c) Matador's Conversion Shares will not be issued until after the record date for the Rights Issue, such that the Conversion Shares will not be eligible to participate in forthcoming Rights Issue (as defined and further explained above); and
(d) Matador to receive a 5% capital raising fee on the amount of the Convertible Loan pursuant to the terms of the sub-underwriting arrangements referred to above. Otherwise, there are no fees or interest payable in relation to the Converting Loan (other than default interest in the event of late payment).

Subsequent to 30 June 2019, $500,696 before costs for the convertible loan was received.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (cont'd)

Notice of General Meeting

The Company released a Notice of Meeting on 25 July 2019 to gain shareholder approval at a general meeting of shareholders to be held on 29 August 2019 for the acquisition of the Kayelekera Project and capital raising as stated above.

All resolutions were passed, and the Company completed the 1st phase of capital raising and issuing 124,965,202 fully paid ordinary shares at an issue price of 2.0 cents per share to raise approximately $2.5mil before costs along with 1 free attaching option for every 2 shares subscribed for totalling 62,482,626 options with an exercise price of 4.0 cents and expiry date of 12 September 2022.

As a result of the acquisition the Company changed its name to Lotus Resources Limited on 29 August 2019.

On 24 September 2019, the Company announced that its underwritten non-renounceable rights issue (ASX release 23 July 2019) closed on 18 September 2019.

The Company received acceptances for 36,783,627 new shares at an issue price of $0.02 per share for a total of $735,673, representing an approximate 73% take-up. This included participation by a number of major shareholders including Providence Gold and Minerals. Neon Capital limited and Blue Capital Ltd.

Pursuant to the underwriting agreement, BW Equities will allocate the remaining shortfall of 13,286,204 for a total consideration of $265,724.

This will include the issue of 1 free attaching option for every 2 shares issued with an exercise price of $0.04 expiring 3 years from grant, a total of 18,391,813 (subject to rounding on issue).

No other matters or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' REPORT (cont'd)

Shares and options on issue

At the date of this report, the Company has 225,158,338 fully paid ordinary shares on issue.

The Company announced a consolidation of shares 28 to 1 on 4 April 2019 to be approved by shareholders at a general meeting held on 2 May 2019. The consolidation was finalised on 9 May 2019.

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

Number	Grant Date	Exercise Price	Expiry Date
Unlisted Options			
62,482,626	12 September 2019	$0.04	11 September 2022
7,142,858	5 February 2018	$0.28	2 February 2020
357,144	30 November 2016	$0.84	31 December 2019
178,572	23 December 2016	$0.84	31 December 2019
70,161,200			

Options granted

No options were issued in the reporting period, however further to the balance date New Options were issued on 12 September 2019 in a share offer as 1 new option for every 2 shares issued under the capital raising first placement. This placement was approved by shareholders at a General Meeting on 29 August 2019. These options are exercisable at $0.04 and have a three year expiry from the date of issue.

Options expired

No options expired during or since the end of the year.

Options Consolidated

All options that were on issue as at 30 June 2019 were subjected to a 28 to 1 consolidation on 2 May 2019.

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

The Company has agreed to indemnify the current Directors and Company Secretary 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 company secretary of the Company, except where the liability arises out of conduct involving a lack of good faith.

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.

Insurance Premiums

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive 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.

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

NON-AUDIT SERVICES

Details of amounts paid or payable to the Company's auditor, RSM Australia Partners (**RSM**), for audit and non-audit services provided during the year are set out in note 4.

The Board are 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

(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 sets out on pages 23 to 28 forms part of the Directors' Report and 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 on page 13 and forms part of the 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 27th day of September 2018.

Signed in accordance with a resolution of the directors:

Mr Simon Andrew
Managing Director
27 September 2019

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 2019, 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

Perth, WA
Dated: 27 September 2019

TUTU PHONG
Partner

REVIEW OF ACTIVITIES

The Company was pleased to announced on 24 June 2019 it had entered into an agreement with Paladin Energy Limited (ASX:PDN) to acquire a 65% interest in the Kayelekera Uranium Project (Kayelekera" or the "Project") in Malawi.

The acquisition of 65% of Kayelekera is an excellent opportunity for LOT. Kayelekera is a world class uranium asset that has produced over 10.9Mlb of uranium and represents an opportunity to use the past production information to re-engineer certain mining and processing processes in order to reduce the overall Capex and Opex of the operations. LOT is optimistic about the global uranium market and the outlook for firmer pricing.

Paladin Africa is the legal and beneficial owner of significant infrastructure and plant and equipment and the following licences which comprise the Kayelekera Project:

(a) Mining Licence 152 - Kayelekera;
(b) Exclusive Prospecting Licence - 225 - Mapambo;
(c) Exclusive Prospecting Licence - 417 - Rukuru;
(d) Exclusive Prospecting Licence - 418 - Uliwa;
(e) Exclusive Prospecting Licence - 489 - Nthalira;
(f) Exclusive Prospecting Licence – 502 - Juma-Miwanga; and
(g) all mining information relating to the above tenements.

The Company will hold its interest in Paladin Africa through a joint venture company Lily Resources Pty Ltd (Lily)(formerly Lotus Resources Pty Ltd). Lily will acquire 85% of the Kayelekera Project, by acquiring 85% of the shares in Paladin Africa.

The Government of Malawi (GoM) owns 15% of the Kayelekera Project, through the remaining 15% holding in Paladin Africa, and supported the project through a development agreement that provides a stable fiscal environment for the first 10 years of the project (Development Agreement). The GoM is committed to supporting and encouraging the private sector to assume a leading role in the economic development of projects in the mining sector in Malawi. The GoM has a 15% free carry at the project level.

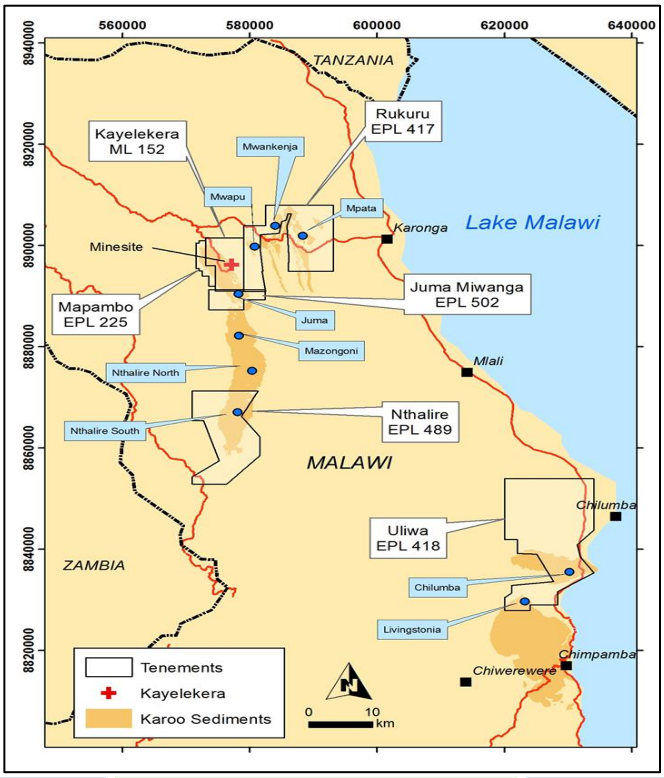
The Kayelekera Project

Location and history

The Kayelekera Uranium Project is located in northern Malawi, southern Africa, 52km west (by road) of the town of Karonga. The Project is owned through a holding vehicle, Paladin Africa. In addition to the Kayelekera Mining Lease, Paladin Africa also holds five Exclusive Prospecting Licences ('EPL') that are coincident with Karoo sediment basins and are similar to those that host the Kayelekera deposit.

The Kayelekera Mine produced over 10.9Mlb of uranium between 2009 and 2014.

Figure 1: Project Location and Licenses



The Mining License, ML152, covering 55.5km^2 was granted in April 2007 for a period of 15 years following the completion of the Development Agreement with the GoM. The surrounding EPL's cover an additional 674.8 km^2 (Table 1).

Table 1: Kayelekera License Summary

Tenement Name	License	Area (km^2)	Current Holder
Kayelekera	ML 152	55.5	Paladin Africa
Nthalire	EPL 489	137.04	Paladin Africa
Uliwa	EPL 418	348.8	Paladin Africa
Rukuru	EPL 417	146.3	Paladin Africa
Mapambo	EPL 225	14	Paladin Africa
Juma-Miwanga	EPL 502	28.65	Paladin Africa
Total	6	730.3	

Paladin permitted, constructed, commissioned and operated Kayelekera between 2007 and 2014 and produced 10.9Mlb of U_3O_8 from an open-pit mine ore processed through an acid leach and resin-in-pulp processing plant.

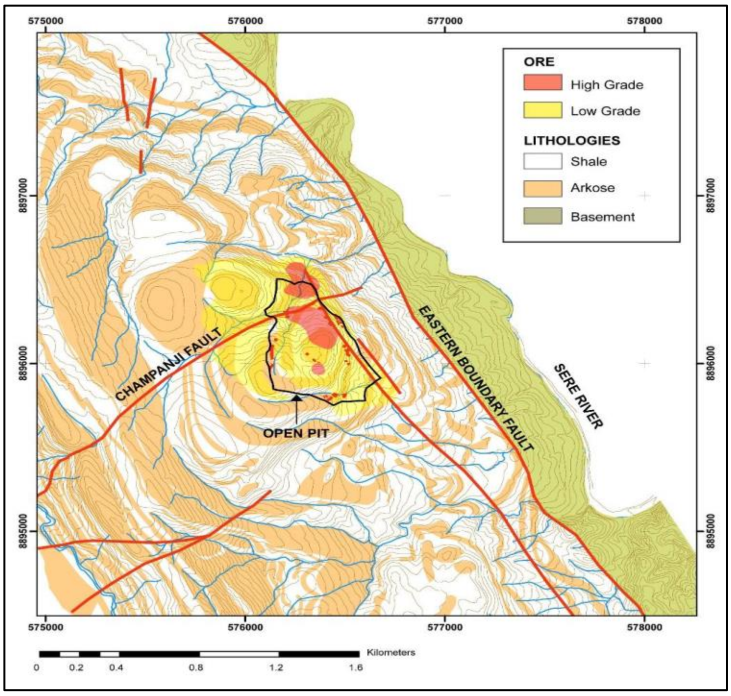
In February 2014, Paladin placed Kayelekera on care and maintenance due to the low uranium pricing. Internal studies, conducted by Paladin, determined that an improved uranium market would provide an opportunity for Kayelekera to restart and again produce uranium.

Geology and mineralization

Kayelekera is situated close to a major tectonic boundary between the Ubendian and the Irumide domains. The Ubendian domain consists of medium to high-grade metamorphic rocks and intrusions cut by major NW-SE dextral shear zones and post-tectonic granitoid intrusions dated at 1.86 Ga. These shear zones may well have been reactivated during and after deposition of the Karoo sequence, since many major brittle faults that offset the Karoo-aged rocks have the same orientation.

Uranium mineralisation at Kayelekera is hosted in several arkose units which are adjacent to the Eastern Boundary Fault zone. The mineralisation forms more or less tabular bodies restricted to the arkoses, except where it is adjacent to the NS strand of the Eastern Boundary fault at the eastern extremity of the pit. Here, mineralisation also occurs in mudstones in the immediate vicinity of the fault. It can be seen that the highest grades correspond to the intersection of the eastern and Champanji faults. Mineralisation grade and tonnage declines with lateral distance from these faults.

Figure 2: Kayelekera Local Geology

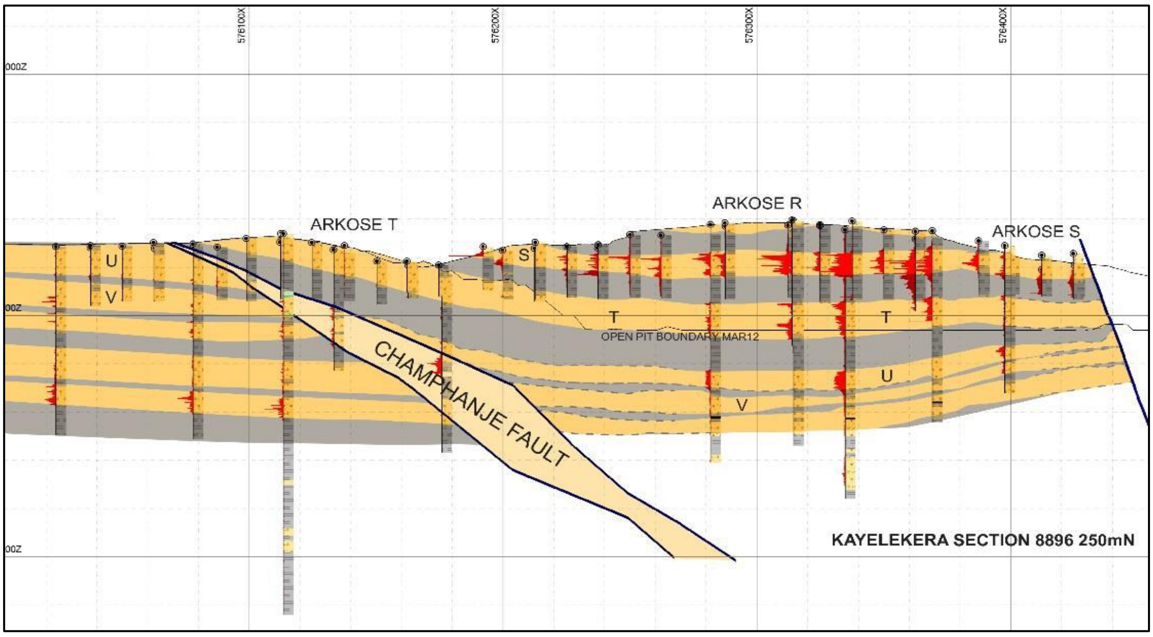


Primary reduced (i.e. carbon and pyrite-bearing) arkose mineralisation accounts for 40% of the total mineralisation. About 30% of the mineralisation is hosted in secondary oxidised arkose (i.e. lacking carbon and pyrite), 10% of mineralisation is termed "Mixed Arkose" and exhibits characteristics of both primary and secondary arkose mineralisation types. Uranium in primary mineralisation is present as coffinite, minor uraninite and a U-Ti mineral, tentatively referred to as brannerite.

Modes of occurrence include disseminated in matrix clay, included in detrital mica grains and intimately intergrown with carbonaceous matter. Individual grains are extremely fine, typically <10 µm. Coffinite and uraninite also show an association with a TiO2 phase, possibly rutile after detrital ilmenite. It is possible that uranium deposition was accompanied by leaching of Fe from detrital ilmenite and precipitation of a TiO_2 polymorph.

A further 20% of primary mineralisation is hosted by mudstone and is termed "mudstone mineralisation". Most uranium in mudstone mineralisation is present as coffinite with lesser uraninite in a matrix of clay minerals. Secondary ore tends to be concentrated in vertical fractures and along the contacts between mudstone and arkose and is restricted to the upper parts of the orebody.

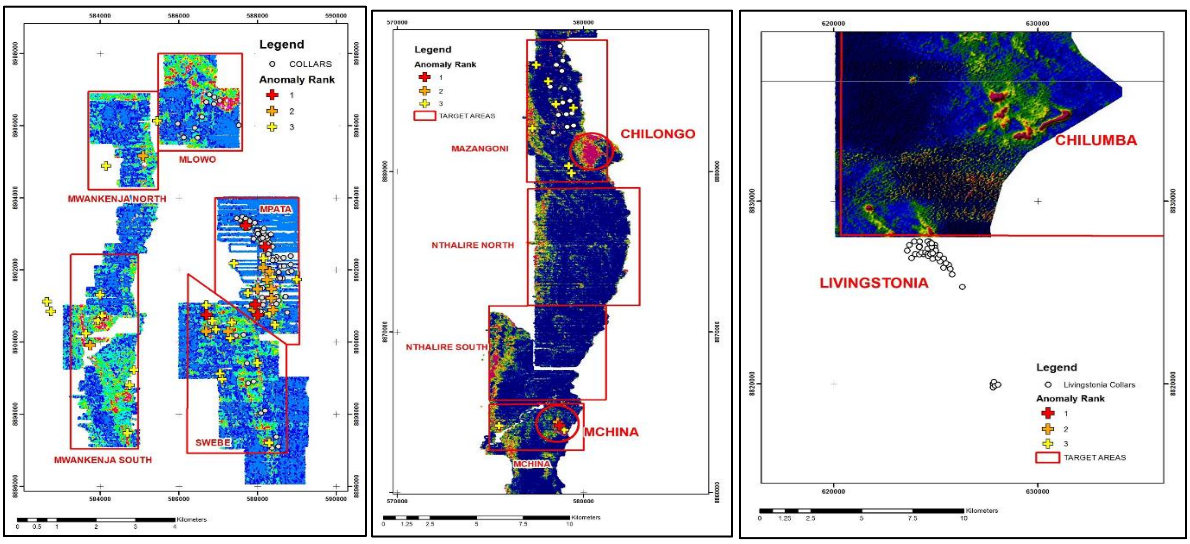
Figure 3: Typical cross-section of Kayelekera showing tabular nature of mineralisation



Exploration potential

Numerous radiometric anomalies have been identified over the broader project region. Although several have been previously tested, targets remain open in the Mwankeja South, Livingstonia and Chilumba prospect areas based on untested radiometric anomalies as well as structural targets in the Nthalire areas (Figure 4). No geophysical techniques other than radiometric and magnetic surveying have been employed previously and opportunities exist for alternative methods to be employed; and for exploration over areas under surficial cover.

Figure 4: Kayelekera Project Exploration Target Areas



Acquisition Agreement

The material terms of the Acquisition Agreement are as follows:

(a) Subject to the satisfaction of the Conditions Precedent, Lily will acquire 85% of Paladin Africa. As the Company holds 76.5% of the shares in Lily, this means that the Company will acquire an indirect interest of 65% of the shares in Paladin Africa.

(b) The Company has agreed to fund 100% of the consideration for the Acquisition. The consideration payable for the Acquisition is as follows:

(i) $200,000 in cash, plus 90,000,000 Shares to be issued on Completion ($1,800,000 worth of Shares at the Capital Raising Price of $0.02 per Share) (Initial Consideration);

(ii) a royalty of 3.5% of gross returns at the Kayelekera mine up to a maximum of $5M in favour of the Vendor (Royalty); and

(iii) $3,000,000 worth of Shares to be issued on the third anniversary of Completion, calculated using the lower of:

(A) the price at which Shares were issued under the most recent capital raising undertaken by the Company within 90 days prior to issue; and

(B) 30-day VWAP for Shares up to and including the business day prior to issue (Deferred Consideration).

The $200,000 cash payment, forming part of the Initial Consideration, has been paid to the Vendor on behalf of the Company by Mr Grant Davey. Mr Davey will be reimbursed for this amount by the Company from the proceeds of the Capital Raising.

Under the Acquisition Agreement if, as a result of the Company issuing all or part of the Initial Consideration Shares or Deferred Consideration Shares, the Vendor's relevant interest in the Company would exceed 15% of the Company's Shares, the Vendor can require the Company to limit the number of relevant Consideration Shares that it issues to the Vendor so as not to cause the Vendor to exceed a 15% relevant interest. If the Vendor exercises this limitation, it will require that the Company does not issue the excess Consideration Shares until the Vendor provides the Company with written notice and that the Vendor's relevant interest has fallen to below 15% (subject to the Company being able to issue at least 1% of the its issued Shares). This process is to be repeated as many times as necessary until the full amount of the relevant Consideration Shares has been paid.

Under the Acquisition Agreement:

(i) the issue of the Deferred Consideration Shares is subject to Shareholder approval;

(ii) the Company must convene a meeting of its Shareholders to be held in the 90 day period prior to the issue date, to seek shareholder approval to issue the Deferred Consideration Shares; and

(iii) if Shareholders fail to approve the issue prior to the issue date, the Company must pay the cash equivalent of the Deferred Consideration Shares (calculated using the applicable deemed issue price referred to above) within 60 days after the relevant issue date.

(c) **Environmental Bond**

In addition to the Consideration, Paladin Africa 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 Paladin Africa to fund the environmental bond in favour of the GoM (Environmental Bond). The following amounts will be payable to Paladin in respect of the environmental bond advance:

(i) US$4,000,000 on Completion;

(ii) US$1,000,000 on the date that is 1 year after Completion;

(iii) US$2,000,000 on the date that is 2 years after Completion; and

(iv) US$3,000,000 on the date that is 3 years after Completion.

(d) **Conditions Precedent**

Completion of the Acquisition is expected to occur in the second half of 2019 subject to the following conditions precedent having been satisfied by 31 August 2019 (or such later date as the parties may agree):

(i) to the extent required, obtaining the following parties' consent to the sale of the shares in Paladin Africa and the assignment of the assigned receivables to the Company:

(A) Malawian Energy and Mines Minister and Finance Minister;

(B) Reserve Bank of Malawi;

(C) Nedbank Limited; and

(D) the holders of Paladin notes approving the sale of Paladin Africa;

(ii) Paladin granting Paladin Africa a licence to use certain intellectual property utilised in the Kayelekera plant;

(iii) assignment of the benefit of certain receivables owed by Paladin Africa to other Paladin group companies to Lotus with effect from completion of the acquisition;

(iv) Company Shareholder approval for:

(A) the issue of the Initial Consideration Shares;

(B) the issue of the capital raising Shares and options;

(C) the change in nature and scale of the Company's operations by virtue of the acquisition under Listing Rule 11.1.2; and

(D) any financial benefits received by related parties of the Company for the purposes of the Corporations Act; and

The Company received approval on 29 August 2019 at a General Meeting of shareholders and as such the above condition has been satisfied.

(v) the release of certain security interests registered over the assets of Paladin Africa.

Capital Raising

As announced by the Company on 24 June 2019, the Company is proposing to fund the Acquisition with capital raisings to raise between $8 million and $8.5 million as follows:

1) a placement of 150,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise $3 million (before costs), together with one free attaching option exercisable at $0.04 each on or before the date which is 3 years from grant (**Option**) for every two Shares issued (**First Placement**);

2) an underwritten non-renounceable rights issue at an issue price of $0.02 per Share to raise $1 million (before costs), together with one free attaching Option for every two Shares issued (**Rights Issue**); and

3) a further placement of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise between $4 million and $4.5 million (before costs), together with one free attaching Option for every two Shares issued (**Second Placement**). Settlement of the Second Placement will be conditional on satisfaction of the key conditions precedent to completion of the Acquisition.

The capital raisings are proposed to be carried out in connection with and to partially fund payments to be made by the Company under or in relation to the Acquisition.

The First Placement is to be issued in two tranches:

1) **Tranche 1**: 25,034,798 Shares to be issued under the Company's available placement capacity (15,020,751 Shares to be issued under Listing Rule 7.1 and 10,013,834 issued under Listing Rule 7.1A), with the attaching Options issued at the date of this report; and

2) **Tranche 2:** the second tranche of 124,965,202 Shares will be issued subject to shareholder approval.

The Convertible Loan replaced Tranche 1 of the First Placement. This is being done so that all Shares issued under the First Placement and the Second Placement will be issued after the record date for the Rights Issue and will not be eligible to participate in the Rights Issue. The Shares issued on conversion of the Convertible Loan will also be issued after the record date for the Rights Issue.

The Company successfully completed the capital raising placement of 124,965,202 shares on 12 September 2019 raising $2.5miliion.

Underwriting arrangements

As announced on 24 June 2019, the Company has received a firm commitment letter from BW Equities Pty Ltd to underwrite the above capital raisings up to $8 million. This underwriting commitment will terminate if each of the following has not been satisfied by 5.00pm (Perth time) on 28 February 2020:

1). the Company obtaining all necessary shareholder approvals for the acquisition and the capital raisings (other than the first tranche of the First Placement);

2) satisfaction of the following conditions precedent to completion of the acquisition:

(iv) all Malawi government consents necessary to complete the acquisition being obtained;

(v) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the acquisition being obtained; and

(vi) all consents and approvals required from the noteholders of Paladin Energy Limited to complete the acquisition being obtained.

The Company has agreed to pay an underwriting fee of 5% of the amount of the firm commitment, payable on settlement of the relevant parts of the capital raising.

Matador has agreed to sub-underwrite up to $4 million of BW's underwriting commitment. The underwriting commitment and Matador's sub-underwriting commitment have been reduced by the amount of the Convertible Loan, such that the remaining underwriting commitment is $7.5 million of which $3.5 million is sub-underwritten by Matador.

Convertible Note Agreement

The terms of the Convertible Loan Agreement include the following:

(a) Subject to shareholder approval, the Convertible Loan will be converted for the issue of Shares at the deemed issue price of $0.02 per Share (**Conversion Shares**);

(b) Matador will also be issued 1 free attaching Option for every 2 Conversion Share that is issued;

(c) Conversion will occur automatically subject to and conditional upon Shareholders approving the Acquisition;

(d) Matador's Conversion Shares will not be issued until after the record date for the Rights Issue, such that the Conversion Shares will not be eligible to participate in forthcoming Rights Issue (as defined and further explained above); and

(e) Matador to receive a 5% capital raising fee on the amount of the Convertible Loan pursuant to the terms of the sub-underwriting arrangements referred to above. Otherwise, there are no fees or interest payable in relation to the Converting Loan (other than default interest in the event of late payment.

If Shareholders have not approved the Acquisition within 3 months of the execution of the Convertible Loan Agreement, Matador will elect to either be repaid in cash or convert the Convertible Loan at the Conversion Price. The Company successfully received shareholder approval on 29 August 2019.

First Placement, Second Placement and Rights Issue

The Company released a Notice of Meeting post balance date on 23 July 2019 which includes resolutions to approve the Acquisition and the capital raisings referred to above and related matters.

The Notice of Meeting includes a detailed timetable in relation to the Rights Issue and the First Placement.

Settlement of the Second Placement will be conditional on satisfaction of the key conditions precedent to completion of the Acquisition.

The Company is pleased to advise that subsequent to the announcement on 23 July 2019, the Company has now issued a total of 124,965,202 fully paid ordinary shares (**Placement**) at an issue price of 2.0 cents per share to raise approximately $2.5million before costs.

A total of 124,965,202 shares were issued under the Placement approved by Shareholders at the General Meeting held on 29 August 2019 (together with 1 free attaching option for every 2 shares subscribed for the issued under the placement totalling 62,482,626 issued) to raise approximately $2,500,000.

Hylea Project

With the drill maiden program undertaken in 2018, having identified high grade cobalt, platinum, scandium and nickel, the Company continues to look for funding options to progress the Tigers Creek prospect and conduct additional work on the broader tenement package. An impediment to progressing the project has been the weakness in the global cobalt market which has made it difficult to attract funding. The Company will continue to explore various options to progress the project including finding a joint venture partner or negotiating farm-in arrangement.

The Hylea Project is located in the Fifield "Battery Metals" District and is just 50km from CleanTeq's Sunrise project. The Fifield district also hosts Australian Mines' (ASX: AUZ) Flemington project and Platina Resources (ASX: PGM) Owendale Project. The Hylea Project encapsulates the Hylea and adjoining Bulbodney zoned ultramafic Intrusive Complexes, which are comparable scale intrusive complexes with very similar source geology, and laterite development as Sunrise, Flemington and Owendale. However, Hylea has received comparably very little exploration, which principally targeted platinum, nickel and vermiculite but not cobalt.

Hylea Project - Tigers Creek

The Tiger's Creek prospect is located on the eastern edge of the zoned 8km x 3.5km Hylea Ultramafic Intrusive Complex which is comprised of dunite – pyroxenite – hornblendite – monzonite rock types, overlain by a 10m to 70m thick in-situ regolith profile including laterite. The laterite sequence hosts cobalt – nickel – platinum and scandium mineralisation consistent with the nearby Sunrise (CleanTeq), Flemington (Australian Mines) and Owendale (Platina Resources) resources. The Hylea Intrusive Complex is a comparable scale intrusive complex with very similar source geology, and laterite development as Sunrise, Flemington and Owendale.

High-grade cobalt had historically been intersected in 19 of the 31 holes drilled at Tiger's Creek by previous explorers who targeted platinum, with results such as 7m at 0.32% cobalt, including 1m @ 0.64% Co (hole HRC007) and 8m at 0.27% cobalt, including 1m @ 0.85% Co (hole HRC003) returned. This drilling also intersected significant nickel, platinum and scandium including 5m @ 504ppm Scandium within 13m @ 355ppm Sc from 12m (hole HRC009), and 4m @ 460ppm Scandium from 9m, within 17m @ 323ppm Scandium (hole HRC004) (ASX: HCO 6 December 2017 "Acquisition of NSW Cobalt Nickel Project").

As a result of the previous exploration the Company targeted Tiger's Creek for its maiden drill program with outstanding success.

A 54 hole, 3,612m drill program was completed between April and May 2018 and resulted in the confirmation and enhancement of the work conducted by previous explorers. The existence of high-grade cobalt-nickel-platinum (ASX: HCO 27 June 2018 "High Grade Drilling Results at Tiger's Creek", ASX: HCO 9 July 2018 "Emerging Discovery – Further Outstanding Drill Results", ASX: HCO 14 August 2018 "High Grade Scandium & Cobalt Drilling Results Tiger's Creek". Results from the first 12 holes were released on 27 June 2018, subsequent results listed below were released after the June 30 reporting period but are included for completeness) was confirmed with best results.

COMPETENT PERSONS STATEMENT

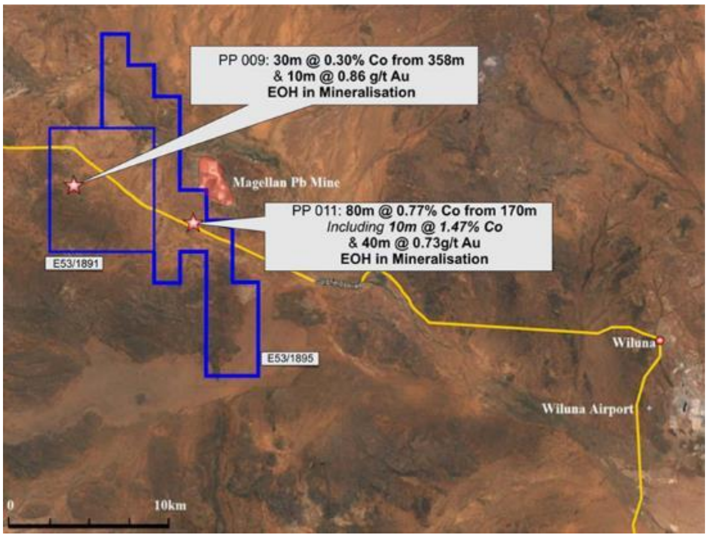
The information in this document that relates to Exploration Results for the Hylea Project is based on information compiled by Mr Darren Glover who is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM). Mr Glover has over 20 years' experience in the mineral and mining industry. Mr Glover is a consultant to Lotus Resources, and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glover consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ashburton Project

The Joint venture partners agreed to surrender the tenements so the Company can pursue other projects and during 2019 all tenements were surrendered. The Company surrendered two tenements in April 2019 and the remaining two tenements were surrendered post balance date in August 2019.

Tabac Project

The Company is currently re-assessing Tabac Cobalt-Gold Project. The Tabac Project is located on the Goldfields Highway 30km west of Wiluna and 135km east of Meekatharra in the Northern Goldfields Region of Western Australia. The Project sits adjacent to the Paroo Station Mine and camp (previously known as the Magellan Lead Mine).



The Project consists of two exploration licence applications (ELA's), 53/1891 and 53/1895, covering a combined area of 111.5km^2.

The Company completed rehabilitation works for the previous drilling.

Given the disappointing drilling results, the Company is reviewing options for this project.

LOTUS
RESOURCES LIMITED

TENEMENT SCHEDULE

Lotus Resources Limited Tenement Schedule as at 27 September 2019

Project	Tenement	Area (km^2)	Status	Registered Holder	Ownership	Grant Date
New South Wales						
Hylea	EL8520	35.09	Granted	Providence Metals Pty Ltd	100%	21/2/2017
	EL8641	140.35	Granted	Providence Metals Pty Ltd	100%	31/8/2017
	EL8801	175.44	Granted	Providence Metals Pty Ltd	100%	16/10/2018
Western Australia						
Tabac	E53/1891	49.14	Granted	Providence Metals Pty Ltd	100%*	13/01/2017
	E53/1895	63.27	Granted	Providence Metals Pty Ltd	100%*	01/03/2017

*Held in the name of PR Gianni.

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 S Andrew	Managing Director – Appointed 2 January 2019
Mr T Kestell	Non-Executive Director
Mr D Berrie	Managing Director – Resigned 2 January 2019, Company Secretary – Appointed 31 October 2018, resigned 2 January 2019
Mr M Milazzo	Non-Executive Director
Mr Keong Chan	Non-Executive Director & Company Secretary – Resigned 31 October 2018

NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group. No advice was obtained during the year.

Further information on the Nomination and Remuneration Committee's role, responsibilities and membership is set out in the section entitled Corporate Governance Statement in this Annual Report.

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.

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 annum. Directors' fees cover all main board activities and membership of committees.

There is currently no performance related compensation for non-executive directors in place.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION STRUCTURE (cont'd)

Non-executive director remuneration (cont'd)

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

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of these employment agreements are provided below.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation funds.

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

Short-term and Long-term incentive

The Group does not have any short-term and long-term incentive plans.

REMUNERATION STRUCTURE (cont'd)

Consequences of performance on shareholder wealth (cont'd)

Due to the Group currently being in an evaluation and developmental phase, the Group's earnings are not considered to be a principal performance indicator. However, the overall level of key management personnel remuneration takes into account the achievement of strategic objectives, service criteria and growth in share price.

There were no performance related remuneration transactions during the financial year (2018: nil).

EMPLOYMENT AND CONSULTANCY AGREEMENTS

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

During the financial year ended 30 June 2019, the following base salary applies:

Name	Base Salary/fees (p.a)	Term of Agreement	Notice Period
Mr D Berrie (i)	$270,000	No fixed term	6 months
Mr S Andrew (ii)	$108,000	No fixed term	3 months
Mr M Milazzo	$36,000	No fixed term	3 months
Mr K Chan (iii)	$84,000	No fixed term	3 months
Ms T Kestell	$36,000	No fixed term	3 months

(i) Resigned 2 January 2019
(ii) Appointed 2 January 2019
(iii) Resigned 31 October 2018

Executives have no entitlement to termination payment in the event of removal for misconduct.

No remuneration consultants have been used during the year.

AUDITED REMUNERATION REPORT (cont'd)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the Group are:

		SHORT TERM		POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Non-Monetary $	Superannuation $	Options $	Total $	Fixed Remuneration %	Performance Based Remuneration %
Directors								
Non-executive								
Mr K Chan (i)	2019	12,000	-	-	-	12,000	100%	-
	2018	84,000	-	-	-	84,000	100%	-
Mr M Milazzo	2019	36,000	-	-	-	36,000	100%	-
	2018	12,000	-	-	-	12,000	100%	-
Mr T Kestell	2019	36,000	-	7,125	-	43,125	100%	-
	2018	30,000	-	-	-	30,000	100%	-
Mr J Chen (iii)	2019	-	-	-	-	-	-	-
	2018	3,653	-	347	-	4,000	100%	-
Executive								
Mr G Xu (ii)	2019	-	-	-	-	-	-	-
	2018	24,000	-	2,280	-	26,280	100%	-
Mr S Andrew (iv)	2019	54,000	-	-	-	54,000	100%	-
	2018	-	-	-	-	-	-	-
Mr D Berrie (v)	2019	170,400	-	11,756	-	182,156	100%	-
	2018	112,500	-	10,688	-	123,188	100%	-
Total, all directors	**2019**	308,400	-	18,881	-	327,281		
and executive	**2018**	266,153	-	13,315	-	279,468		

(i) Resigned 31 October 2018
(ii) Resigned 5 February 2018
(iii) Resigned 1 November 2017
(iv) Appointed 2 January 2019
(v) Resigned 2 January 2019

SHARE-BASED COMPENSATION

There were no share-based remuneration transactions during the year.

USE OF REMUNERATION CONSULTANTS

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

AUDITED REMUNERATION REPORT (cont'd)

VOTING AND COMMENTS MADE AT THE COMPANY'S 2018 ANNUAL GENERAL MEETING

Lotus Resources Limited received 73% of "yes" votes on its remuneration report for the 2018 financial year. The remuneration report solution received a "first strike", representing a "no" vote from 27% of shareholders voting at the meeting, either personally or by proxy. The Company has made no changes to its' current remuneration structure, since the AGM results. 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

2019	Held at 1 July 2018	Granted as compensation	Exercised	Other changes	Held at date of resignation	Held at 30 June 2019	Vested during the year
Mr S Andrew(i)	-	-	-	-	-	-	-
Mr D Berrie (ii)	-	-	-	-	-	-	-
Mr M Milazzo	-	-	-	-	-	-	-
Mr K Chan (iii)	5,000,000	-	-	-	5,000,000	-	-
Mr T Kestell	-	-	-	-	-	-	-

(i) Appointed 2 January 2019
(ii) Resigned 2 January 2019
(iii) Resigned 31 October 2018

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

2019	Held at 1 July 2018	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2019
Mr S Andrew (i)	-	-	-	-	-	-	-
Mr D Berrie (ii)	3,000,000	-	-	-	-	(3,000,000)	-
Mr M Milazzo	-	-	-	-	-	-	-
Mr K Chan (iii)	-	-	-	-	-	-	-
Mr T Kestell	-	-	-	-	-	-	-

(i) Appointed 2 January 2019
(ii) Resigned 2 January 2019
(iii) Resigned 31 October 2018

Other key management personnel transactions with the Group

The Company received $16,966 from Superior Lake Resources Ltd as accounting charges and rent sub-leased office premises, a company in which Mr Keong Chan is a director.

On 29 April 2019, the Company entered into a loan agreement with Neon Capital Ltd for $150,000. The terms of the loan were for the loan to be repaid by 30 September 2019. Interest payable at 8% per annum. Neon Capital Ltd has subsequently participated in the rights issue and the loan was repaid on 23 September 2019. Tim Kestell is a director of Neon Capital Ltd.

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

AUDITED REMUNERATION REPORT (cont'd)

Amounts owed to related parties

As at the reporting date, there were no amounts owing to related parties.

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

Additional Information

The earnings of the Group for the five years to 30 June 2019 are summarised below:

	2019	**2018**	**2017**	**2016**	**2015**
	$	$	$	$	$
Sales revenue	Nil	Nil	Nil	Nil	Nil
EBITDA	(813,199)	(2,149,968)	(1,858,796)	(6,847,799)	(11,600,310)
EBIT	(821,364)	(2,171,217)	(1,885,394)	(6,873,784)	(11,626,307)
Loss after Income Tax	(821,364)	(2,171,217)	(1,873,559)	(6,873,784)	(11,626,307)

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

	2019	**2018**	**2017**	**2016**	**2015**
Dividends paid	Nil	Nil	Nil	Nil	Nil
Share price at end of the year	4.5 cents	0.7 cents	0.5 cents	0.3 cents	0.7 cents
Basis loss per share	0.82 cents	0.14 cents	0.90 cents	3.33 cents	5.63 cents

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

CORPORATE GOVERNANCE STATEMENT

The Board and management of Lotus Resources Limited (**Lotus Resources** or the **Company**) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASXCGC Principles and Recommendations (ASXCGP) have been revised under Edition 3 and notes that as this Report outlines the Company's corporate governance framework in place for the year ended 30 June 2019, it is reporting against Edition 2. The Company is currently in the process of reviewing its corporate governance framework in light of Edition 3 additions and modifications.

The Company's corporate governance policies are available on the Company's website: www.lotusresources.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under a Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives has taken place in the reporting period and was carried out in accordance with the process disclosed.

The Board Charter and Performance Evaluation Process are available on the Lotus Resources website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board currently consists of a managing director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

There is no Chairman of the Board. The Board considers that this composition is appropriate given the current size of the Company. The Board Charter summarises the roles and responsibilities of the Managing Director, Mr Andrew.

Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive directors and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

The Board are assessed to be independent directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members and is chaired by Mr Andrew (from 2 January 2019.

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

In accordance with Recommendation 2.4 the Nomination and Remuneration Committee consist of a majority of independent directors.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a managing director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the company secretary is a matter for the Board. Information on the skills, experience and qualifications of the company secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee and individual directors have taken place in the reporting period and were carried out in accordance with the process disclosed.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Lotus Resources website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Code of Conduct applies to all directors and officers of the Company. It sets out Lotus Resources's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Diversity Policy

The Board has adopted a Diversity Policy which sets out the Company's aims and practices in relation to recognising and respecting diversity in employment. The Policy reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.

The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at the date of this report is as follows:

	%
Women employees in the whole organisation	25%
Women in Senior Executive positions	25%
Women on the Board of Directors	0%

The Board acknowledges the absence of female participation on the Board of Directors. However, as noted above, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company is at variance with Recommendation 3.3 in that it has not set or disclosed measurable objectives for achieving gender diversity in accordance with its Diversity Policy. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Code of Conduct and Diversity Policy are available on the Lotus Resources website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

There is no Audit and Risk committee, the related duties are discharged by the Board. The Board considers that this composition is appropriate given the current size of the Company. The Board considers it is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

External auditor

The Board reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is RSM Australia Partners (RSM). The appointment of RSM was ratified by members at the Annual General Meeting held on 26 November 2015.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Lotus Resources website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the Lotus Resources website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Lotus Resources recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Risk oversight

Lotus Resources's risk management framework is supported by the Board of Directors and the management. The Board is responsible for approving and reviewing the Company'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 also has, where required, delegated responsibilities in relation to risk management and the financial reporting process.

Reporting and assurance

When reviewing the financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer, that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director also confirms to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

The Risk Management Policy is available on the Lotus Resources website.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2007 General Meeting, is not to exceed $500,000 per annum.

There is currently no performance related compensation for non-executive directors in place.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	**Lay solid foundations for management and oversight**		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 29
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 29
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 29
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	Yes	Website & Page 29
Rec 2.2	The chairman should be an independent director.	N/A	Website & Page 29
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 29
Rec 2.4	The board should establish a nomination committee.	Yes	Website & Page 30
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 30
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 30

CORPORATE GOVERNANCE STATEMENT (cont'd)

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 3	**Promote ethical and responsible decision making**		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website & Page 30
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website & Page 31
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	No	Website & Page 31
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website & Page 31
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 31
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	No	Website & Page 31
Rec 4.2	The audit committee should be structured so that it:		Website & Page 31
	▪ consists only of non-executive directors;	No	
	▪ consists of a majority of independent directors;	No	
	▪ is chaired by an independent chair, who is not the chair of the board; and	No	
	▪ has at least three members.	No	
Rec 4.3	The audit committee should have a formal charter.	No	Website & Page 31
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 31
Pr 5	**Make timely and balanced disclosure**		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 32
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 32
Pr 6	**Respect the rights of shareholders**		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 32
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 32

CORPORATE GOVERNANCE STATEMENT (cont'd)

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 7	**Recognise and manage risk**		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 32
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 32
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 32
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 32
Pr 8	**Remunerate fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 33
Rec 8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair; and ▪ has at least three members.	Yes	Website & Page 33
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 33
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 33

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Other income	3	41,683	215,778
Corporate and administrative expenses	3	(790,890)	(904,613)
Exploration and evaluation salary and general expenses		(72,157)	(684,811)
Exploration and evaluation assets written off	9	-	(797,571)
Loss before income tax		**(821,364)**	**(2,171,217)**
Income tax expense	5	-	-
Loss after income tax		**(821,364)**	**(2,171,217)**
Other comprehensive loss			
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of Lotus Resources Limited		**(821,364)**	**(2,171,217)**
Loss per share for the year attributable to the owners of Lotus Resources Limited			
Basic and diluted loss per share (cents)	17	(0.82)	(0.14)

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 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
CURRENT ASSETS			
Cash and cash equivalents	6	72,846	1,081,231
Other receivables	7	63,678	102,130
Total Current Assets		**136,524**	**1,183,361**
NON CURRENT ASSETS			
Plant and equipment	8	1,917	4,721
Exploration and evaluation assets	9	11,789,470	11,553,758
Total Non Current Assets		**11,791,387**	**11,558,479**
TOTAL ASSETS		**11,927,911**	**12,741,840**
CURRENT LIABILITIES			
Trade and other payables	10	236,758	379,323
Borrowings	11	150,000	-
Total Current Liabilities		**386,758**	**379,323**
TOTAL LIABILITIES		**386,758**	**379,323**
NET ASSETS		**11,541,153**	**12,362,517**
EQUITY			
Contributed equity	12	43,790,848	43,790,848
Reserves	13	1,064,439	1,064,439
Accumulated losses	14	(33,314,134)	(32,492,770)
TOTAL EQUITY		**11,541,153**	**12,362,517**

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 2019

Consolidated 2019	**Contributed Equity**	**Share Based Payment Reserve**	**Option Premium Reserve**	**Accumulated Losses**	**Total Equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2018	**43,790,848**	**46,040**	**1,018,399**	**(32,492,770)**	**12,362,517**
Other Comprehensive Loss for the year	-	-	-	-	-
Loss for the year	-	-	-	(821,364)	(821,364)
Total comprehensive loss for the year	-	-	-	(821,364)	(821,364)
Balance at 30 June 2019	**43,790,848**	**46,040**	**1,018,399**	**(33,314,134)**	**11,541,153**

Consolidated 2017	**Contributed Equity**	**Share Based Payment Reserve**	**Option Premium Reserve**	**Accumulated Losses**	**Total Equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2017	**33,148,376**	**46,040**	**228,637**	**(30,321,553)**	**3,101,500**
Other Comprehensive Loss for the year	-	-	-	-	-
Loss for the year	-	-	-	(2,171,217)	(2,171,217)
Total comprehensive loss for the year	-	-	-	(2,171,217)	(2,171,217)
Transactions with equity holders in their capacity as equity holders	**10,642,472**	**-**	**789,762**	**-**	**11,432,234**
Balance at 30 June 2018	**43,790,848**	**46,040**	**1,018,399**	**(32,492,770)**	**12,362,517**

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 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Receipts from customers		37,440	-
Interest received		4,243	25,649
Payments to suppliers and employees		(815,023)	(755,341)
Net cash outflow from operating activities	20	(773,340)	(729,692)
Cash flows from investing activities			
Payments for plant and equipment		(5,361)	-
Payments for exploration expenditure – acquisition costs		-	(4,000,000)
Payments for exploration expenditure – capitalised costs		(379,684)	(565,584)
Proceeds from sales of plant and equipment		-	5,600
Proceeds from sales of prospects		-	150,000
Net cash outflow from investing activities		(385,045)	(4,409,984)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,013,783
Proceeds from Loan		150,000	-
Share issue transaction costs		-	(19,050)
Net cash inflow from investing activities		150,000	3,994,733
Net decrease in cash held		**(1,008,385)**	**(1,144,943)**
Cash and cash equivalents at the beginning of the financial year	6	1,081,231	2,226,174
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	6	**72,846**	**1,081,231**

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") have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 27 September 2019 by the Directors of the Company.

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*.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss of $821,364 and had net cash outflows from operating and investing activities of $773,340 and $385,045 respectively for the year ended 30 June 2019. As at that date, the consolidated entity had net current liabilities of $250,234.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

1. As announcement on 24 June 2019, the Company entered into an agreement with Paladin Energy Limited (ASX: PDN), pursuant to which the Company has agreed, subject to the satisfaction of certain conditions precedent, to acquire 65% interest in the Kayelekera Uranium Project ("Acquisition") in Malawi. In connection with the Acquisition, the Company proposed to conduct capital raisings to raise between $8,000,000 and $8,500,000 as follows:

   a) A placement of 150,000,000 shares to sophisticated and professional investors at an issue price of $0.02 per share to raise $3 million (before costs), together with one free attaching option to acquire a share exercisable at $0.04 each on or before the date which is 3 years from grant (option) for every two shares issued (First Placement);

   b) An underwritten non-renounceable rights issue at an issue price of $0.02 per share to raise $1 million (before costs), together with one free attaching option for every two shares issued (Rights Issue); and

   c) A further placement of between 200,000,000 and 225,000,000 shares to sophisticated and professional investors at an issue price of $0.02 per share to raise between $4 million and $4.5 million (before costs), together with one free attaching Option for every two shares issued (Second Placement). Settlement of the Second Placement will be conditional on satisfaction of the key conditions' precedent to completion of the Acquisition.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern (Continued)

2. Subsequent to the reporting date, $2,931,071 was received pursuant to the First Placement; and

3. Rights Issue closed on 18 September 2019 and $735,673 was received. Pursuant to an underwriting agreement, the shortfall of $265,724 is underwritten.

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 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lotus Resources Limited as at 30 June 2019 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.

Significant 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 statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined 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 activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. 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.

Summary of Significant Accounting Policies

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of Lotus Resources Limited is Australian Dollars ($).

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 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. This includes start up operations which are yet to earn revenues. 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.

Cash and cash equivalents

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.

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.

Revenue recognition

The consolidated entity recognises revenue as follows:

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.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

Earnings per share

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.

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, it's 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.

NOTES TO THE FINANCIAL STATEMENTS

Exploration and evaluation expenditure

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.

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.

Plant and equipment

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 diminishing value method over their estimated useful lives of each part of an item of plant and equipment. The depreciation rates used for each class of asset for the current period are as follows:

- Plant and Equipment 33%
- Fixtures and Fittings 25%
- Motor Vehicles 25%

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

(a) except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

(a) except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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 has unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

Goods and Services Tax

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 Australian Tax Office (**ATO**). 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 ATO 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 ATO are classified as operating cash flows.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Trade and other payables

Liabilities are initially recognised at fair value and subsequently measured at cost for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days.

Loans and borrowings

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

Contributed equity

Ordinary shares are classified as equity.

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.

If the Company reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Share-based payment transactions

Equity-settled and cash-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Share-based payment transactions (cont'd)

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.

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.

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
There is immaterial impact on transactions and balances recognised in the financial statements.

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 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out in the next page.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S (c o n t ' d)

New Accounting Standards and Interpretations not yet mandatory or early adopted (cont'd)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in total assets increasing by $50,859 and total liabilities increasing by $50,859.

2. 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. Further quantitative disclosures are included in Note 15.

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.

2. FINANCIAL RISK MANAGEMENT (cont'd)

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.

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 not materially exposed to foreign currency risk.

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.

Other market price risk

The Group is involved in the exploration and development of mining tenements for minerals. Should the Group successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices.

Fair value measurements

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	Consolidated 2019 $	Consolidated 2018 $
3. OTHER INCOME AND EXPENSES		
(a) Other income		
Interest income	4,243	25,677
Sale of prospects	-	150,000
Other	37,440	40,101
	41,683	215,778
(b) Employee benefits expense		
Wages and salaries	191,894	189,952
Superannuation	20,068	18,273
	211,962	208,225
(c) Depreciation included in statement of profit or loss and other comprehensive loss		
Office plant and equipment	8,165	3,202
Motor vehicles	-	18,047
	8,165	21,249
(d) Minimum lease payment		
Rent and outgoings	67,841	69,170
	67,841	69,170

4. AUDITOR'S REMUNERATION

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

Audit services:		
RSM Australia Partners		
- audit and review of financial reports	28,500	28,500
	28,500	28,500

5. TAXATION

(a) Income tax expense	-	-
(b) Numerical reconciliation between tax expense and pre-tax net loss		
Loss before income tax expense	(821,364)	(2,171,217)
Income tax benefit calculated at rates noted in (d) below	(246,409)	(651,365)
Tax effect on amounts which are not tax deductible:		
Section 40-880 deduction	-	-
Non-deductible expenses	101	239,466
Deferred tax asset not brought to account	246,308	411,899
Income tax expense	-	-

5. TAXATION (CONT'D)

	Consolidated 2019 $	Consolidated 2018 $
(c) Deferred tax assets not brought to account		
Unused tax losses	8,746,267	8,499,858
Timing differences	13,750	5,500
Capital raising costs in equity	-	-
Exploration expenditure	(3,536,841)	(3,466,127)
Deferred tax assets not brought to account	5,223,176	5,039,231

(d) Tax Rates

The potential tax benefit in respect of tax losses not brought into account has been calculated at 30.0% (2018: 27.5%).

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	72,846	966,143
Term deposits	-	115,088
	72,846	1,081,231

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 15.

7. OTHER RECEIVABLES

Other receivables	63,678	102,130

The Group's exposure to credit risk related to other receivables is disclosed in Note 15.

Allowance for expected credit losses
The Group did not recognise any losses of (2018: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

8. PLANT AND EQUIPMENT	Furniture & Fixtures $	Plant & Equipment $	Motor Vehicles $	Total $
At 30 June 2019 (Consolidated)				
Cost	75,896	9,354	26,000	111,250
Accumulated depreciation	(73,979)	(9,354)	(26,000)	(109,333)
Net carrying amount	1,917	-	-	1,917
Year ended 30 June 2019 (Consolidated)				
At 1 July 2018, net of accumulated depreciation	4,721	-	-	4,721
Additions	5,361	-	-	5,361
Depreciation charge for the year	(8,165)	-	-	(8,165)
At 30 June 2019, net of accumulated depreciation	1,917	-	-	1,917
At 30 June 2018 (Consolidated)				
Cost	75,123	9,354	127,536	212,013
Accumulated depreciation	(70,402)	(9,354)	(127,536)	(207,292)
Net carrying amount	4,721	-	-	4,721
Year ended 30 June 2018 (Consolidated)				
At 1 July 2017, net of accumulated depreciation	7,923	-	18,291	26,214
Disposals	-	-	(244)	(244)
Depreciation charge for the year	(3,202)	-	(18,047)	(21,249)
At 30 June 2018, net of accumulated depreciation	4,721	-	-	4,721

9. EXPLORATION AND EVALUATION ASSETS	Consolidated 2019 $	Consolidated 2018 $
Exploration and evaluation expenditure carried forward in respect of areas of interest (net of amounts written off)	11,789,470	11,553,758
Reconciliation		
Carrying amount at the beginning of the year	11,553,758	785,745
Exploration and evaluation expenditure	235,712	565,584
Assets acquired	-	11,000,000
Capitalised expenditure written off	-	(797,571)[(i)]
Carrying amount at the end of the year	11,789,470	11,553,758

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. Exploration and evaluation expenditure immediately expensed in profit or loss for the financial year amounted to $72,157 (2018: $684,811).

(i) The basis for write off is due to management's assessment that the carrying value of the project has been deemed unrecoverable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. TRADE AND OTHER PAYABLES	Consolidated 2019 $	Consolidated 2018 $
Trade payables	186,758	319,423
Other payables and accruals	50,000	59,900
	236,758	379,323

The Group's exposure to credit and liquidity risks related to trade and other payables are disclosed in Note 15.

11. BORROWINGS	Consolidated 2019 $	Consolidated 2018 $
Loan payable	150,000	-

This loan payable from Neon Capital Ltd, is with interest rate of 8% per annum, repayable by 30 September 2019.

The loan was fully repaid on 23 September 2019.

12. CONTRIBUTED EQUITY

Fully paid ordinary shares	43,790,848	43,790,848

	2019 Number of Shares	2018 Number of Shares	2019 $	2018 $
Movements during the year:				
Opening balance	2,803,873,559	737,927,748	43,790,848	33,148,376
Shares issued via placement of shares	-	1,003,445,811	-	4,013,783
Shares issued for acquisition of Hylea Project (i)	-	1,000,000,000	-	7,000,000
Introduction shares (ii)	-	62,500,000	-	437,500
Share issue costs	-	-	-	(808,811)
Share consolidation 28:1(iii)	(2,703,734,365)	-	-	-
Closing balance	100,139,194	2,803,873,559	43,790,848	43,790,848

(i) This is as part consideration for the purchase of the Hylea project which shares were valued at $0.007 per share at acquisition date.
(ii) This is the issue of shares as consideration for the introduction of the acquisition of the Hylea Project and were valued at $0.007 at acquisition date.
(iii)This is the consolidation of ordinary shares on the basis of 28 shares to 1 share.

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.

13. RESERVES	No.	Consolidated 2019 $	No.	Consolidated 2018 $
Share based payments reserve				
Balance at beginning of the year	-	46,040	-	46,040
Share based payments	-	-	-	-
Balance at end of the year	-	46,040	-	46,040
Option premium reserve				
Balance at beginning of the year	215,000,000	1,018,399	15,000,000	228,637
Options issued*	-	-	200,000,000	789,762
Option Consolidation 28 to 1**	(207,321,426)	-	-	-
Balance at end of the year	7,678,574	1,018,399	215,000,000	1,018,399
TOTAL RESERVES	7,678,574	1,064,439	215,000,000	1,064,439

	2019 $	2018 $
Weighted average exercise price of outstanding options (Cents)	0.08	1.14
Weighted average remaining life of outstanding options (Years)	0.58	1.6

*On 5 February 2018, the Company granted 200 million options exercisable at $0.01 per share expiring on 2 February 2020 to Neon Capital Ltd in consideration for underwriting the placement and entitlement issue during the year ended 30 June 2018, with a total fair value of $789,762 recognised as share issue costs in equity.

All options were granted over unissued fully paid ordinary shares in the Company.

The Black-Scholes Model was used to determine the estimated fair value of options granted during the year ended 30 June 2018. The following assumptions were used:

No. of options	200,000,000
Grant Date	5 February 2018
Expiry Date	2 February 2020
Share price at grant ($)	0.007
Exercise Price ($)	0.01
Expected volatility (%)	125
Risk-free interest rate (%)	2.53
Option life (years)	2.00
Option value per option ($)	0.0039

** On 2 May 2019 the Company completed a consolidation of options on the basis of 28 to 1.

13. RESERVES (CONT'D)

Performance shares
In the period ended 30 June 2017 the Company completed the acquisition of the Tabac project. As part of the purchase consideration, 62,500,000 performance shares were issued to the shareholders of Westview Resources Pty Ltd. The performance shares were valued at nil as the probability of performance hurdles being met was assessed as less than probable as of acquisition date, as of 30 June 2018 and as of 30 June 2019.

Details of performance shares and performance hurdles

(i) Class A - 31,250,000 performance shares: the achievement of an Inferred Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements; and

(ii) Class B - 31,250,000 performance shares: the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements.

On 2 May 2019 the Company completed a consolidation of performance shares on the basis of 28 to 1. As of 30 June 2019, there are 2,232,143 performance shares (30 June 2018: 62,500,000).

Share- based payments reserve

This reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration.

Option premium reserve

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

Option expired

No options expired during or since the end of the year.

14. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(32,492,770)	(30,321,553)
Loss for the year	(821,364)	(2,171,217)
Accumulated losses at the end of the year	(33,314,134)	(32,492,770)

15. FINANCIAL INSTRUMENTS

For financial risk exposure and management objectives please refer to note 2.

Credit risk

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 2019 $	Consolidated 2018 $
Cash and cash equivalents	72,846	1,081,231
Other receivables	63,678	102,130
	136,524	1,183,361

Liquidity risk

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 2019	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	236,758	(236,758)	(236,758)	-	-
Borrowings	150,000	(150,000)	(150,000)	-	-
	368,235	(368,235)	(368,235)	-	-

Consolidated 30 June 2018	Carrying amount	Contractual cash flows	1 year	2-5 years	>5 years
Financial Liabilities					
Trade and other payables	379,323	(379,323)	(379,323)	-	-
	379,323	(379,323)	(379,323)	-	-

15. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Interest rate risk

Profile

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

	Carrying Amount Consolidated 2019 $	Carrying Amount Consolidated 2018 $
Variable rate instruments		
Financial assets	72,846	1,081,231
Financial liabilities	-	-
	72,846	1,081,231

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 2018.

	Consolidated 2019 +100 basis points Profit $	+100 basis points Equity $	-100 basis points Profit $	-100 basis points Equity $
Financial instruments with interest rate				
Financial assets	73	73	(73)	(73)
Financial liabilities	-	-	-	-

	Consolidated 2018 +100 basis points Profit $	+100 basis points Equity $	-100 basis points Profit $	-100 basis points Equity $
Financial instruments with interest rate				
Financial assets	10,812	10,812	(10,812)	(10,812)
Financial liabilities	-	-	-	-

The weighted average effective interest rate on variable rate instruments was 0.50% (2017: 0.64%).

16. COMMITMENTS

Operating lease commitment

The Company leases its office in West Perth, Western Australia.

Future minimum rentals payable under the non-cancellable operating lease as at 30 June are as follows:

	Consolidated 2019 $	Consolidated 2018 $
Not longer than 1 year	37,424	30,918
Longer than 1 year and not longer than 5 years	15,910	102,524
Longer than 5 years	-	-
	53,334	133,442

16. COMMITMENTS (CONT'D)

Exploration Project commitments

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. The total exploration minimum expenditure commitments of the Group amount to $151,000 (2018: $272,000) per annum, these commitments are not reflected in the financial statements. There is no commitment longer than 1 year and no commitment not longer than 5 years and no commitment longer than 5 years for the years ended 30 June 2019 and 30 June 2018.

17. LOSS PER SHARE

		Consolidated 2019 $	Consolidated 2018 $
a.	Reconciliation of earnings to profit or loss:		
	Loss	(821,364)	(2,171,217)
	Loss used to calculate basic EPS	(821,364)	(2,171,217)
	Loss used in the calculation of dilutive EPS	(821,364)	(2,171,217)
		No.	**No.**
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	100,139,194	1,582,594,698
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	100,139,194	1,582,594,698

18. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board of Directors based on the phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets; and
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board of Directors as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year ended 30 June 2019 and 2018, the Group had no development assets. The Board of Directors considers that it has only operated in one segment, being mineral exploration within Australia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Group basis.

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

Revenues of Nil (2018: Nil) are derived from a single external customer.

19. RELATED PARTY DISCLOSURES

(a) Ultimate parent
Lotus Resources Limited (formerly Hylea Metals Limited) is the ultimate Australian entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel compensation

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

	2019 $	2018 $
Short-term employee benefits	308,400	266,153
Post-employment benefits	18,881	13,315
	327,281	279,468

(d) Loans to related parties

No loans were advanced to related parties during the reporting year (2018: Nil).

(e) Amounts owed to related parties

As at the reporting date, no fees were owing to related parties (2018: $3,000 owed to Director, Mark Milazzo, for director's fees).

(f) Other key management personnel transactions with the Group

During the year ended 30 June 2019, the Company received $16,966 from Superior Lake Resources Ltd as accounting charges and rent sub-leased office remises, a company in which Mr Keong Chan is a director (30 June 2018: $35,231).

On 29 April 2019, the Company entered into a loan agreement with Neon Capital Ltd for $150,000. The terms of the loan were for the loan to be repaid by 30 September 2019. Interest payable at 8% per annum. Neon Capital Ltd has subsequently participated in the rights issue and the loan was repaid on 23 September 2019. Tim Kestell is a director of Neon Capital Ltd.

2018: On 5 February 2018, the Company granted 200 million options exercisable at $0.01 per share expiring on 2 February 2020 to Neon Capital Ltd in consideration for underwriting the placement and entitlement issue during the year, with a total fair value of $789,762 recognised as share issue costs in equity. Tim Kestell is a director of Neon Capital Ltd.

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

20. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities		
Loss for the year	(821,364)	(2,171,217)
Adjustments for:		
Depreciation	8,165	21,249
Asset Impairment	-	797,571
Share based expenditure	-	437,500
Profit from sale of assets	-	(155,356)
Operating loss before changes in working capital	(813,199)	(1,070,253)
Change in other receivables	38,452	(19,641)
Change in trade and other payables	1,407	360,201
Net cash used in operating activities	(773,340)	(729,693)

21. SHARE-BASED PAYMENTS

No share-based payments were entered into in 2019.

The following share-based payment arrangements were entered into during the year ended 30 June 2018:

	$
Shares issued to advisors as consideration for introduction of acquisition (i)	437,500
Total share-based payments included in statement of profit or loss and other comprehensive income as exploration and evaluation salary and general expenses	437,500
Unlisted options issued to advisers in lieu of services (ii)	789,762
Total share-based payments included in statement of financial position as capital raising costs	789,762

(i) The fair value of the shares granted are estimated at the date of grant (5 February 2018) based on the market share price on grant date ($0.007).

(ii) The fair value of the options granted are estimated at the date of grant using the Black Scholes valuation model and based on the assumptions set out in note 13.

22. CONTINGENT LIABILITIES

Bank Guarantee

The Company has given bank guarantee of $20,000 (2018: $20,000) to Department of Mines and Petroleum for tenement bond.

Tabac Project

On 7 December 2016, the Company completed the acquisition of the Tabac project. As part of the purchase consideration, 62,500,000 performance shares were issued to the shareholders of Westview Resources Pty Ltd which shall convert to shares in the Company based on the achievement of the performance hurdles. It also assumed a contingent liability for royalty payable.

Performance shares

(i) Class A - 31,250,000 performance shares shall convert to shares in the Company based on the achievement of an Inferred Mineral Resource in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (JORC Code) (including cumulative production) of not less than 50,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements; and

(ii) Class B - 31,250,000 performance shares: shall convert to shares in the Company based on the achievement of an Inferred Mineral Resource in accordance with the JORC Code (including cumulative production) of not less than 100,000 tonnes contained Cobalt at a minimum grade of 0.3% Cobalt within the Tenements.

Royalty

2% net smelter return royalty is payable on the gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. CONTINGENT LIABILITIES (CONT'D)

Hylea Project

On 5 February 2018, the Company completed the acquisition of the Hylea project. As part of the purchase consideration, the Company assumed a contingent liability for royalty payable.

Royalty

1.5% net smelter return royalty is payable on the gross sales of all future metals obtained from the tenements acquired and sold on an arm's length basis.

23. ACQUISITION OF HYLEA PROJECT

2018:
On 5 February 2018, the completion date, Lotus Resources Limited completed the acquisition of Providence Metals Pty Ltd (Providence). The only asset held by Providence are the tenements relating to the Hylea Project. Upon completion of the acquisition, Lotus Resources;

- Issued to the shareholders of Providence 1,000,000,000 fully paid ordinary shares of Lotus Resources, valued at $0.007 cents at the acquisition date;
- Paid $4,000,000 as a cash payment; and
- Obtained a contingent liability for 1.5% net smelter return royalty on the gross sales of all future metals obtained from Tenements and sold on an arm's length basis.

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

	2018 **$**
Purchase consideration paid by Lotus Resources Limited to acquire Providence:	
Cash paid	4,000,000
Ordinary Shares *	7,000,000
Total purchase consideration	**11,000,000**

* The fair value of the shares issued are valued at the date of acquisition (5 February 2018) based on the market share price of $0.007.

The fair value of assets and liabilities recognised as a result of the acquisition are $11,000,000 and Nil, respectively.

	Fair value $
Exploration asset	11,000,000
Liabilities	-
Net assets acquired	11,000,000

24. PARENT ENTITY DISCLOSURES

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	**2018**
	$	**$**
Loss after income tax	(1,728,656)	(2,171,217)
Total comprehensive loss	(1,728,656)	(2,171,217)

Statement of financial position

	Parent	
	2019	**2018**
	$	**$**
Total current assets	117,822	1,183,361
Total assets	11,001,917	12,467,610
Total current liabilities	368,056	105,093
Total liabilities	368,056	105,093
Equity		
Issued capital	43,790,848	43,790,848
Reserves	1,064,439	1,064,439
Accumulated losses	(34,221,426)	(32,492,770)
Total equity	10,633,861	12,362,517

25. 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	Principle place of business/ Country of incorporation	Ownership Interest 2019	2018
		%	%
Westview Resources Pty Ltd	Australia	100%	100%
Providence Metals Pty Ltd	Australia	100%	100%
Lily Resources Pty Ltd	Australia	76.5%*	-

* This entity was incorporated on 5 June 2019. On 29 August 2019, the name of this entity was changed from Lotus Resources Pty Ltd to Lily Resources Pty ltd.

26. EVENTS OCCURING AFTER THE REPORTING DATE

As stated in the Directors' report, the Group has entered into an agreement to acquire a 65% interest in the Kayelekera Uranium Project in Malawi as announced on 24 June 2019. For further information about the project and acquisition details please refer to page 14, review of activities.

On 23 July 2019 the Company announced further capital raising updates to fund the Kayelekera acquisition.

The Company is proposing to fund the Acquisition with capital raisings to raise between $8 million and $8.5 million as follows:

1) a placement of 150,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise $3 million (before costs), together with one free attaching option to acquire a Share exercisable at $0.04 each on or before the date which is 3 years from grant (**Option**) for every two Shares issued (**First Placement**);

2) an underwritten non-renounceable rights issue at an issue price of $0.02 per Share to raise $1 million (before costs), together with one free attaching Option for every two Shares issued (**Rights Issue**); and

3) a further placement of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise between $4 million and $4.5 million (before costs), together with one free attaching Option for every two Shares issued (**Second Placement**). Settlement of the Second Placement will be conditional on satisfaction of the key conditions' precedent to completion of the Acquisition.

The First Placement was to be issued in two tranches:

1) **Tranche 1**: 25,034,798 Shares to be issued under the Company's available placement capacity (15,020,751 Shares to be issued under Listing Rule 7.1 and 10,013,834 issued under Listing Rule 7.1A), with the attaching Options to be issued subject to shareholder approval; and

2) **Tranche 2:** the second tranche of 124,965,202 Shares will be issued subject to shareholder approval.

The Convertible Loan (see below **Convertible Note Agreement** section) replaces Tranche 1 of the First Placement. This is being done so that all Shares issued under the First Placement and the Second Placement will be issued after the record date for the Rights Issue and will not be eligible to participate in the Rights Issue. The Shares issued on conversion of the Convertible Loan will also be issued after the record date for the Rights Issue.

Underwriting arrangements

As announced on 24 June 2019, the Company has received a firm commitment letter from BW Equities Pty Ltd to underwrite the above capital raisings up to $8 million (meaning that $0.5 million of the Second Placement is not underwritten). This underwriting commitment will terminate if each of the following has not been satisfied by 5.00pm (Perth time) on 28 February 2020:

1) the Company obtaining all necessary shareholder approvals for the acquisition and the capital raisings (other than the first tranche of the First Placement);

2) satisfaction of the following conditions precedent to completion of the acquisition:

   (i) all Malawi government consents necessary to complete the acquisition being obtained;

26. EVENTS OCCURING AFTER THE REPORTING DATE (cont'd)

Underwriting arrangements (cont'd)

(ii) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the acquisition being obtained; and

(iii) all consents and approvals required from the noteholders of Paladin Energy Limited to complete the acquisition being obtained.

The Company has agreed to pay an underwriting fee of 5% of the amount of the firm commitment, payable on settlement of the relevant parts of the capital raising.

Convertible Note Agreement

The terms of the Convertible Loan Agreement with Matador Capital Pty Ltd (Matador) include the following:

(a) Subject to shareholder approval, the Convertible Loan will be converted for the issue of Shares at the deemed issue price of $0.02 per Share (Conversion Shares);

(b) Matador will also be issued 1 free attaching Option for every two conversion Share that is issued; Conversion will occur automatically subject to and conditional upon Shareholders approving the Acquisition;

(c) Matador's Conversion Shares will not be issued until after the record date for the Rights Issue, such that the Conversion Shares will not be eligible to participate in forthcoming Rights Issue (as defined and further explained above); and

(d) Matador to receive a 5% capital raising fee on the amount of the Convertible Loan pursuant to the terms of the sub-underwriting arrangements referred to above. Otherwise, there are no fees or interest payable in relation to the Converting Loan (other than default interest in the event of late payment.

Subsequent to 30 June 2019, $500,696 before costs for the convertible loan was received.

Notice of General Meeting

The Company released a Notice of Meeting on 25 July 2019 to gain shareholder approval at a general meeting of shareholders to be held on 29 August 2019 for the acquisition of the Kayelekera Project and capital raising as stated above.

All resolutions were passed, and the Company completed the 1st phase of capital raising and issuing 124,965,202 fully paid ordinary shares at an issue price of 2.0 cents per share to raise approximately $2.5mil before costs along with 1 free attaching option for every 2 shares subscribed for totalling 62,482,626 options with an exercise price of 4.0 cents and expiry date of 12 September 2022.

As a result of the acquisition the Company changed its name to Lotus Resources Limited on 29 August 2019.

On 24 September 2019, the Company announced that its underwritten non-renounceable rights issue (ASX release 23 July 2019) closed on 18 September 2019.

The Company received acceptances for 36,783,627 new shares at an issue price of $0.02 per share for a total of $735,673, representing an approximate 73% take-up. This included participation by a number of major shareholders including Providence Gold and Minerals. Neon Capital limited and Blue Capital Ltd.

Pursuant to the underwriting agreement, BW Equities will allocate the remaining shortfall of 13,286,204 for a total consideration of $265,724.

This will include the issue of 1 free attaching option for every 2 shares issued with an exercise price of $0.04 expiring 3 years from grant, a total of 18,391,813 (subject to rounding on issue).

No other matters or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as stated in Note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 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 Simon Andrew
Managing Director

Dated at Perth, Western Australia this 27th day of September 2019.

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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 consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2019 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.

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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Exploration and Evaluation Assets
Refer to Note 9 in the financial statements</td></tr>
<tr><td>The Group has capitalised exploration and evaluation assets with a carrying value of $11,789,470 as at the reporting date.

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:

• Determination of whether the exploration and evaluation expenditure can be associated with finding specific mineral resources and the basis on which that expenditure is allocated to the area of interest;
• Assessing whether exploration activities have reached a stage at which the existence of an economically recoverable reserves may be determined; and
• Assessing whether any indicators of impairment are present, and if so, judgments applied to determine and quantify any impairment loss.</td><td>Our audit procedures included:

• Obtaining evidence that the Group has valid rights to explore in the specific area of interest;
• Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest;
• Reviewing and enquiring with management the basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves;
• Enquiring with management and reviewing budgets and other documentation as evidence that active and significant operations in, or relation to, the area of interest will be continued in the future; and
• Critically assessing and evaluating management's assessment that no indicators of impairment existed at the reporting date.</td></tr>
<tr><td colspan="2">Going Concern
Refer to Note 1 in the financial statements</td></tr>
<tr><td>For the year ended 30 June 2019, the Group incurred a net loss of $821,364 and had net cash outflows from operating and investing activities of $773,340 and $385,045 respectively for the year ended 30 June 2019. As at that date, the Group had net current liabilities of $250,234.

The financial report has been prepared on the basis of going concern.

The directors' assessment of the Group's ability to continue as a going concern is based on a cash flow budget. This cash flow budget includes future capital raisings.

We determined this assessment of going concern to be a key audit matter due to the significant judgements involved in preparing the cash flow budget.</td><td>Our audit procedures included:

• Assessing the appropriateness and mathematical accuracy of the cash flow budget prepared by management;
• Challenging the reasonableness of key assumptions used, including the likelihood of future capital raisings;
• Critically assessing the directors' reasons of why they believe it is appropriate to prepare the financial report on a going concern basis; and
• Assessing the adequacy of the going concern disclosures in the financial report.</td></tr>
</table>

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 2019 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: http://www.auasb.gov.au/auditors_responsibilities/ar2.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 on pages 23 to 28 for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Lotus Resources Limited, for the year ended 30 June 2019, 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

Perth, WA
Dated: 27 September 2019

TUTU PHONG
Partner

A S X   A D D I T I O N A L   I N F O R M A T I O N

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 13 September 2019.

(a) Twenty largest shareholders

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

Rank	Name	Units	% Units
1	Providence Gold And Minerals Pty Ltd <D Glover & B Harper A/C>	35,714,286	15.87
2	J P Morgan Nominees Australia Pty Limited	15,058,059	6.69
3	Neon Capital Ltd	15,000,000	6.66
4	National Nominees Limited	13,416,072	5.96
5	Sachem Cove Special Opportunities Fund Lp	11,607,143	5.16
6	Merrill Lynch (Australia) Nominees Pty Limited	11,320,542	5.03
7	Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	11,071,429	4.92
8	Tr Nominees Pty Ltd	8,035,714	3.57
9	New Age Group Co Limited	7,298,033	3.24
10	Blue Capital Limited	4,969,443	2.21
11	Mcneil Nominees Pty Limited	3,571,429	1.59
11	Precision Opportunities Fund Ltd <Investment A/C>	3,571,429	1.59
13	Bnp Paribas Nominees Pty Ltd <Ioof Insmt Mgmt Ltd Drp>	2,700,000	1.20
14	Hsbc Custody Nominees (Australia) Limited	2,332,145	1.04
15	At Kiley Superannuation Pty Ltd <At Kiley Sf A/C>	2,321,429	1.03
16	Netwealth Investments Limited <Wrap Services A/C>	2,268,988	1.01
17	Aralad Management Pty Ltd <Trk Super Fund A/C>	2,232,143	0.99
17	Mr Samuel Mccardel <K L Mccardel A/C>	2,232,143	0.99
19	Sargon Ct Pty Ltd <Vp Capital Fund I>	2,185,714	0.97
20	Budworth Capital Pty Ltd <Rolling Hills Capital A/C>	2,000,000	0.89
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**158,906,141**	**70.59**
Total Remaining Holders Balance		**66,198,255**	**29.41**

(b) Distribution of equity security holders

Analysis of numbers of equity security holders by size of holding:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	568	215,126	0.10
1,001 - 5,000	265	731,084	0.32
5,001 - 10,000	194	1,448,195	0.64
10,001 - 100,000	419	14,415,448	6.40
100,001 - 9,999,999,999	159	208,294,543	92.53
Rounding			**0.00**
Total	**1,605**	**225,104,396**	**100.00**

(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Name	Number of Shares	%
PROVIDENCE GOLD AND MINERALS PTY LTD <D GLOVER & B HARPER A/C>	1,000,000,000	35.66
NEON CAPITAL LIMITED	420,000,000	14.98
SACHEM COVE SPECIAL OPPORTUNITIES FUND LP	11,607,143	5.16

(d) Restricted Securities

There are no restricted securities as at 13 September 2018

(e) Unmarketable Parcels

There were 1,073 holders of less than a marketable parcel of ordinary shares.

(f) 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.

(g) On Market Buy Back

There is no current on market buy-back.

(h) Interest in Mining Tenements

As at the date of this report, there is no change to the tenement schedule listed on page 22 of the review of operations.