



Nelson
Resources
L I M I T E D

And Controlled Entities

ABN: 83 127 620 482

ANNUAL REPORT

For the Year Ended 30 June 2022

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CORPORATE DIRECTORY

DIRECTORS

Jonathan Shellabear	Non-Executive Chairman
Stephen Brockhurst	Non-Executive Director
Daniel Smith	Non-Executive Director

SECRETARY

Stephen Brockhurst

REGISTERED AND BUSINESS OFFICE

Level 8, London House
216 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9481 0389
Facsimile: +61 8 9463 6103

WEBSITE & EMAIL

www.nelsonresources.com.au
info@nelsonresources.com.au

STOCK EXCHANGE LISTINGS

Australian Securities Exchange
ASX Code: **NES**

AUDITORS

Criterion Audit Pty Ltd
Suite 2, 642 Newcastle Street
Leederville WA 6902

BANKER

National Australia Bank
1232 Hay Street
West Perth WA 6005

LEGAL ADVISORS

Price Sierakowski
Level 24, St Martin's Tower
44 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Automic Registry Services Pty Ltd
Level 5, 191 St Georges Terrace
Perth WA 6000

CHAIRMAN'S LETTER

Dear Shareholders

It is with pleasure that I present to you the fifth Annual Report of Nelson Resources Limited as a listed public company.

The Company's principal focus over the last financial year has been the continued exploration of the Woodline Project. The Woodline Project (which comprises the Socrates, Grindall, Redmill, Harvey and Morris prospects) is located 140 kilometres SE of Kalgoorlie. The Woodline Project comprises 1220km² of exploration tenements on the boundary of the Archaean Yilgarn Craton and the Proterozoic Albany-Fraser Province. Within the tenement package a previously identified extensive geochemical anomaly has identified significant gold mineralisation and the Company believes that the Woodline Project has the potential to host several significant gold deposits. We look forward to continuing the exceptional exploration work that has been undertaken to date and to create value for shareholders with the discovery and delineation of an economic resource within our tenement package.

At the Socrates prospect geophysical and drilling programs were completed during the year which further enhanced the understanding of the gold mineralisation and demonstrated a gold mineralised corridor of approximately 1.5 kilometres in width hosting four mineralised structures up to 2 kilometres in length. Previous results at Socrates have included 7 metres at 5.02 g/t Au, 5 metres at 1.72 g/t Au and 25 metres at 2.06 g/t Au. The drilling at Socrates has provided confidence that potential extensions to the mineralisation (both in a northerly and southerly direction) are likely.

At the Grindall, Redmill and Harvey prospects structurally controlled gold mineralisation has been identified over a strike length of 12 kilometres on the Redmill-Harvey trend and 5 kilometres at Redmill. During the year, although no significant results were returned from a limited RC drilling program, the results were highly anomalous (up to 0.6 g/t Au) and are further evidence of large mineralised system that requires significant additional exploration.

The Company also holds the Tempest Project (approximately 105km²) which is located 250 kilometres ESE of Kalgoorlie within the Proterozoic Albany-Fraser Province. The Company completed a passive seismic survey during the year which identified a number of areas of interest. The Tempest Project has a potential extension of the gold bearing paleochannel recently identified from drilling undertaken at the adjoining Thunderstorm project and although historical exploration is limited and at a very early stage, the project has significant potential.

Subsequent to year end the Company commenced a proposed 10,800 metre air core program at the Woodline Project and a proposed maiden 3,000 metre program at the Tempest Project. This program will further test the gold-in-soil anomalies with a view to generating significant targets which are anticipated to be drilled in the current financial year.

CHAIRMAN'S LETTER continued

Exploration activities also continued at the Fortnum and Yarri projects during the year. At the Fortnum Project, approximately 14 kilometres south of the Fortnum gold mine, the Company completed a hyperspectral geophysics program in order to generate future aircore and RC drilling targets. At the Yarri Project, 12 kilometres N of the Carosue Dam gold mine, the Company completed a limited drilling program which resulted in a number of high-grade intersections on the Wallaby lodes which were previously mined early last century. Further work is required to determine the resource potential of the Yarri Project.

We are very fortunate and pleased to have appointed Derek Shaw as Exploration Manager during the year which has significantly enhanced our exploration efforts, both at Woodline and elsewhere within our exploration areas in Western Australia. Derek is an accomplished and experienced geologist that has extensive relevant experience and is a very important part of the Nelson team.

Nelson is disciplined in its approach to capital management and we have a capable and experienced team that is committed to focussed systematic exploration that can create intrinsic value for all our shareholders. Notwithstanding the vagaries of the equity capital markets, I look forward to an exciting year ahead where we can continue our exploration activities with the objective of discovering an economic resource at our various projects within Western Australia.

I would like to thank all stakeholders, including local communities, suppliers, consultants and business partners for your ongoing support and, to our shareholders, I would also like to thank you all for your patience and continued support as we continue to focus on delivering and enhancing shareholder value through exploration success.

A handwritten signature in black ink that reads 'Jonathan Shellabear'.

Jonathan Shellabear
Non-Executive Chairman

29 September 2022

DIRECTORS' REPORT

Your Directors submit the annual financial report of the Consolidated Entity for the year ended 30 June 2022.

DIRECTORS

The names of Directors who held office during or since the end of the year:

Jonathan Shellabear	Non-Executive Chairman (Appointed 12 April 2022)
Warren Hallam	Non-Executive Chairman (Resigned 31 May 2022)
Adam Schofield	Executive Director (Resigned 15 August 2022)
Stephen Brockhurst	Non-Executive Director
Daniel Smith	Non-Executive Director (Appointed 15 August 2022)

COMPANY SECRETARY

Stephen Brockhurst	Company Secretary
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PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were the exploration and development of natural resources. There have been no other significant changes in the activities of the Consolidated Entity during the year other than matters noted in this report.

REVIEW OF RESULTS

The loss after tax for the year ended 30 June 2022 was \$2,317,835 (2021: \$3,097,367).

DIVIDENDS

No dividends were paid or declared during the year ended 30 June 2022 (2021: nil).

CORPORATE

Funding

On 21 July 2021 the Company announced a renounceable entitlements issue for the offer of two new shares (at a price of \$0.047 each) for every seven existing shares held on 26 July 2021, with one attaching quoted option, exercisable at \$0.08 and expiring 24 months from issue, for every two new shares subscribed. On 13 August 2021 the Company announced that the offer had closed and a follow on placement completed raising \$1,953,497. Pursuant to the offer and the follow on placement, on 17 August 2021 41,563,769 shares along with 20,781,792 free attaching options exercisable at \$0.08 expiring 17 August 2023 were issued.

On 13 August 2021 the Company announced that a placement had been undertaken raising \$340,996 from the issue of 7,255,234 shares along with 3,627,616 free attaching options exercisable at \$0.08 expiring 17 August 2023.

On 24 January 2022 the Company announced a renounceable entitlements issue for the offer of two new shares (at a price of \$0.025 each) for every five existing shares held on 28 January 2022, with one attaching quoted option, exercisable at \$0.08 and expiring 17 August 2023, for every two new shares subscribed. Pursuant to the offer, on 22 February 2022 the Company issued 77,716,847 shares along with 38,858,392 free attaching options exercisable at \$0.08 expiring 17 August 2023.

On 14 February 2022 3,189,458 unquoted options exercisable at \$0.08 and expiring 14 February 2022 expired unexercised.

On 18 February 2022 the Company announced a placement had been undertaken raising \$557,078 from the issue of 22,283,122 shares along with 11,141,561 free attaching quoted options exercisable at \$0.08 expiring 17 August 2023, issued on 22 February 2022.

On 22 February 2022 2,500,000 quoted options exercisable at \$0.08 expiring 17 August 2023 were granted as part of the broker fees associated with the January renounceable entitlements issue and placement.

On 29 March 2022 5,000 options exercisable at \$0.08 each were exercised raising \$400.

COVID-19 Impacts

During the year COVID-19 impacted the Company's operations with intrastate restrictions creating difficulties in finding drillers, part time field geologists and field assistants. This created an increase in the costs of recruitment and significant time delays that affected drilling. The Company followed all State Government directives in respect to COVID-19 and the Company's operations.

Corporate

During the year the Company engaged Derek Shaw as Exploration Manager. Derek brings 20+ years of Mineral Exploration experience to Nelson including significant and relevant experience in the Albany-Fraser region, including 6 years as manager of regional exploration on the Tropicana JV for AngloGold Ashanti Ltd.

Derek led the various teams that tested over 80 prospects across the Tropicana JV, enabling Derek to gain a substantial geological insight into the Tropicana district. Derek was also involved in the early development of Sunrise Dam Gold Mine, being part of the team that found the main resource under the initial discovery. Since leaving AngloGold, Derek has worked as an independent geologist on a number of projects and commodities across Australia.

He holds a B.Sc. (First Class Honours in Geology) from the University of Canterbury and an M.Sc. (Mineral Economics) from Curtin University.

OPERATIONS

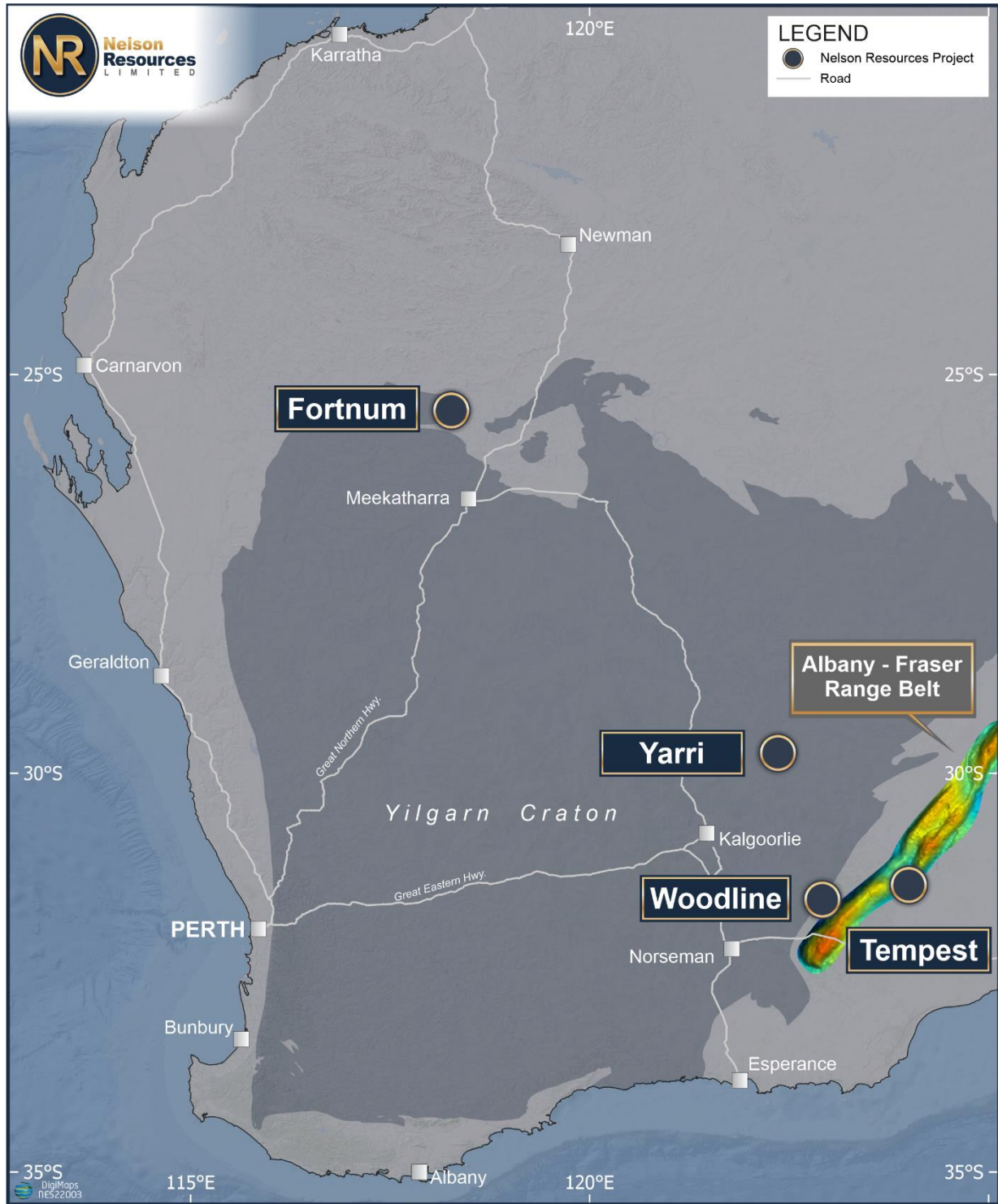


Figure 1 – Nelson Resources Project Locations.

Project Activity

Nelson Resources has completed the following work at each of its projects (Figure 1) during the year:

WOODLINE GOLD PROJECT (100%)

Socrates-Grindall-Redmill-Harvey prospects

The Woodline Project (Figure 1) lies 140km South East of Kalgoorlie and is halfway between the Trans Australia Rail line and the Eyre Highway. The Woodline Project consists of the Grindall, Redmill, Harvey, Socrates & Morris Projects which makes up 1220km² of exploration tenure.

The Project lies across the boundary of the Archaean Yilgarn Craton and the Proterozoic Northern Foreland of the Albany-Fraser Orogen.

Work carried out by Nelson at Socrates has returned several significant gold intersections, suggesting a large underlying gold system. The Company believes that Grindall, Redmill, and Harvey each have the potential to host an economic gold deposit.

The Woodline Project incorporates:

- ① 65km of the Cundeelee fault within its tenure and contains an identified >20km gold geochemical and bedrock gold anomaly which is in the same geological structural setting 2 as the 7.7 million ounce Tropicana Gold Mine³.
- ① 30km of significantly unexplored greenstones within the Norseman-Wiluna greenstone belt, and a significant and unique holding within the confluence of the Keith-Kilkenny Fault / the Claypan Shear Zone and the Cundeelee Shear Zone. These three shear zones have hosted many of the largest gold projects in Western Australia.
- ① Recent drilling geophysics has identified several mineralised zones and extensions at Socrates Main, Socrates West and Socrates East.

Socrates

Socrates Main

The Socrates Project (12km²) (Figure 2) is hosted within a mafic unit that is bounded to the west by andesitic and rhyolitic volcanics and sediments to the east. This mafic unit is located within the Claypan Fault. The project is the Company's original project and has had approximately 8,900 meters of RC drilling completed. The bulk of this drilling is on a mineralised zone that currently extends for approximately 350m and is open along strike and down dip. Recent geophysics has highlighted up to 2km of potential mineralised structures.

Previous drilling results include:

- ① 1m @ 142 g/t Au.
- ① 192m @ 0.5 g/t Au.
- ① 8m @ 3.53 g/t Au.
- ① 25m @ 2.06 g/t Au.

Socrates West

The West Socrates prospect is within the Socrates Tenement and has been identified from previous drilling by Nelson⁵ as well as mapping and rock chip sampling by Nelson⁶.

Previous drilling results include:

- ① 7m @ 5.02 g/t Au.
- ① 1m @ 1.12 g/t Au.
- ① 1m @ 1.04 g/t Au.

Socrates East

The Socrates East prospect is within the Socrates Tenement and is a drill target that has been identified through historic gold geochemistry work done by SIPA/Newmont (Figure 2).

Grindall-Redmill-Harvey

The Grindall, Redmill & Harvey prospects are associated with sub-parallel curvilinear structures that dip moderately to the east. The structures are interpreted to form in the hanging wall of the deep seated Cundelee Fault which is located on the boundary between the Yilgarn Craton and the Albany-Fraser Orogen. These structures are coincidental with a surface geochemical anomaly that has been defined from previous geochemical data and extends for a strike length of more than 20km (Figure 4). Anomalous Au, Te, Bi and Cu present in the bedrock can be used to identify structurally-controlled gold mineralisation which has been identified over a strike length of 12 kms on the Redmill-Harvey trend and over 5 km at Grindall.

At Grindall, the Company has successfully targeted and intersected a gold mineralised structure with a strike length of more than 500m.

The Company has completed high-resolution geophysical surveys to aid the interpretation of the bedrock geology and shear zones beneath the surface geochemical anomaly at Grindall and Redmill. The geological interpretation from the geochemistry and geophysics was used to derive drill targets which will continue to be tested as part of the Company's on-going drilling programs.

Previous drilling results include:

- ① 9m at 0.41g/t Au from 81m, incl. 0.9m at 1.13g/t Au from 82.1m
- ① and 1m at 1.14g/t Au from 87m.
- ① 2m at 0.25g/t Au from 127m and 1m at 0.38g/t Au from 130.6m.
- ① 3m at 0.30g/t Au from 91m, 2m at 0.43g/t Au from 101m and 2m at 0.70g/t Au from 108m.

During the year, the following work was undertaken at Woodline:

- ① Three diamond drill holes for 457m and eighteen RC drill holes for a total of 1,602m were drilled across the key prospects.
- ① Significant results from this drilling included 3m @ 2.01g/t Au from 23m and 3m @ 2.76g/t Au from 32m.

- ① Planning of a proposed 10,000 meters of Aircore drilling at seven Woodline targets continued, with drilling commencing in July 2022 (Figure 2).
- ② Continued negotiations on a new Native Title Heritage agreement covering the Company's Woodline and Tempest Projects.

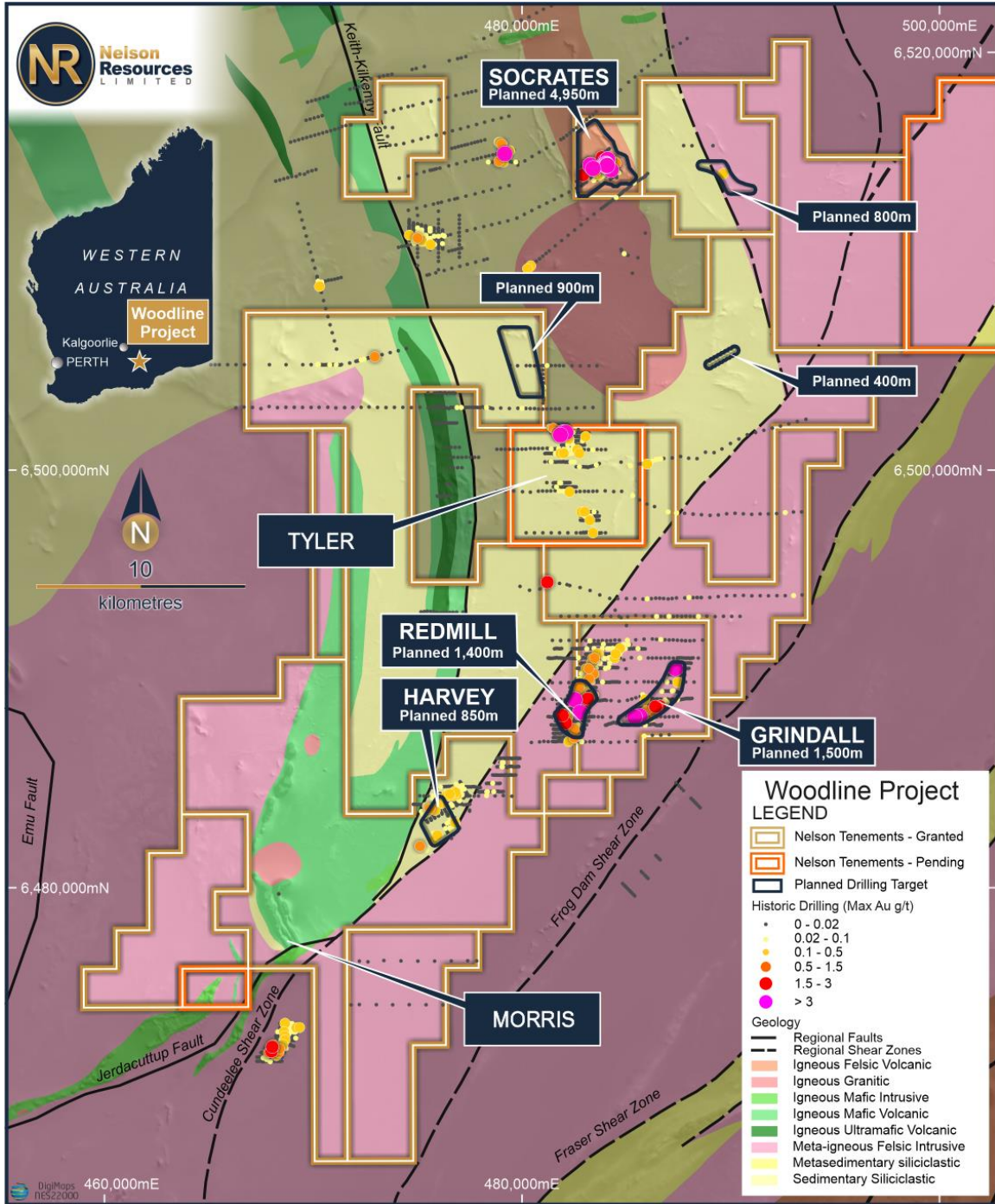


Figure 2 – Location of planned aircore drilling at the Woodline Project.

MORRIS NICKEL PROSPECT (100%)

The Morris nickel prospect (Figure 2) is located in the south of the Woodline Project area, where mafic and ultramafic rocks of the Yilgarn Craton are intruded by the Jimberlana Dyke and are in faulted contact with the Northern Foreland of the Albany Fraser Orogen.

The concept for a nickel target at Morris was originally described by Western Mining Services' geologist Dr Jon Hronsky OAM as part of a review of the magmatic nickel sulphide potential of the Jimberlana Dyke. The review identified the intersection of the Keith-Kilkenny, Jerdacuttup and Cundeelee Faults as a possible magmatic foci.

During the year the Company planned a small drill program at Morris to test a Nickel surface anomaly previously identified by SIPA Resources / Newmont Mining. Due to programme of works delays the Company is unlikely to drill this prospect until later in the calendar year.

TYLER GOLD PROJECT (100%)

During the year, the Company applied for E28/3210, a moderate sized, exploration license enclosed by the northern portion of the Woodline Project (Figure 2). The 35 km² tenement, was previously explored by jointventure partners, Sipa Resources and Newmont Mining.

The exploration expenditure on the two historical EL's covering E28/3210 totalled \$1.5M and included:

- ① Project-wide auger calcrete sampling (641 samples).
- ① RAB drilling (451 holes for 13,574m).
- ① Aircore drilling: (8 holes for 240m).
- ① Mapping and rock chip sampling (28 samples).

The rotary airblast (RAB) drilling and sampling was completed by the Sipa-Newmont JV in 2011 and reported during 2011 and 2012 (see also WAMEX A93132). These results have been reassessed by the Company and include 1m @ 5.26g/t Au (from 16m in WDR2193), 2m @ 1.91g/t Au (from 25m in WDR1816) and 3m @ 2.13g/t Au (from 27m in WDR1819), as shown in Figure 3.

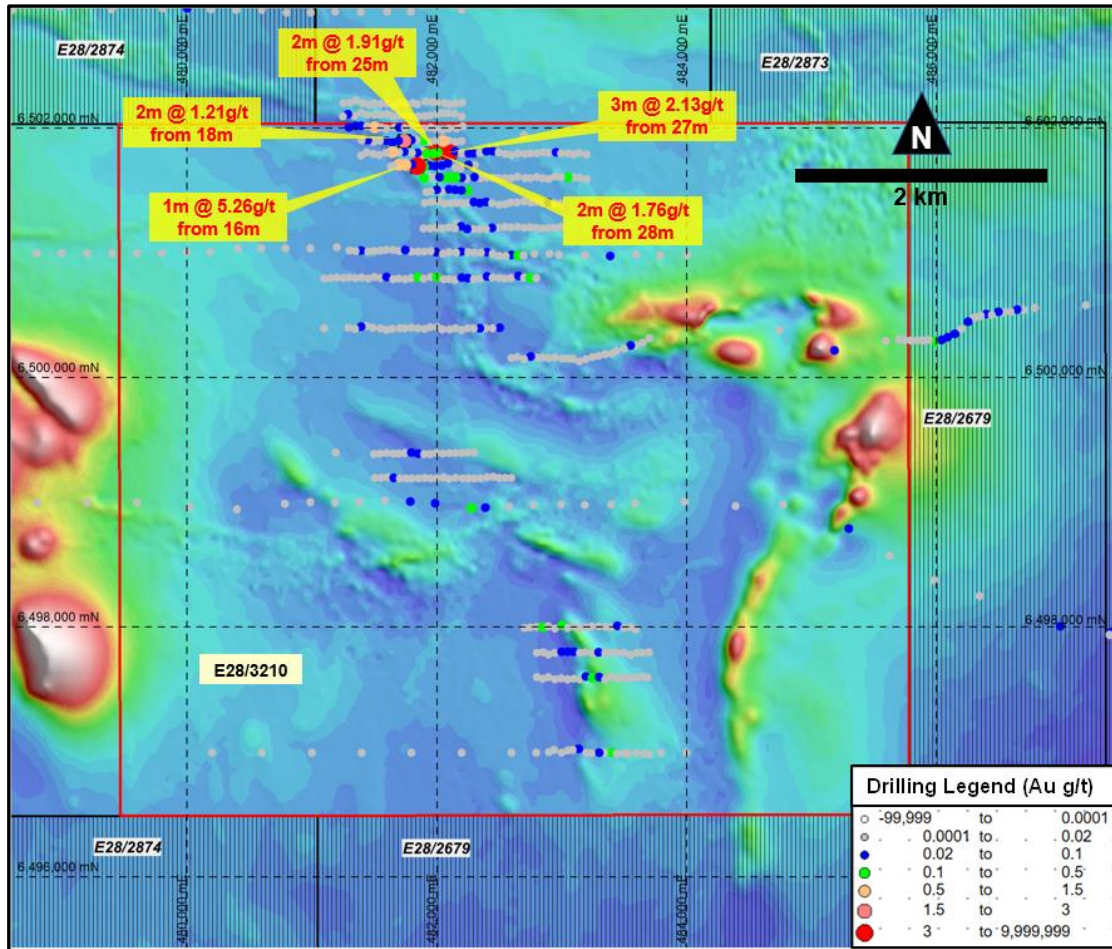


Figure 3 – Significant Tyler intersections from historic RAB and aircore drilling.

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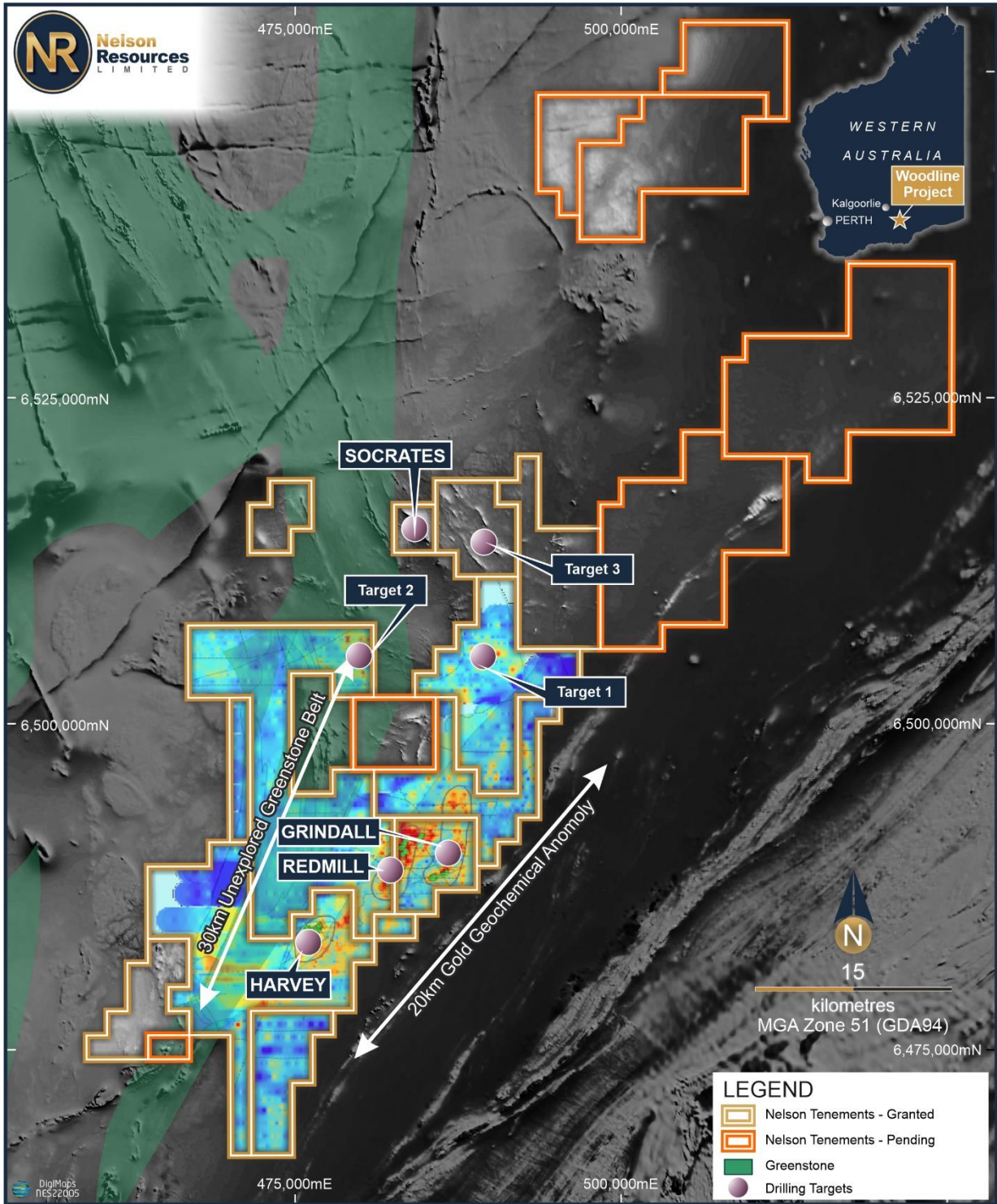


Figure 4 – Surface geochemistry image over the Woodline Project showing location of planned Aircore Drilling and new tenure.

TEMPEST GOLD PROJECT (100%)

The Tempest gold project is located 250 kilometers ESE of Kalgoorlie and 90 kilometers NE from Nova-Bollinger Mine in the Albany-Fraser orogen (Figure 1). The project has an area of 105 km² and borders the IGO / Rumble Resources Thunderstorm JV project (Figure 5). Drilling at the Thunderstorm JV includes an exceptional intercept of 25m @ 2.42g/t Au at the Themis Prospect and 4m @ 3.8g/t Au at the Pion Prospect⁵. More recent drilling includes an equally exceptional intercept of 16m @ 6.69g/t Au from 42m (including 4m @ 22.2g/t Au from 50m)⁶.

The project is located in the Fraser Complex of the Proterozoic Albany-Fraser Orogen and is east of the Archean Yilgarn Craton. The Proterozoic geology is completely obscured by Tertiary fluvio-marine sediments associated with the Eucla Basin, which cover much of the region.

The project has the potential to host gold resources and historical exploration is both limited and very early stage. Historical work completed is unrelated to the potential extension of the gold-bearing paleochannel identified at the neighbouring Thunderstorm project.

During the year, the following work was completed at Tempest:

- ① Conducted a desktop data and geological review.
- ① Conducted a site visit to review geology and established site access.
- ① Completed a passive seismic geophysics survey to identify the base and profile of the cover to maximise the success of drilling.
- ① Planned Aircore drilling program due to commence in August.

The passive seismic survey (Figure 5) covered a series of traverses across the main area of interest in the southern part of the project. Enough data was gathered to interpret the possible depth to basement and the likely shape of the contact. This data has been used to delineate the upcoming Aircore program.

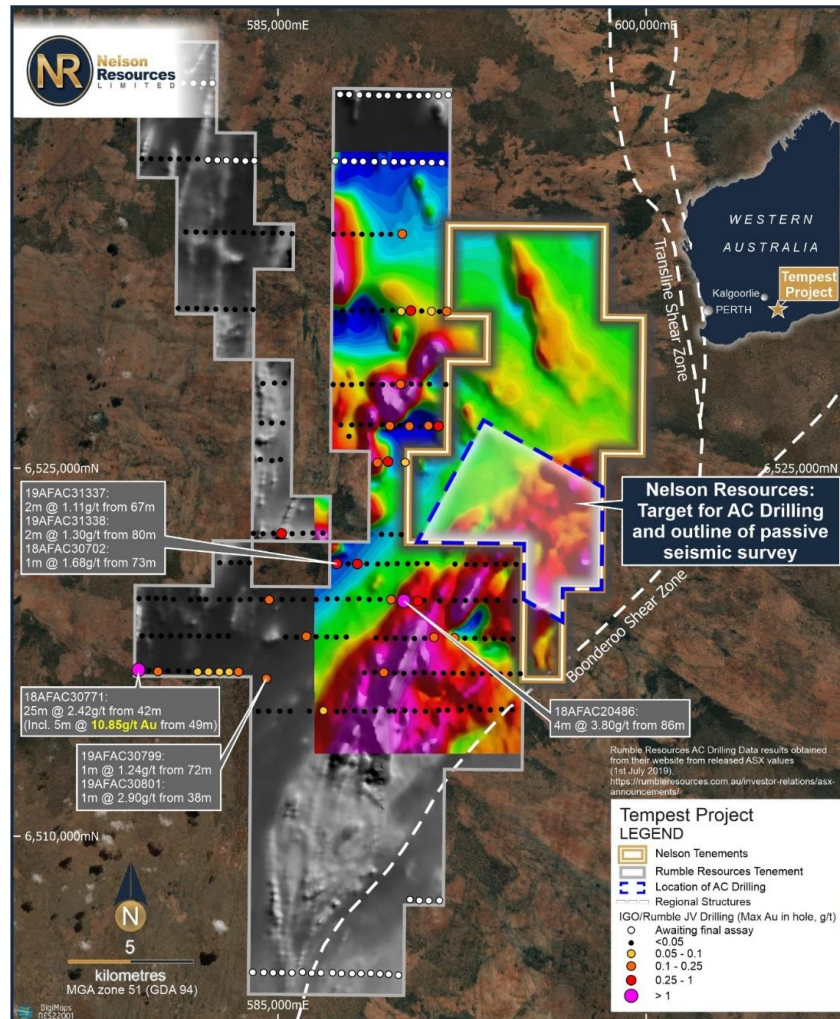


Figure 5: Location of passive seismic survey showing IGO/Rumble tenement & significant results on NES aeromagnetic survey.

FORTNUM GOLD PROJECT (100%)

The Fortnum project (E52/3695) is a 21km² tenement located within the Peak Hill Mineral Field, approximately 14 kilometers southwest of the Fortnum Mining centre (Figure 1). The geology of the tenure consists of a fault bounded package of schists derived from the Labouchere Formation constrained by the Despair Granite to the east and Yarlarweelor Gneiss complex to the West.

Previous drilling has not fully tested the anomalous gold-in-soil results on the existing targets that has been the focus of previous drilling. Historical drilling returned significant results including 5m @ 4.71g/t Au from 35m in FRB3032, 8m @ 2.41g/t Au from 52m in FRB1117 and 3m @ 2.43g/t Au from 2m in FRB3032. These results present a compelling target for follow-up drilling. The Company believes that the Fortnum Project is an excellent short-term exploration opportunity with its historical results and proximity to processing facilities at the Fortnum gold mine located nearby.

During the year, the following work was completed at Fortnum:

- ① Conducted a number of field visits to aid with planning an Aircore program in the second half of the year.
- ① Initiated a hyperspectral geophysics (Figure 6) review with Western Geospectral. This was commenced with a view to combining this data with historical drilling and surface sampling to generate Aircore and RC drill targets.
- ① The Company continued to refine its planned drilling program planned for the second half of the year.

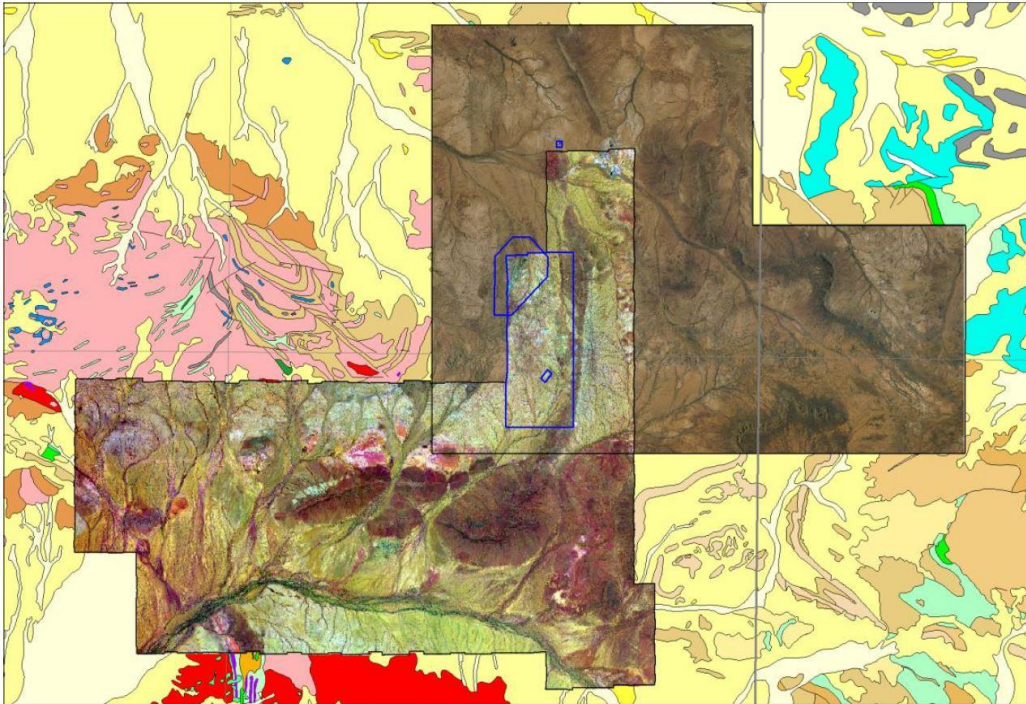


Figure 6: Multispectral Image over the Company's area-of-interest with 1:250,000 regional geology. The smaller blue polygon shows the areas of interest. The larger blue rectangle shows the HyMap subset processed.

YARRI GOLD PROJECT (100%)

The Yarri Project lies 160kilometres north east of Kalgoorlie on Edjudina Station and is 30kilometres north of Northern Star's Carosue Dam mine and 7.5kilometres East of the Porphyry Mine and consists of three prospects to the north and east of the historic Yarri State Battery site. The Company's focus has been on the Wallaby line of workings immediately to the east of Yarri, where drilling by the Company has returned a number of high-grade gold drilling intersections.

The Wallaby lodes were mined from 1902 to 1914 and from 1934 to 1940 producing 22,000 ounces of gold. The maximum depth of the old workings was shallow and generally no more than 35 metres below surface.

During the year, the Company commenced a new review of the historic Yarri project data with a view to determining what future work may be appropriate to advance and add value to this project.

This review included identifying controls on mineralisation that will guide any future exploration. Deeper extensions of the current high-grade lodes would significantly improve the prospect of potentially delineating a resource at the Yarri prospects.

HAPPY JACK

The Company has a retained 1% NSR on any future gold production on this tenement.

FUTURE EXPLORATION PROGRAMS

Nelson has extensive fieldwork programs planned for the remainder of 2022. These include:

Aircore Drilling

- ① At Socrates-Grindall-Redmill-Harvey, a proposed 12,800m program of aircore drilling is planned for late July to test incompletely explored portions of the seven identified mineralised systems. Three of these systems (Figure 2) being targets 1, 2 & 3 have never been drilled. Previous RAB drilling has not been effective and the recent results clearly indicate that some of this historical work needs to be repeated.
- ① At the Tempest Project a first pass drilling program is proposed over the main target zone identified from the project review. This program is currently planned for August.
- ① At the Fortnum Project a first pass drilling program over the main target zone identified through the recent project review has been proposed. This is currently planned for later in the year and is subject to a Native Title clearance.

RC Drilling

- ① Follow-up any results from the aircore drilling (discussed above).
- ① At Socrates and Grindall-Redmill, several planned holes were not completed last year and these will be revisited for drilling in late 2022. In addition, new RC drilling targets are anticipated to be generated from the ongoing project review and the aircore drilling program.

Other

- ① Follow-up surface geochemistry and geophysics at the Morris nickel prospect to define targets for RC drilling.
- ① At Tempest, an IP geophysical survey may be conducted to follow up on drilling planned for late 2022.

The Company confirms that it is not aware of any new information or data that materially affects the exploration results included in this report.

Climate Risk

The Company acknowledges that climate change issues could constitute a risk to its operations but has assessed the risks to be very low. The largest concern for the Company is water management during its exploration activities and access to site during major rain events. Most of the Company's operations occur in remote areas with scarce access to water and the Company believes that climate change may exacerbate this issue as weather patterns potentially become less predictable. The Company's approach is to be flexible and adaptive in its response to manage this potential issue whilst adding water bores and improving site access in all-weather conditions.

Key potential vulnerabilities

- ① Extreme weather events (floods, cyclonic activity, storm activity and bushfires) which could impede the Company's exploration ability; affect occupational health and safety; impact supply chains; damage infrastructure; and increase of unplanned water discharge.
- ① Sea level rise may impact on the longer-term access to and viability of infrastructure.
- ① Legislation uncertainty or compliance changes due to potential climate-related impacts.
- ① water discharge.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below

Current Directors

Director	Details
Jonathan Shellabear	
Qualifications	BSc (Hons), MBA
Position	Independent Non-Executive Chairman
Appointment Date	12 April 2022
Resignation Date	N/A
Length of Service	2 months
Biography	Mr. Shellabear has over thirty years experience in the mining and financial services industries having worked as a geologist, resources analyst, corporate executive and investment banker with NM Rothschild & Sons, Deutsche Bank and Resource Finance Corporation. Mr. Shellabear was previously the Managing Director and Chief Executive Officer of Dominion Mining Limited and Managing Director and Chief Executive Officer of Heron Resources. He has also held senior corporate roles with Portman Limited (now Cliffs Natural Resources) as General Manager, Business Development and, most recently, he served as a Non-Executive Director and then subsequently as Chief Financial Officer of Capricorn Metals Limited. Mr. Shellabear has extensive capital markets and advisory experience and has advised on numerous public market transactions to companies in multiple jurisdictions. He is an accomplished and respected mining industry senior

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DIRECTORS' REPORT continued

	executive with extensive knowledge across technical, commercial and financial disciplines.
Current ASX Listed Directorships	Tempus Resources Limited (since 1 February 2021)
Former ASX Listed Directorships within last 3 years	N/A
Adam Schofield	
Qualifications	Dip (MechEng)
Position	Executive Director
Appointment Date	7 July 2016
Resignation Date	15 August 2022
Length of Service	6 years 1 month
Biography	Mr Schofield is an Executive Director with over 22 years' experience in the resources sector in Africa and Australia. He is a Mechanical Engineer with significant experience in conducting feasibility studies and taking projects from feasibility stage into operations. Mr Schofield has an extensive experience in gold, mineral sands, iron ore and copper.
Current ASX Listed Directorships	Heavy Minerals Limited (since 10 February 2021) Kingfisher Mining Limited (since 29 October 2018)
Former ASX Listed Directorships within last 3 years	N/A
Stephen Brockhurst	
Qualifications	BCom
Position	Independent Non-Executive Director
Appointment Date	1 February 2019
Resignation Date	N/A
Length of Service	3 years 5 months
Biography	Mr Brockhurst has over 20 years experience in the finance and corporate advisory industry and has been responsible for the due diligence process and preparation of prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements. Mr Brockhurst has served on the board and acted as Company Secretary for numerous ASX listed companies. He is currently Company Secretary for numerous ASX listed companies.
Current ASX Listed Directorships	Locksley Resources Limited (since 29 October 2018) Firetail Resources Limited (since 10 November 2021)
Former ASX Listed Directorships within last 3 years	Estrella Resources Limited Kingwest Resources Limited

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DIRECTORS' REPORT continued

Daniel Smith	
Qualifications	BA
Position	Independent Non-Executive Director
Appointment Date	15 August 2022
Resignation Date	N/A
Length of Service	1 month
Biography	Mr Smith holds a Bachelor of Arts, is a Fellow of the Governance Institute of Australia, and has over 15 years primary and secondary capital markets expertise. He has advised on and been involved in over a dozen IPOs, RTOs and capital raisings on the ASX, AIM and NSX. Dan is currently non-executive director and/or company secretary for a number of companies operating in the resources sector, and has been heavily involved in project origination and evaluation.
Current ASX Listed Directorships	Artemis Resources Limited (since 5 February 2019) White Cliff Minerals Limited (since 14 December 2018) QX Resources Limited (since 13 June 2018) Lachlan Star Limited (since 18 January 2018)
Former ASX Listed Directorships within last 3 years	None

Former Directors

Director	Details
Warren Hallam	
Qualifications	MSc (Min. Econ), BAppSci (Metallurgy), GradDip (Fin)
Position	Independent Non-Executive Chairman
Appointment Date	1 February 2019
Resignation Date	31 May 2022
Length of Service	3 years 4 months
Biography	Mr Hallam is a Metallurgist and a Mineral Economist and holds a Graduate Diploma in Finance. Mr Hallam has considerable technical, managerial and financial experience across a broad range of commodities being predominantly copper, nickel, tin, gold and iron ore.
Current ASX Listed Directorships	Essential Minerals Limited Kingfisher Mining Limited Nico Resources Limited Poseidon Nickel Limited
Former ASX Listed Directorships within last 3 years	Millennium Minerals Limited

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COMPANY SECRETARY

Company Secretary	Details
Stephen Brockhurst	
Position	Company Secretary
Appointment Date	22 June 2017
Resignation Date	N/A

MEETINGS OF DIRECTORS

The number of meetings held during the year and the number of meetings attended by each Director was as follows:

	Board	Board in the Capacity of Audit & Risk Management Committee	Board in the Capacity of Nomination & Remuneration Committee
Number of Meetings Held	6	2	2
Number of Meetings Attended:			
Warren Hallam ¹	6	2	2
Adam Schofield ²	6	2	2
Stephen Brockhurst	6	2	2
Jonathan Shellabear ³	1	-	1
Daniel Smith ⁴	-	-	-

The Consolidated Entity does not have an Audit, Remuneration or Nomination Committee with the full Board carrying out the functions that would otherwise be dealt with by such Committees. All Directors were eligible to attend all Board Meetings held when they were in office.

SHARE OPTIONS

As at the date of this report, there were 10,152,539 unquoted options of varying exercise prices and expiry dates and 79,198,858 quoted options exercisable at \$0.08 expiring 17 August 2023 over ordinary shares on issue that have been issued.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the year, 5,000 shares were issued as a result of the exercise of the options.

¹ Resigned 31 May 2022.

² Resigned 15 August 2022.

³ Appointed 12 April 2022.

⁴ Appointed 15 August 2022.

REMUNERATION REPORTIntroduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2022. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Parent Entity.

Remuneration Policy

The Company Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$250,000 per annum. The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

Remuneration Report Approval at FY2023 AGM

The remuneration report for the period ended 30 June 2022 will be put to shareholders for approval at the Company's AGM which will be held during November 2022.

Details of Remuneration

Details of the remuneration of the Directors, other key management personnel of the Consolidated Entity and specified executives of the Consolidated Entity for the years ended 30 June 2022 and 30 June 2021 respectively are set out on the following tables:

	Year	Fixed				STI	LTI	Total	Proportion of Remuneration		
		Salary fees and leave \$	Other Fees \$	Termination Payment \$	Super-annuation \$	Incentive Payments \$	FV Securities \$	\$	Fixed %	STI %	LTI %
Non-Executive Directors											
Jonathan Shellabear ⁵	2022	13,964	-	-	1,396	-	-	15,360	100%	-	-
	2021	-	-	-	-	-	-	-	-	-	-
Warren Hallam ⁶	2022	66,000	-	-	6,630	-	-	72,630	100%	-	-
	2021	72,000	-	-	6,840	-	76,500 ⁷	155,340	51%	-	49%
Stephen Brockhurst	2022	52,560	-	-	-	-	-	52,560	100%	-	-
	2021	52,560	-	-	-	-	76,500 ⁷	129,060	59%	-	41%
Total Non-Executive Directors	2022	132,524	-	-	8,026	-	-	140,550	100%	-	-
	2021	124,560	-	-	6,840	-	153,000	284,400	54%	-	46%
Executive Directors											
Adam Schofield ⁸	2022	208,050	-	-	-	-	(15,000)	193,050	100%	-	-
	2021	208,050	50,000 ⁹	-	-	-	316,200 ¹⁰	574,250	55%	-	45%
Total Executive Directors	2022	208,050	-	-	-	-	(15,000)	193,050	100%	-	-
	2021	208,050	50,000	-	-	-	316,200	574,250	55%	-	45%

⁵ Appointed 12 April 2022.

⁶ Resigned 31 May 2022.

⁷ On 15 September 2020 the Company granted 1,500,000 unlisted options exercisable at \$0.0907 each, expiring 14 September 2023 each to Warren Hallam and Stephen Brockhurst under the Amended Employee performance Rights and Options Plan as approved by shareholders at the 15 September 2020 shareholder meeting. The fair value of \$0.051 was calculated using the share price at grant date of \$0.07, a risk free interest rate of 0.24% and a volatility of 137%.

⁸ Resigned 15 August 2022.

⁹ On 6 July 2020 the Board approved a cash bonus of \$50,000 for Adam Schofield.

¹⁰ On 15 September 2020 the Company granted 3,000,000 unlisted performance rights, expiring 14 September 2023 to Adam Schofield under the Amended Employee performance Rights and Options Plan. Refer to the Notice of Annual General Meeting, dated and released on the ASX platform on 14 August 2020 for the terms and conditions of the performance rights. On 15 September 2020 the Company granted 5,000,000 unlisted options exercisable at \$0.0907 each, expiring 14 September 2023 to Adam Schofield under the Amended Employee performance Rights and Options Plan as approved by shareholders at the 15 September 2020 shareholder meeting. The fair value of \$0.051 was calculated using the share price at grant date of \$0.07, a risk free interest rate of 0.24% and a volatility of 137%. The valuation of \$61,200 was calculated using the share price on the issue date of \$0.072, the Milestone 2 probability was 25% and the Milestone 3 probability is 20%.

Consultancy Agreements

Adam Schofield was engaged as an executive director pursuant to a consultancy agreement with the Company. The consultancy agreement commenced on 1 April 2017 and will continue until it was terminated in accordance with its terms. Subsequent to year end, Adam Schofield resigned as Executive Director. In his role as Executive Director, Adam Schofield will, among other things:

- ① act with professional skill with a view to promoting, advancing and improving the business of the Company;
- ① implement strategic and tactical plans of the Company;
- ① review and initiate continuous improvement in support and administrative functions;
- ① use best endeavours to achieve the corporate objectives of the Company;
- ① formulate strategies to promote and improve the financial performance of the Company;
- and
- ① advise the Board in relation to all relevant issues affecting the Company and its performance.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia. The terms of the agreement were further modified effective 1 July 2020, increasing the remuneration to \$208,050 per annum.

Stephen Brockhurst is engaged as a non-executive director pursuant to a consultancy agreement with the Company. The consultancy agreement commenced on 1 February 2019 and will continue until it is terminated in accordance with its terms. For his role as a non-executive director, the Company will pay Stephen Brockhurst a fee of \$52,560 per annum.

Share Based Compensation

The share based compensation during the year is detailed in the Directors' Interests and Benefits and Remuneration tables.

No ordinary shares in the Company were provided as a result of an exercise of remuneration options to Directors and other key management personnel of the Consolidated Entity in this or the previous reporting period.

Related Party Transactions

Effective 26 February 2021 the Company entered into a sub-lease agreement with Kingfisher Mining Limited (a company of which both Warren Hallam and Adam Schofield are directors) for the occupancy of its premises. The transaction was at arm's length terms, expiring 31 December 2024.

Effective 1 February 2021 the Company has charged rent to Heavy Minerals Limited (a company of which Adam Schofield is a director) for the occupancy of its premises. The transaction is at arm's length terms.

DIRECTORS' REPORT continued

Effective 1 March 2021 the Company entered into a drilling agreement with Kingfisher Mining Limited (a company of which both Warren Hallam and Adam Schofield are directors) for the provision of drilling services. The transaction was at arm's length terms and has since concluded.

The Company provided Drone Survey services to Mozmin Resources Pty Ltd a subsidiary of Heavy Minerals Limited (a company of which Adam Schofield is a director). The transactions were on commercial terms and arm's length basis and have since concluded.

During the year the Company paid \$114,240 in company secretarial, accounting and bookkeeping fees to Mining Corporate Pty Ltd, a company of which Stephen Brockhurst is a director.

During the year the following loans were made to and then repaid by the Company:

- ① \$20,000 from Warren Hallam
- ② \$84,000 from Adam Schofield
- ③ \$20,000 from Stephen Brockhurst

Directors' Interests and Benefits

The movement during the reporting period in the number of fully paid ordinary shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Shares Held at 30 June 2021	On-Market Purchases	Conversion of Performance Rights	Other Changes	No. Shares Held at 30 June 2022	No. Shares Held at Date of this Report
Jonathan Shellabear¹¹						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Warren Hallam¹²						
Directly	-	-	-	-	-	N/A
Indirectly	1,315,788	-	-	714,283 ¹³	2,030,071	N/A
Adam Schofield¹⁴						
Directly	2,965,789	1,401,831	-	2,372,629 ¹³	6,740,249	N/A
Indirectly	175,000	-	-	140,000 ¹³	315,000	N/A
Stephen Brockhurst						
Directly	-	-	-	-	-	-
Indirectly	1,315,789	-	-	1,797,309 ¹³	3,113,098	3,113,098
Daniel Smith¹⁵						
Directly	N/A	N/A	N/A	N/A	N/A	-
Indirectly	N/A	N/A	N/A	N/A	N/A	-
Total	5,772,366	1,401,831	-	5,024,221	12,198,418	3,113,098

¹¹ Appointed 12 April 2022.

¹² Resigned 31 May 2022.

¹³ Take up of entitlements in the 17 August 2021 and 22 February 2022 entitlements issues.

¹⁴ Resigned 15 August 2022.

¹⁵ Appointed 15 August 2022.

The movement during the reporting period in the number of options over ordinary shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Options Held at 30 June 2021	Grant of Options	Expiry of Options	Other Changes	No. Options Held at 30 June 2022	No. Options Held at Date of this Report
Jonathan Shellabear¹⁶						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Warren Hallam¹⁷						
Directly	-	-	-	-	-	N/A
Indirectly	2,157,894	-	-	357,140 ¹⁸	2,515,034	N/A
Adam Schofield¹⁹						
Directly	8,195,395	-	(2,500,000)	1,186,314 ¹⁸	6,881,709	N/A
Indirectly	87,500	-	-	70,000 ¹⁸	157,500	N/A
Stephen Brockhurst						
Directly	-	-	-	-	-	-
Indirectly	2,157,895	-	-	898,653 ¹⁸	3,056,548	2,398,652
Daniel Smith²⁰						
Directly	N/A	N/A	N/A	N/A	N/A	-
Indirectly	N/A	N/A	N/A	N/A	N/A	265,000
Total	12,598,684	-	(2,500,000)	2,512,107	12,610,791	2,663,653

¹⁶ Appointed 12 April 2022.

¹⁷ Resigned 31 May 2022.

¹⁸ Take up of entitlements in the 17 August 2021 and 22 February 2022 entitlements issues.

¹⁹ Resigned 15 August 2022.

²⁰ Appointed 15 August 2022.

DIRECTORS' REPORT continued

The movement during the reporting period in the number of performance rights of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Performance Rights Held at 30 June 2021	Issue of Performance Rights	Expiry of Performance Rights	Other Changes	No. Performance Rights Held at 30 June 2022	No. Performance Rights Held at Date of this Report
Jonathan Shellabear²¹						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Warren Hallam²²						
Directly	-	-	-	-	-	N/A
Indirectly	-	-	-	-	-	N/A
Adam Schofield²³						
Directly	3,000,000	-	(1,000,000)	-	2,000,000	N/A
Indirectly	-	-	-	-	-	N/A
Stephen Brockhurst						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Daniel Smith²⁴						
Directly	N/A	N/A	N/A	N/A	N/A	-
Indirectly	N/A	N/A	N/A	N/A	N/A	-
Total	3,000,000	-	(1,000,000)	-	2,000,000	N/A

End of Audited Remuneration Report.
ENVIRONMENTAL REGULATION

The Company is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities. The Directors are not aware of any significant breaches of these requirements during the year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely development of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial periods not otherwise disclosed in the 'Principal activities' and 'Review of operations' or the 'Significant events after the balance sheet date' sections of the Directors' report.

²¹ Appointed 12 April 2022.

²² Resigned 31 May 2022.

²³ Resigned 15 August 2022.

²⁴ Appointed 15 August 2022.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all of the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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*.

CORPORATE GOVERNANCE

The Board intends to set measurable objectives for achieving diversity, specifically including gender diversity and will review and report on the effectiveness and relevance of these measurable objectives. However, due to the current size of the Board and management, these measurable objectives have not yet been set.

NON AUDIT SERVICES

Criterion Audit Pty Ltd was appointed as the Company's auditor on 24 October 2016 and has not provided any non-audit services to the Company since its appointment.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

- ① On 15 August 2022 Adam Schofield resigned as Executive Director and Daniel Smith was appointed as Non-Executive Director.
- ① On 16 August 2022 the Company cancelled 2,000,000 performance rights expiring 14 September 2023.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2022 has been received and is included within the financial statements.

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

Signed in accordance on behalf of the Directors.

A handwritten signature in black ink, appearing to read 'Jonathan Shellabear'.

Jonathan Shellabear
Non-Executive Chairman

29 September 2022

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Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Nelson Resources Limited and Controlled Entities for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Criterion Audit Pty Ltd

CRITERION AUDIT PTY LTD

Chartered Accountants

Elizabeth Louwrens

ELIZABETH LOUWRENS CA

Director

DATED at PERTH this 29th day of September 2022

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
Revenue	3	373,396	204,456
Administration and other expenses		(300,871)	(146,084)
Accounting and audit fees		(141,379)	(128,862)
Consultancy fees		(1,770)	-
Depreciation: plant and equipment	9	(369,965)	(246,009)
Depreciation: right of use assets	10	(53,878)	(50,493)
Directors' fees		(348,600)	(389,450)
Drilling expenses		(869,257)	(328,801)
Employee expenses		(211,855)	(216,473)
Finance costs: lease liability	13	(10,809)	(7,835)
Finance costs: other		(10)	(69)
Impairment of exploration expenditure	11	-	(870,786)
Impairment of plant and equipment	9	(168,883)	-
Legal fees		(26,791)	(36,737)
Marketing expenses		3,000	(141,507)
Occupancy expenses		(29,701)	(54,670)
Share based payments (expense) : options - Director	16	-	(416,000)
Share based payments expiration / (expense): performance rights - Director	16	15,000	(61,200)
Travel and accommodation expenses		(146,208)	(147,434)
Write-off of tenement expenses		(29,254)	(59,413)
Loss before tax		(2,317,835)	(3,097,367)
Income tax benefit/(expense)	4	-	-
Net loss for the year from operations		(2,317,835)	(3,097,367)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,317,835)	(3,097,367)
Basic and diluted loss per share (cents)	5	(1.04)c	(2.45)c

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Note	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,056,653	126,865
Trade and other receivables	8	24,790	215,151
Prepaid expenses		305,143	409,894
Total Current Assets		1,386,586	751,910
Non-Current Assets			
Plant and equipment	9	738,688	1,111,072
Right of use asset	10	210,149	264,027
Exploration and evaluation assets	11	5,435,616	4,329,651
Total Non-Current Assets		6,384,453	5,704,750
Total Assets		7,771,039	6,456,660
LIABILITIES			
Current Liabilities			
Trade and other payables	12	213,532	750,053
Liability for application money	8	-	22
Lease liability	13	58,710	28,500
Provisions	14	6,981	46,096
Total Current Liabilities		279,223	824,671
Non-Current Liabilities			
Lease liability	13	190,974	259,014
Total Non-Current Liabilities		190,974	259,014
Total Liabilities		470,197	1,083,685
Net Assets		7,300,842	5,372,975
EQUITY			
Contributed equity	15	45,044,487	40,853,510
Reserves	16	610,244	815,607
Accumulated losses		(38,353,889)	(36,296,142)
Total Equity		7,300,842	5,372,975

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

Consolidated Entity	Note	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021		40,853,510	815,607	(36,296,142)	5,372,975
Equity issues	15	4,796,410	-	-	4,796,410
Equity issue expenses	15	(605,433)	-	-	(605,433)
Share based payments	16	-	92,121	-	92,121
Share based payments (expired securities)	16	-	(297,484)	297,484	-
Adjustment to opening accumulated losses		-	-	(37,396)	(37,396)
Loss for the year		-	-	(2,317,835)	(2,317,835)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(2,317,835)	(2,317,835)
Balance at 30 June 2022		45,044,487	610,244	(38,353,889)	7,300,842
Consolidated Entity		Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2020		36,655,595	319,483	(33,198,775)	3,776,303
Equity issues	15	4,613,194	-	-	4,613,194
Equity issue expenses	15	(415,279)	-	-	(415,279)
Share based payments	16	-	496,124	-	496,124
Loss for the year		-	-	(3,097,367)	(3,097,367)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(3,097,367)	(3,097,367)
Balance at 30 June 2021		40,853,510	815,607	(36,296,142)	5,372,975

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
Cash flows from operating activities			
Receipts from customers		372,593	170,967
Payments to suppliers and employees		(2,053,249)	(1,711,241)
Payment for exploration and evaluation assets		(1,285,715)	(1,317,390)
Interest paid: lease liability		(10,809)	(7,835)
Interest paid: other		(10)	-
Interest received		853	4,657
Net cash (used in) operating activities	7	<u>(2,976,337)</u>	<u>(2,860,842)</u>
Cash flows from investing activities			
Payment for plant and equipment		(369,840)	(1,155,277)
Proceeds from insurance payout		30,718	-
Net cash (used in) investing activities		<u>(339,122)</u>	<u>(1,155,277)</u>
Cash flows from financing activities			
Proceeds from equity issues		4,796,410	4,454,394
Proceeds from securities pending allotment		-	22
Payment for costs of equity issues		(513,333)	(359,177)
Proceeds from borrowings		124,000	-
Repayment of borrowings: other		(124,000)	-
Repayment of borrowings: lease liability		(37,830)	(22,840)
Net cash from financing activities		<u>4,245,247</u>	<u>4,072,399</u>
Net increase in cash held		929,788	56,280
Cash and cash equivalents at beginning of the year		<u>126,865</u>	<u>70,585</u>
Cash and cash equivalents at year end	7	<u><u>1,056,653</u></u>	<u><u>126,865</u></u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. Corporate information

This annual report covers Nelson Resources Limited (the “Consolidated Entity”), a company incorporated in Australia for the year ended 30 June 2022. The presentation currency of the Consolidated Entity is Australian Dollars (“\$”). A description of the Consolidated Entity’s operations is included in the review and results of operations in the Directors’ Report. The Directors’ Report is not part of the financial statements. The Consolidated Entity is a for-profit entity and limited by shares incorporated in Australia whose shares are traded under the ASX code “NES”. The financial statements were authorised for issue on 29 September 2022 by the Directors of the Consolidated Entity. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Nelson Resources Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements are presented in Australian dollars and have been prepared under the historical cost convention.

b. Going concern

The annual financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity incurred a loss from ordinary activities of \$2,317,835 for the year ended 30 June 2022 (2021: loss \$3,097,367) and net cash outflows from operating activities of \$2,976,337 (2021: \$2,860,842). The net working capital position of the Consolidated Entity at 30 June 2022 was \$1,107,363 (2021: \$72,761 net working deficit). The Consolidated Entity has exploration commitments due within the next 12 months. The Directors have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

2. Accounting policies (continued)

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

c. Principles of consolidation

The financial statements incorporate the assets and liabilities of all subsidiaries of Nelson Resources Limited and the results of all subsidiaries for the year then ended. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is 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. The acquisition method of accounting is used to account for business combinations by the Company. The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany transactions, balances and unrealised gains on transactions between companies 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 Company. Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity respectively.

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Nelson Resources Limited. When the Company ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

2. Accounting policies (continued)

d. Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

e. Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised in the profit or loss using the effective interest rate.

f. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Consolidated Entity and that are believed to be reasonable under the circumstances. The key estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised, in accordance with the Company's accounting policy where a potential impairment is indicated, requires estimates and assumptions as to whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This assessment requires estimates and assumptions about the resources, the timing of expected cash flows and future capital requirements. If, after having capitalised the expenditure under accounting policy, a judgement is made that recovery of expenditure is unlikely, an impairment loss is recognised in the profit or loss. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology and discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the restoration works. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

2. Accounting policies (continued)

Recoverability of deferred tax assets

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Leases – incremental borrowing rate and term

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment. The full term of the lease is estimated as the likelihood of taking up the term extension is estimated.

h. Accounting Standards that are mandatorily effective for the current reporting year

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021. The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

i. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Company has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Company's accounting policies, however further analysis will be performed when the relevant standards are effective.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
3. Revenue		
ATO cashflow boost	-	7,252
Drilling and survey revenue	374,488	170,967
Interest revenue	802	4,701
Other revenue	(1,894)	21,536
	373,396	204,456

Accounting policy

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 (including rent revenue) is recognised when it is received or when the right to receive payment is established.

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.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
4. Income tax		
<u>Income tax benefit</u>		
Current income tax	-	-
<u>Reconciliation of income tax benefit to prima facie tax</u>		
Loss before income tax benefit	(2,317,835)	(3,097,367)
Tax at the Australian tax rate of 30% (2021: 30%)	(695,351)	(929,210)
Movements in timing differences not recognised	(389,554)	(282,605)
Non-deductible expenses	(3,467)	307,604
Current year losses for which no deferred tax asset was recognised	1,088,372	904,211
Income tax expense	-	-
<u>Deferred tax balances not recognised</u>		
Tax losses	4,338,448	3,256,620
Exploration	(1,046,254)	(690,387)
Business related costs	236,586	148,307
Other	46,413	21,724
	3,575,193	2,736,264

Tax losses

The tax benefit at 30% of estimated unused tax losses is currently under review and it has not been recognised as a deferred tax asset. The benefit of deferred tax assets will only be brought to account if future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised and the conditions for deductibility imposed by the relevant tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realising the benefit.

Accounting policy

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

4. Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates (and tax laws) enacted or substantively enacted by the end of the reporting period. Deferred tax relating to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the profit or loss.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers. Commitments and contingencies are disclosed net of amount of GST recoverable from, or payable to, the ATO.

5. Earnings per share

Loss used for basic and diluted loss per share are loss after tax of \$2,317,835 (2021: loss after tax of \$3,097,367). The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is 223,349,655 ordinary shares (2021: 126,429,976 ordinary shares). There were no potential ordinary shares that are considered dilutive in the current reporting year.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2022**

5. Earnings per share (continued)

Accounting policy

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period. Diluted earnings per share adjusts 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.

6. Segment reporting

Operating segment are determined based on the reports reviewed by the Board of Directors, which are used to make strategic decisions. The Company does not have any operating segments with discrete financial information. All of the Company's assets and liabilities are located within Australia. The Company does not have any customers at this stage. Internal management reports for the Board of Directors' review are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
7. Cash and cash equivalents		
Cash in hand and at bank	<u>1,056,653</u>	<u>126,865</u>
	<u>1,056,653</u>	<u>126,865</u>

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
7. Cash and cash equivalents (continued)		
<u>Reconciliation of loss for the year to net cash flows from operating activities</u>		
Loss for the year	(2,317,835)	(3,097,367)
<i>Adjustments for:</i>		
Depreciation	423,843	296,502
Impairment of exploration and evaluation expenditure	-	870,786
Impairment of plant and equipment	82,632	-
Fixed assets write-off	1,895	4,293
Share based payments	(15,000)	577,200
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in receivables	190,361	(196,387)
(Increase)/decrease in prepaid expenses	104,751	(38,651)
(Increase)/decrease in exploration and evaluation expenditure	(1,105,965)	(1,537,770)
Increase/(decrease) in trade payables and accruals	(301,904)	218,866
Increase/(decrease) in provisions	(39,115)	41,686
Net cash used in operating activities	(2,976,337)	(2,860,842)

Accounting policy

Cash and cash equivalents include cash at bank and on hand and term deposits held at call with financial institutions with original maturities of three months or less but exclude any restricted cash. Restricted cash is not available for use by the Company and therefore is not considered highly liquid.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
8. Trade and other receivables		
Accrued interest revenue	36	86
GST receivable	24,630	211,524
Mongolian projects receivable ²⁵	555,304	555,304
Impairment of Mongolian projects receivable ²⁵	(555,304)	(555,304)
Other receivables	124	3,541
	24,790	215,151

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected Credit Loss Rate %	Carrying Amount \$	Allowance for Expected Credit Losses \$
Not overdue	0%	24,790	-
0-3 months overdue	0%	-	-
3-6 months overdue	0%	-	-
>6 months overdue	100%	555,304	(555,304)
		580,094	(555,304)

Accounting policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses. The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

²⁵ On 9 June 2017, the Company entered into an agreement with an independent third party buyer to sell its interest in assets and projects in Mongolia for a cash consideration of USD500,000. During the 30 June 2021 financial year the Company received an initial sum of USD40,000 or equivalent of AUD56,490 as a good faith payment, for the sale. The Directors are of the view that the full amount of the receivable is likely to be not recoverable and, therefore, a full provision for impairment has been made. Ownership of the shares has already been transferred.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2022**

9. Plant and equipment

	Computer Equipment \$	Office Equipment \$	Motor Vehicles \$	Exploration Equipment \$	Total \$
2022					
Written down value at beginning of year	6,509	112,421	238,050	754,092	1,111,072
Additions	-	21,261	15,000	84,704	120,965
Depreciation	(2,604)	(46,225)	(53,233)	(267,903)	(369,965)
Reclassification	-	1,058	(13,119)	12,061	-
Impairment	-	-	(28,928)	(53,704)	(82,632)
Write-offs	-	(16,379)	(24,373)	-	(40,752)
Written down value at end of year	3,905	72,136	133,397	529,250	738,688

	Computer Equipment \$	Office Equipment \$	Motor Vehicles \$	Exploration Equipment \$	Total \$
2021					
Written down value at beginning of year	10,848	12,654	85,513	108,852	217,867
Additions	-	129,275	180,990	833,770	1,144,035
Depreciation	(4,339)	(19,349)	(28,453)	(193,868)	(246,009)
Reclassification	-	(5,338)	-	5,338	-
Write-offs	-	(4,821)	-	-	(4,821)
Written down value at end of year	6,509	112,421	238,050	754,092	1,111,072

Accounting policy

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment in value. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits. Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Computer equipment – 2.5 years
Motor vehicles – 4 years

Office equipment – 2.5 years
Exploration equipment – 2.5 years

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
10. Right of use assets		
Balance at beginning of year ²⁶	264,027	15,853
Completion of old lease	-	(15,853)
Recognition of new lease	-	298,667
Depreciation	(53,878)	(34,640)
Balance at end of year	210,149	264,027

Accounting policy

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Consolidated Entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

11. Exploration and evaluation assets

Balance at beginning of year	4,329,651	3,662,667
Exploration and evaluation expenditure incurred during the year	1,105,965	1,537,770
Impairment	-	(870,786)
Balance at end of year	5,435,616	4,329,651

²⁶ The first lease agreement commenced on 1 November 2018 for a term of 2 years and an option to extend for 6 months. The discount rate (incremental borrowing rate) applied is 3.53%. The second lease agreement commenced on 12 October 2020 for a term of 3 years and an option to extend for 3 years. The discount rate (incremental borrowing rate) applied is 3.95%.

11. Exploration and evaluation assets (continued)

Accounting policy

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditure are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. Indirect costs that are included in the cost of an exploration and evaluation asset include, among other things, charges for depreciation of equipment used in exploration and evaluation activities. If an area of interest is abandoned or is considered to be of no further commercial interest, the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
12. Trade and other payables		
Accrued expenses	99,365	70,330
Revenue received in advance	-	12,000
Trade creditors	114,167	667,723
	213,532	750,053

12. Trade and other payables (continued)

Accounting policy

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period that are unpaid. They are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
13. Lease liability		
<u>Current</u>		
Balance at beginning of year	28,500	11,687
Recognition of new lease ²⁶	-	36,120
Repayments	(37,830)	(19,307)
Reclassification from non-current	68,040	-
	<hr/>	<hr/>
Balance at end of year	58,710	28,500
<u>Non-Current</u>		
Balance at beginning of year	259,014	-
Recognition of new lease	-	259,014
Reclassification to current	(68,040)	-
	<hr/>	<hr/>
Balance at end of year	190,974	259,014

Accounting policy

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate, which has been set at 3.95%. There is an option to extend the lease. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties.

13. Lease liability (continued)

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Consolidated Entity 30 June 2022	Consolidated Entity 30 June 2021
\$	\$

14. Provisions

Annual leave provision	6,981	46,096
	6,981	46,096

Accounting policy

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

	Consolidated Entity 30 June 2022		Consolidated Entity 30 June 2021	
	No.	\$	No.	\$
15. Contributed equity				
Balance at beginning of year	145,473,192	40,853,510	52,821,762	36,655,595
Share issue: 7 July 2020	-	-	61,980,380	2,364,213
Share issue: 29 January 2021	-	-	430,131	34,410
Share issue: 29 January 2021	-	-	500,000	30,000
Share issue: 29 January 2021	-	-	28,700,535	2,152,540
Share issue: 17 February 2021	-	-	25,000	2,000
Share issue: 14 April 2021	-	-	15,384	1,231
Share issue: 14 April 2021	-	-	1,000,000	28,800
Share issue: 17 August 2021	48,819,003	2,294,433	-	-
Share issue: 22 February 2022	99,999,969	2,501,577	-	-
Share issue: 29 March 2022	5,000	400	-	-
Share issue costs	-	(605,433)	-	(415,279)
Balance at end of year	294,297,164	45,044,487	145,473,192	40,853,510

	Consolidated Entity 30 June 2022 No.	Consolidated Entity 30 June 2021 No.
15. Contributed equity (continued)		
<u>Listed options</u>		
Balance at beginning of year	33,299,895	-
Options granted (free-attaching) ²⁷	74,409,361	30,990,156
Options granted ^{28 31}	4,794,497	2,355,254
Options exercised	(5,000)	(45,515)
Options expired	-	-
Balance at end of year	<u>112,498,753</u>	<u>33,299,895</u>
<u>Unlisted options</u>		
Balance at beginning of year	15,189,458	7,614,458
Options granted ^{29 30}	2,152,539	8,000,000
Options exercised	-	(425,000)
Options expired	(7,189,458)	-
Balance at end of year	<u>10,152,539</u>	<u>15,189,458</u>
<u>Performance rights</u>		
Balance at beginning of year	3,000,000	1,500,000
Performance rights granted ³²	-	3,000,000
Performance rights converted	-	(1,500,000)
Performance rights expired	(1,000,000)	-
Balance at end of year	<u>2,000,000</u>	<u>3,000,000</u>

²⁷ On 22 February 2022 49,999,953 listed options exercisable at \$0.08 each, expiring 17 August 2023 were granted as free attaching to the entitlements issue and placement as described above. On 17 August 2021 24,409,408 listed options exercisable at \$0.08 each, expiring 17 August 2023 were granted as free attaching to the entitlements issue and placement as described above. On 7 July 2020 30,990,156 listed options exercisable at \$0.08 each, expiring 7 July 2022 were granted as free attaching to the entitlements issue and placement.

²⁸ On 22 February 2022 the Company granted 2,500,000 listed options exercisable at \$0.08 each, expiring 17 August 2023 to its broker. The fair value of \$0.005 was calculated using the listed option price at grant date. On 18 November 2021 the Company granted 2,294,497 listed options exercisable at \$0.08 each, expiring 17 August 2023 to its broker as approved by shareholders at the 18 November 2021 shareholder meeting. The fair value of \$0.015 was calculated using the listed option price at grant date.

²⁹ On 18 November 2021 the Company granted 2,152,539 unlisted options exercisable at \$0.1125 each, expiring 18 November 2024 to its broker as approved by shareholders at the 18 November 2021 shareholder meeting. The fair value of \$0.021 was calculated using the share price at grant date of \$0.04, a risk free interest rate of 0.99% and a volatility of 116%.

15. Contributed equity (continued)

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Company's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Company funding being equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

Accounting policy

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.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
16. Reserves		
<u>Options reserve</u>		
Balance at beginning of year	749,457	255,733
Options granted - Director ³⁰	-	408,000
Options granted - broker ^{31 28 29}	92,119	77,724
Options revalued ³²	-	8,000
Reversal of expired options	(263,732)	-
Balance at end of year	577,844	749,457

³⁰ On 15 September 2020 the Company granted 8,000,000 unlisted options exercisable at \$0.0907 each, expiring 14 September 2023 to all Directors under the Amended Employee performance Rights and Options Plan. The fair value of \$0.051 was calculated using the share price at grant date of \$0.07, a risk free interest rate of 0.24% and a volatility of 137%.

³¹ On 15 September 2020 the Company granted 2,355,254 listed options exercisable at \$0.08 each, expiring 7 July 2022 to its broker as approved by shareholders at the 15 September 2020 shareholder meeting. The fair value of \$0.033 was calculated using the listed option price at grant date.

³² On 15 September 2020 the Company granted 3,000,000 unlisted performance rights, expiring 14 September 2023 to Adam Schofield under the Amended Employee performance Rights and Options Plan. The performance rights were granted in 3 tranches with respective milestones to be reached before conversion. Refer to the Notice of Annual General Meeting, dated and released on the ASX platform on 14 August 2020 for the terms and conditions and milestones of the performance rights. The share price on the issue date was \$0.072, the Milestone 2 probability was 25% and the Milestone 3 probability is 20%.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
16. Reserves (continued)		
<u>Share based payments reserve</u>		
Balance at beginning of year	66,150	63,750
Performance rights grant - Director ³³	-	61,200
Performance rights conversion - Director	-	(58,800)
Performance rights expired ³³	(33,750)	-
Balance at end of year	32,400	66,150
Total reserves	610,244	815,607

Accounting policy

The Company 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 the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

17. Financial instruments

Financial risk management objectives, policies and processes

The Company has exposure to the following risks from their use of financial instruments:

- ① credit risk,
- ① liquidity risk, and
- ① market risk (including gold price risk, interest rate and currency risk).

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Company's principal financial instruments comprise cash. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as receivables and payables which arise directly from its operations. For the year under review, it has been the Company's policy not to trade in financial instruments.

³³ On 21 November 2021 1,000,000 unlisted performance rights expired as a result of market conditions not vesting resulting in an adjustment of \$33,750 through the share based payments reserve. On 21 November 2021 500,000 unlisted performance rights expired as a result of non-market conditions not vesting resulting in an adjustment of \$15,000 through loss for the period.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
17. Financial instruments (continued)		
<u>Financial instruments</u>		
Financial assets		
Cash and cash equivalents	1,056,653	126,865
Trade and other receivables	24,790	215,151
	1,081,443	342,016
Financial liabilities		
Trade and other payables	213,532	750,053
Liability for application money	-	22
	213,532	750,075

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually. The Company does not have any significant credit risk exposure to the National Australia Bank. The credit risk on liquid funds is reduced because the counterparty is a bank with high credit rating assigned by international credit rating agencies.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company did not have any undrawn facilities at its disposal as at reporting date. The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

17. *Financial instruments (continued)*

Contractual maturities of financial liabilities

Details	<1 Year \$	1-2 Years \$	2-5 Years \$	>5 Years \$	Total \$	Carrying Amount \$
30 June 2022						
Trade and other payables	114,167	-	-	-	114,167	114,167
Accrued expenses	99,365	-	-	-	99,365	99,365
Total	213,532	-	-	-	213,532	213,532
30 June 2021						
Trade and other payables	679,723	-	-	-	679,723	679,723
Accrued expenses	70,330	-	-	-	70,330	70,330
Liability for application money	22	-	-	-	22	22
Total	750,075	-	-	-	750,075	750,075

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company does not have short or long-term debt and therefore the risk is minimal. The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. The Company's cash and cash equivalents at 30 June 2022 are fixed interest rate financial instruments. Therefore, they are not subject to interest rate risk.

Fair value measurements

The fair values of cash, receivables, trade and other payables approximate their carrying amounts as a result of their short maturity. When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use.

17. Financial instruments (continued)

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Accounting policy

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Consolidated Entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

17. Financial instruments (continued)

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.

18. Commitments and contingencies

The Company the following expenditure contracted at the reporting date. The Company has certain statutory requirements to undertake a minimum level of exploration activity in order to maintain rights of tenure to its various exploration tenements. These requirements may vary from time to time, subject to approval of the relevant government departments and are expected to be fulfilled in the normal course of operations of the Company to avoid forfeiture of any tenement. The Company has a 100% share of tenements rental and expenditure commitments. These exploration commitments are not provided for in the financial statements and are payable:

	Consolidated Entity 30 June 2022	Consolidated Entity 30 June 2021
	\$	\$
Not longer than 1 year	535,392	229,582
More than 1 year but not longer than 5 years	921,734	1,620,983
More than 5 years	-	-
	1,457,126	1,850,565

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2022**

18. Commitments and contingencies (continued)

a. Contingent assets

There are no contingent assets as at 30 June 2022.

b. Contingent liabilities

There were no contingent liabilities at 30 June 2022 other than a bank guarantee for the office rent of \$21,457. The Directors are not aware of any significant breaches of environmental legislation and requirements during the year.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
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19. Auditor's remuneration

Criterion Audit Pty Ltd: Audit and review of financial reports

24,500	23,000
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Total auditor's remuneration

24,500	23,000
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20. Key management personnel compensation

Salary, fees and leave

340,574	382,610
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Superannuation

8,026	6,840
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Fair value of share options & performance rights

(15,000)	469,200
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Total key management personnel compensation

333,600	858,650
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Effective 26 February 2021 the Company entered into a sub-lease agreement with Kingfisher Mining Limited (a company of which both Warren Hallam and Adam Schofield are directors) for the occupancy of its premises. The transaction was at arm's length terms, expiring 31 December 2024.

Effective 1 February 2021 the Company has charged rent to Heavy Minerals Limited (a company of which Adam Schofield is a director) for the occupancy of its premises. The transaction is at arm's length terms.

Effective 1 March 2021 the Company entered into a drilling agreement with Kingfisher Mining Limited (a company of which both Warren Hallam and Adam Schofield are directors) for the provision of drilling services. The transaction was at arm's length terms and has since concluded.

The Company provided Drone Survey services to Mozmin Resources Pty Ltd a subsidiary of Heavy Minerals Limited (a company of which Adam Schofield is a director). The transactions were on commercial terms and arm's length basis and have since concluded.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2022**

20. Key management personnel compensation (continued)

During the year the Company paid \$114,240 in company secretarial, accounting and bookkeeping fees to Mining Corporate Pty Ltd, a company of which Stephen Brockhurst is a director.

Directors' interests and benefits

Refer to Remuneration Report for details of the transactions during the year.

Director	No. Shares Held at 30 June 2021	On-Market Purchases	Conversion of Performance Rights	Other Changes	No. Shares Held at 30 June 2022	No. Shares Held at Date of this Report
Jonathan Shellabear³⁴						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Warren Hallam³⁵						
Directly	-	-	-	-	-	N/A
Indirectly	1,315,788	-	-	714,283 ³⁶	2,030,071	N/A
Adam Schofield³⁷						
Directly	2,965,789	1,401,831	-	2,372,629 ³⁶	6,740,249	N/A
Indirectly	175,000	-	-	140,000 ³⁶	315,000	N/A
Stephen Brockhurst						
Directly	-	-	-	-	-	-
Indirectly	1,315,789	-	-	1,797,309 ³⁶	3,113,098	3,113,098
Daniel Smith³⁸						
Directly	N/A	N/A	N/A	N/A	N/A	-
Indirectly	N/A	N/A	N/A	N/A	N/A	-
Total	5,772,366	1,401,831	-	5,024,221	12,198,418	3,113,098

³⁴ Appointed 12 April 2022.

³⁵ Resigned 31 May 2022.

³⁶ Take up of entitlements in the 17 August 2021 and 22 February 2022 entitlements issues.

³⁷ Resigned 15 August 2022.

³⁸ Appointed 15 August 2022.

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2022

20. Key management personnel compensation (continued)

Director	No. Options Held at 30 June 2021	Grant of Options	Expiry of Options	Other Changes	No. Options Held at 30 June 2022	No. Options Held at Date of this Report
Jonathan Shellabear³⁹						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Warren Hallam⁴⁰						
Directly	-	-	-	-	-	N/A
Indirectly	2,157,894	-	-	357,140 ⁴¹	2,515,034	N/A
Adam Schofield⁴²						
Directly	8,195,395	-	(2,500,000)	1,186,314 ⁴¹	6,881,709	N/A
Indirectly	87,500	-	-	70,000 ⁴¹	157,500	N/A
Stephen Brockhurst						
Directly	-	-	-	-	-	-
Indirectly	2,157,895	-	-	898,653 ⁴¹	3,056,548	2,398,653
Daniel Smith⁴³						
Directly	N/A	N/A	N/A	N/A	N/A	-
Indirectly	N/A	N/A	N/A	N/A	N/A	265,000
Total	12,598,684	-	(2,500,000)	2,512,107	12,610,791	2,663,653

³⁹ Appointed 12 April 2022.

⁴⁰ Resigned 31 May 2022.

⁴¹ Take up of entitlements in the 17 August 2021 and 22 February 2022 entitlements issues.

⁴² Resigned 15 August 2022.

⁴³ Appointed 15 August 2022.

20. *Key management personnel compensation (continued)*

Director	No. Performance Rights Held at 30 June 2021	Issue of Performance Rights	Expiry of Performance Rights	Other Changes	No. Performance Rights Held at 30 June 2022	No. Performance Rights Held at Date of this Report
Jonathan Shellabear⁴⁴						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Warren Hallam⁴⁵						
Directly	-	-	-	-	-	N/A
Indirectly	-	-	-	-	-	N/A
Adam Schofield⁴⁶						
Directly	3,000,000	-	(1,000,000)	-	2,000,000	N/A
Indirectly	-	-	-	-	-	N/A
Stephen Brockhurst						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Daniel Smith⁴⁷						
Directly	N/A	N/A	N/A	N/A	N/A	-
Indirectly	N/A	N/A	N/A	N/A	N/A	-
Total	3,000,000	-	(1,000,000)	-	2,000,000	N/A

21. *Interests in controlled entities*

Company Name	Place of Incorporation	30 June 2022 % Ownership	30 June 2021 % Ownership
79 Exploration Pty Ltd	Australia	100%	100%
Nelson Exploration Services Pty Ltd	Australia	100%	100%

⁴⁴ Appointed 12 April 2022.

⁴⁵ Resigned 31 May 2022.

⁴⁶ Resigned 15 August 2022.

⁴⁷ Appointed 15 August 2022.

**NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2022**

22. Interests in controlled entities (continued)

Nelson Resources Limited is the ultimate parent entity of the Company. The parent entity's financial performance and financial position are as follows:

	Company 30 June 2022 \$	Company 30 June 2021 \$
ASSETS		
Current Assets		
Cash and cash equivalents	1,056,643	120,753
Trade and other receivables	13,369	62,276
Prepaid expenses	30,819	30,313
Total Current Assets	1,100,831	213,342
Non-Current Assets		
Plant and equipment	73,575	119,038
Right of use assets	210,149	264,027
Investments	1,100,001	1,100,001
Total Non-Current Assets	1,383,725	1,483,066
Total Assets	2,484,556	1,696,408
LIABILITIES		
Current Liabilities		
Trade and other payables	90,131	273,480
Liability for application money	-	22
Lease liability	58,710	28,500
Provisions	6,981	46,096
Total Current Liabilities	155,822	348,098
Non-Current Liabilities		
Lease liability	190,974	259,014
Total Current Liabilities	190,974	259,014
Total Liabilities	346,796	607,112
Net Assets	2,137,760	1,089,296
EQUITY		
Contributed equity	45,044,487	40,853,510
Reserves	610,244	815,607
Accumulated losses	(43,516,971)	(40,579,821)
Total Equity	2,137,760	1,089,296

22. *Events after the end of the reporting year*

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

- ① On 15 August 2022 Adam Schofield resigned as Executive Director and Daniel Smith was appointed as Non-Executive Director.
- ① On 16 August 2022 the Company cancelled 2,000,000 performance rights expiring 14 September 2023.

DIRECTORS' DECLARATION

The Directors of the Consolidated Entity declare that:

The financial statements and notes are in accordance with the *Corporations Act 2001* and:

- a. comply with Australian Accounting Standards; and
- b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of the performance for the year ended 30 June 2022.

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity 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.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Jonathan Shellabear'.

Jonathan Shellabear
Non-Executive Chairman

29 September 2022

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

Independent Auditor's Report

To the Members of Nelson Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nelson Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion above, we draw attention to Note 2(b) to the annual report, which indicates that the Consolidated Entity produced a net loss for the year of \$2,317,835 with net cash outflows from operating activities of \$2,976,337. The net working asset position of the Consolidated Entity at 30 June 2022 was \$1,107,363.

These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

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independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Key audit matter	How our audit addressed the key audit matter
<p>Exploration and Evaluation Expenditure – \$5,435,616 (Refer to Note 11)</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> The significance of the balance to the Consolidated Entity's consolidated financial position. The level of judgement required in evaluating management's application of the requirements of <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset. The assessment of impairment of exploration and evaluation expenditure being inherently difficult. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> We assessed management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Consolidated Entity holds an interest and the exploration programmes planned for those tenements. For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6; We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest. We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure: <ul style="list-style-type: none"> the licenses for the right to explore expiring in the

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- near future or are not expected to be renewed;
- substantive expenditure for further exploration in the specific area is neither budgeted or planned
- decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and
- data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.
- We assessed the appropriateness of the related disclosures in note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2022, but does not include the financial report and our 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 Consolidated Entity 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 Consolidated Entity or to cease operations, or has 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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 26 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Nelson Resources Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.



CRITERION AUDIT PTY LTD



ELIZABETH LOUWRENS CA
Director

DATED at PERTH this 29th day of September 2022

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES

As at 22 September 2022

Issued Securities

	Listed on ASX	Unlisted	Total
Fully paid ordinary shares	294,297,164	-	294,297,164
\$0.08 listed options expiring 17-Aug-23	79,198,858	-	79,198,858
\$0.0907 unlisted options expiring 14-Sep-23	-	8,000,000	8,000,000
\$0.1125 unlisted options expiring 18-Nov-24	-	2,152,539	2,152,539
Total	373,496,022	10,152,539	383,648,561

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	48	7,346	0.00%
1,001 - 5,000	41	162,301	0.06%
5,001 - 10,000	166	1,428,313	0.49%
10,001 - 100,000	594	23,935,392	8.13%
100,001 - and over	362	268,763,812	91.32%
Total	1,211	294,297,164	100.00%

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	MAX ASSET HOLDINGS PTY LTD	9,143,305	3.11%
2.	CAIRNGLEN INVESTMENTS PTY LTD	8,866,666	3.01%
3.	PLATINA RESOURCES LIMITED	6,067,758	2.06%
4.	ESM LIMITED	6,020,000	2.05%
5.	PE GROUP HOLDINGS PTY LTD	6,005,803	2.04%
6.	MS CHUNYAN NIU	5,333,333	1.81%
7.	RUBITON PTY LTD	5,199,998	1.77%
8.	RALLOU PTY LTD <MASSEY CHARITABLE A/C>	5,079,999	1.73%
9.	MR CHRISTOPHER ADAM SIDDONS SCHOFIELD	5,045,222	1.71%
10.	SANCOAST PTY LTD	5,000,000	1.70%
11.	TRINITY DIRECT PTY LTD	4,080,000	1.39%
12.	MR BIN LIU	4,000,000	1.36%
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,870,735	1.32%
14.	MR CHRISTOPHER ADAM SIDDONS SCHOFIELD	3,770,250	1.28%
15.	OPEKA DALE PTY LTD <OPEKA DALE P/L S/F NO 2 A/C>	3,750,000	1.27%
16.	SCINTILLA STRATEGIC INVESTMENTS LIMITED	3,250,000	1.10%
17.	MR IAIN MILTON MCDUGALL	3,000,000	1.02%
18.	MR CHRISTOPHER ADAM SIDDONS SCHOFIELD	2,969,999	1.01%
19.	DR LEON EUGENE PRETORIUS	2,700,000	0.92%
20.	MR DAVID JOHN MASSEY & MRS KELLY ANN MASSEY <D J MASSEY SUPER A/C>	2,688,128	0.91%
Total		95,841,196	32.57%

The number of shareholdings held in less than marketable parcels is 562.

The Company has the no substantial shareholders listed in its register as at 22 September 2022.

There are no holders of more than 20% of this class of securities.

ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES (continued)

Ordinary Shares Voting Rights - Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- ① each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ① on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- ① on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

Distribution of Listed \$0.08 17-Aug-23 Options

Spread of Holdings	Number of Holders	Number of Units	% of Total Options
1 - 1,000	14	8,588	0.01%
1,001 - 5,000	80	242,813	0.31%
5,001 - 10,000	61	464,182	0.59%
10,001 - 100,000	124	5,044,942	6.37%
100,001 - and over	139	73,438,333	92.73%
Total	418	79,198,858	100.00%

Top 20 Listed \$0.08 17-Aug-23 Option Holders

Rank	Optionholder	Options Held	% of Total Options
1.	MATTHEW BURFORD SUPER FUND PTY LTD <BURFORD SUPERFUND A/C>	4,025,000	5.08%
2.	MR MICHAEL SOUCIK & MRS HEATHER SOUCIK <HMS SUPERANNUATION FUND A/C>	2,930,210	3.70%
3.	ROOKHARP CAPITAL PTY LIMITED	2,666,666	3.37%
4.	OPEKA DALE PTY LTD <OPEKA DALE P/L S/F NO 2 A/C>	2,500,000	3.16%
4.	GOFFACAN PTY LTD <KMM FAMILY A/C>	2,500,000	3.16%
5.	CAIRNGLEN INVESTMENTS PTY LTD	2,266,665	2.86%
6.	MR JONATHAN IAN LANGTON & MRS KERRY ANNE LANGTON	2,034,589	2.57%
7.	MR BIN LIU	2,000,000	2.53%
8.	RUBITON PTY LTD	1,699,999	2.15%
9.	MR MICHAEL ROBERT PITT & MRS RACHEL ELIZABETH PITT <RGR FAMILY SUPERFUND A/C>	1,504,000	1.90%
10.	DR LEON EUGENE PRETORIUS	1,350,000	1.70%
11.	MAX ASSET HOLDINGS PTY LTD	1,349,043	1.70%
12.	GOLDEN SUNRISE (AUST) PTY LTD	1,209,850	1.53%
13.	MS FURONG ZHANG	1,149,928	1.45%
14.	MR MAOSEN ZHONG	1,052,533	1.33%
15.	MR IAIN MILTON MCDUGALL	1,000,000	1.26%
15.	MR SCOTT ANDREW BERGER	1,000,000	1.26%
15.	ROOKHARP CAPITAL PTY LIMITED	1,000,000	1.26%

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ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES (continued)

16.	MR CLAYTON JOHN SHARP & MRS EMMA LEE SHARP	950,000	1.20%
17.	TOLTEC HOLDINGS PTY LTD	949,999	1.20%
18.	TRINITY DIRECT PTY LTD	946,667	1.20%
19.	CITICORP NOMINEES PTY LIMITED	908,841	1.15%
20.	ESM LIMITED	860,000	1.09%
Total		37,853,990	47.81%

There are no holders of more than 20% of this class of securities.

The Company has no restricted securities on issue as at the date of this report.

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ADDITIONAL INFORMATION FOR PUBLIC LISTED COMPANIES (continued)
Schedule of Exploration Tenements

Project	Tenement	Granted or Pending	Interest: 30-Jun-22
Socrates	E 28/2633	G	100%
Grindall North	E 28/2769	G	100%
Socrates - South	E 28/2873	G	100%
Socrates – East	E 28/2993	G	100%
Socrates - East	E 28/2953	G	100%
Morris	E 28/2941	G	100%
Grindall	E 28/2679	G	100%
Grindall South	E 28/2768	G	100%
Redmill	E 28/2874	G	100%
Redmill West	E 28/2987	G	100%
Harvey South	E 63/1971	G	100%
Harvey	E 28/2923	G	100%
Harvey West	E 28/2986	G	100%
Harvey West	E 28/3081	P	-
Hope West	E 28/3127	P	-
Hope East	E 28/3130	P	-
Tyler	E 28/310	P	-
Orion	E 28/3216	P	-
Tempest	E 28/2805	G	100%
Yarri - Wallaby	P 31/2085	G	100%
Yarri - Gibberts	P 31/2086	G	100%
Yarri - Gt Banjo	P 31/2087	G	100%
Fortnum	E 52/3695	G	100%