Nelson Resources Limited

And Controlled Entities

ABN: 83 127 620 482

HALF YEAR REPORT

For the Period Ended 31 December 2021

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DIRECTORS

Warren Hallam	Non-Executive Chairman
Adam Schofield	Executive Director
Stephen Brockhurst	Non-Executive Director

SECRETARY
Stephen Brockhurst

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Australian Securities Exchange
ASX Share Code: **NES**; ASX Listed Options: **NESOA**

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Your Directors submit the financial report of the Consolidated Entity for the 6 month period ended 31 December 2021.

DIRECTORS

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

Director	Details
Warren Hallam	Independent Non-Executive Chairman
Adam Schofield	Executive Director
Stephen Brockhurst	Independent Non-Executive Director

COMPANY SECRETARY

Stephen Brockhurst Company Secretary

PRINCIPAL ACTIVITIES

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

REVIEW OF RESULTS

The loss after tax for the period ended 31 December 2021 was $1,379,241 (2020: $1,059,140).

CORPORATE

The Company's cash balance at 31 December 2021 was $124,722.

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 raising $1,953,497. On 17 August 2021 the Company announced that 41,563,769 shares along with 20,781,792 free attaching options exercisable at $0.08 expiring 17 August 2023 had been 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.

Subsequent to the end of the reporting period, the Company announced and completed a renounceable entitlements issue and placement raising $2.5m.

COVID-19 Impacts

COVID-19 has impacted the Company's operations with intrastate restrictions affecting access to staff along with an increase in the associated costs. The Company has and continues to follow all State Government directives in respect to COVID-19 and the Company's operations. The Company has also implemented various policies and procedures to protect and reduce the effects of COVID on the Company.

OPERATIONS

During the second half of 2021, Nelson Resources Ltd (Nelson or the Company) continued to explore at its 100% owned projects in Western Australia. The highlights of this period include:

- Drilling 18 RC drill holes for 1602m and three diamond drill holes for 457m at the Woodline project (Socrates & Grindall).
- Reporting of significant intersections, including 5m @ 1.72 g/t Au at Socrates West and 5m @ 1.74 g/t Au from Socrates Central.
- Completion of the compilation and review of other projects including Tempest and Fortnum. At Fortnum, an understanding of the projects potential has been appreciated from historical results including 5m @ 4.71 g/t from 35m in FRB3032.
- Engagement of a new Exploration manager, Derek Shaw, who brings over 20 years of Mineral Exploration experience to Nelson including significant and relevant experience in the Albany-Fraser region stemming from his time with the Tropicana Joint Venture.

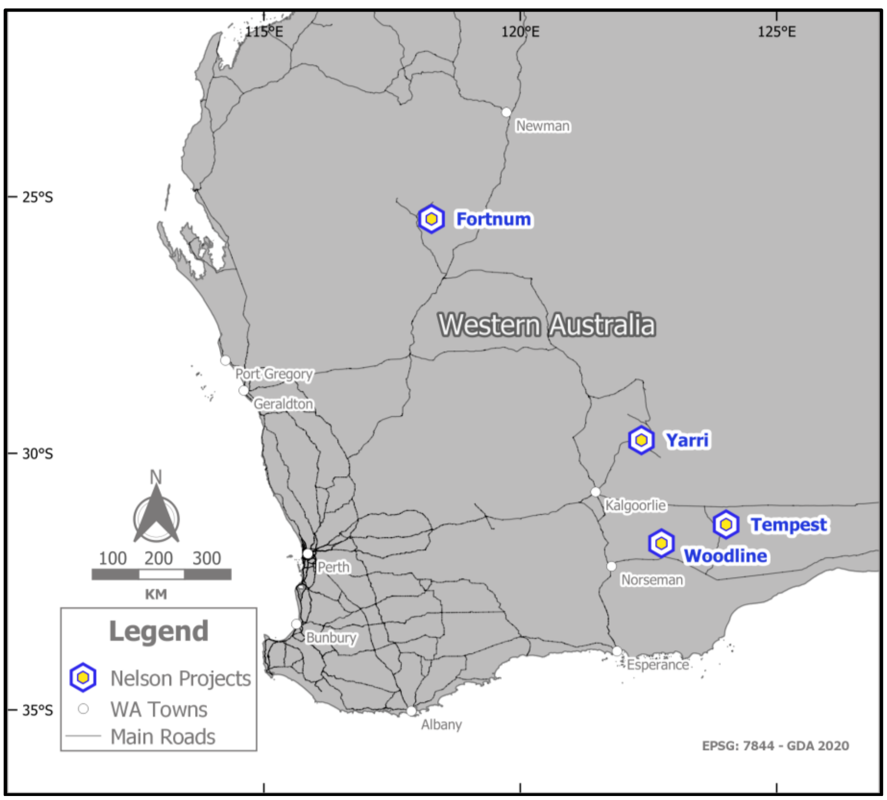

Image 1. Project Locations

Woodline Project (Grindall, Redmill, Harvey, Socrates, Socrates West & Morris)

The Woodline Project (Image 1) is 140km south-east of Kalgoorlie and is halfway between the Trans Australia Rail line and the Eyre Highway. The project was previously explored by Sipa Resources / Newmont and MRG Metals.

Woodline straddles the boundary of the Archaean Yilgarn Craton and the Proterozoic Northern Foreland of the Albany-Fraser Orogen. This project encapsulates:

- The confluence of three major gold-bearing structures: the Keith-Kilkenny Fault, the Claypan Shear Zone and the Cundeelee Shear Zone, which host many of the larger gold projects in Western Australia, as well as the Jimberlana Dyke (Ni-Cu).
- 45km of the Cundeelee fault, which is overlain by gold-in-soil geochemical anomaly >20km long, as well as gold intersections in the basement.
- 30km of significantly unexplored greenstones within the Norseman-Wiluna greenstone belt.

Historical expenditure, by previous explorers and Nelson, within the Woodline project, is approximately $15 million. This work has returned several significant gold intersections including 197m @ 0.5g/t, 1m @ 142 g/t Au, 5m at 4.33 g/t Au, 8m @ 3.53 g/t Au and 25m @ 2.06 g/t Au at Socrates and demonstrates a minimum of 400m of strike as well as suggesting there is a much larger gold system. In addition, the Company believes that Grindall, Redmill, and Harvey each have the potential to host a Tropicana-scale gold deposit as indicated by a large 20km long geochemical anomaly (Image 2).

During the period, Nelson continued drilling at Socrates and Grindall completing 18 RC drill holes for 1602m, at Socrates, and three diamond drill holes for 457m at Grindall. From this work, and drilling completed during the previous period, several significant intercepts were returned.

At Socrates West (Image 3), 1200m to the west of the main Socrates target, a single drill hole, targeting anomalous rock-chip sampling, intersected 5m @ 1.72 g/t from 23m in SDRC098, including 3m @ 2.01 g/t from 23m. This intersection is considered to be a new, potential mineralised zone that is an addition to the Socrates prospect.

The Company has so far identified 4 parallel zones of mineralisation at Sorcrates, East, Central, Main and West (Image 3).

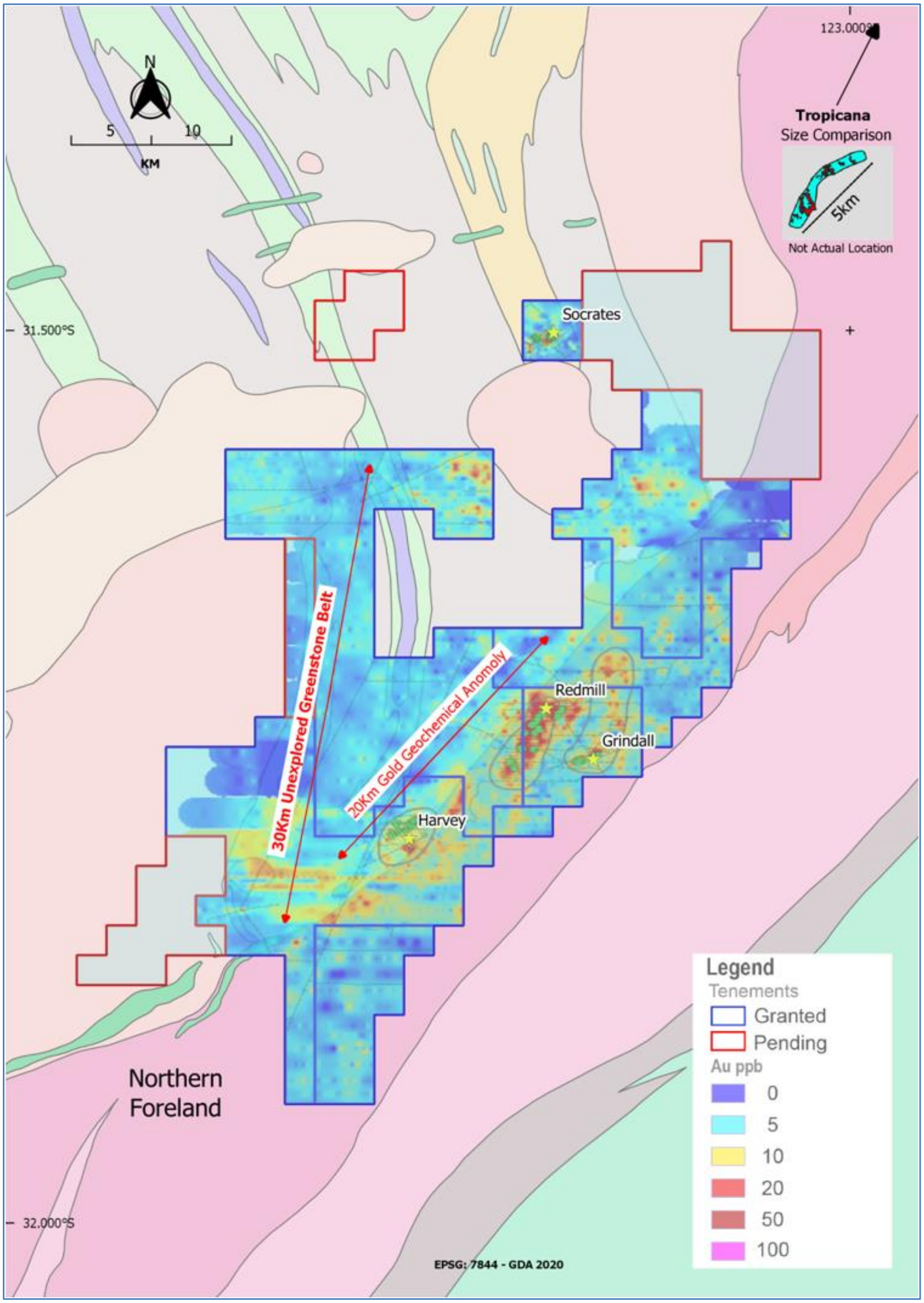

Image 2. 20 Km Geochemical Gold Anomaly with Woodline projects and tenure shown

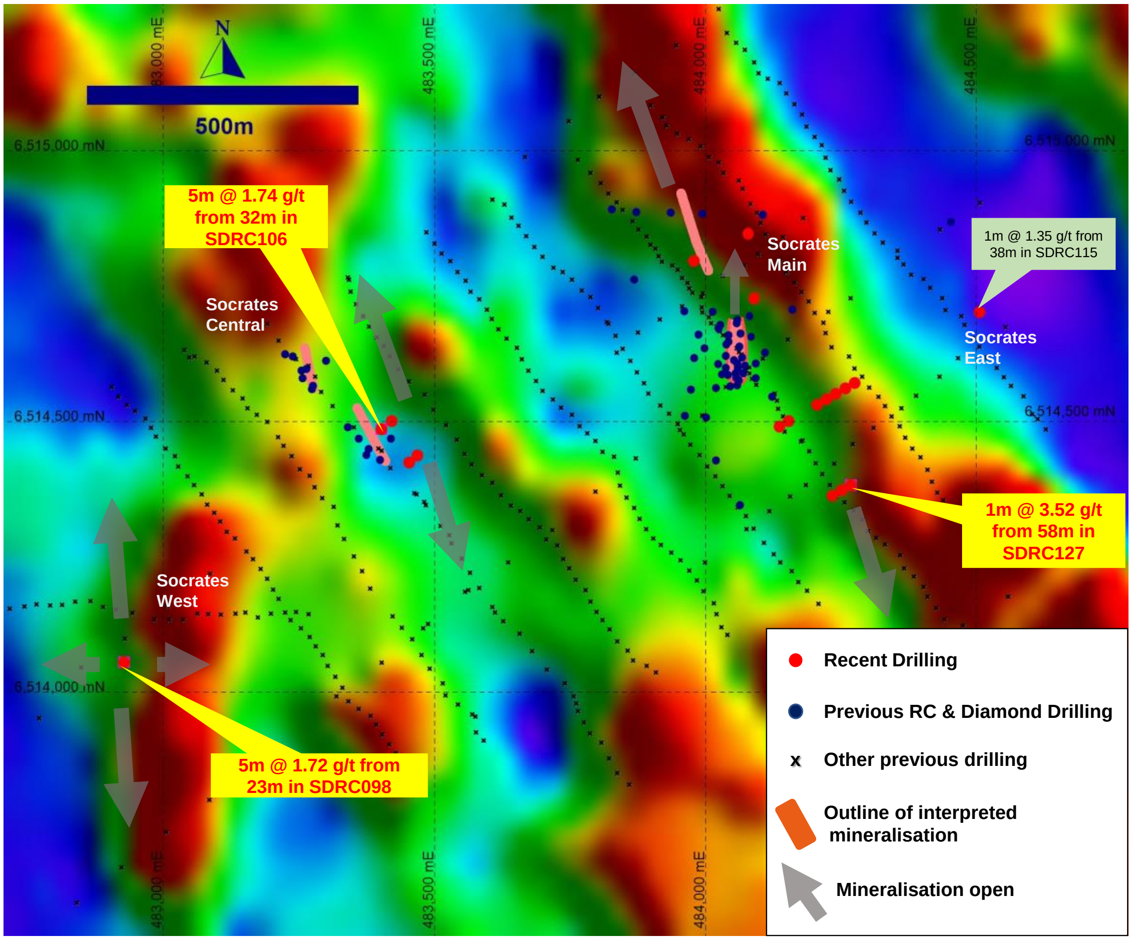

Image 3. Socrates plan view showing drilling and prospect locations, on HoistEM image, with intercepts from H2 drilling.

Around Socrates Main (Image 3), 300m to the south-east of the main prospect, within a small cluster of holes testing the south-eastern extension of the mineralised zone at Socrates Main, SDRC127 intersected 1m @ 3.52 g/t from 58m. This intersection has identified a further potential extension to the south of the Socrates Main zone, this is the first deep drilling in the area.

At Socrates Central, 600m to the west of Socrates Main, SDRC106 intersected 5m @ 1.74 g/t from 32m, including 3m @ 2.76 g/t from 32m. This intersection was returned from an area previously drilled by Sipa-Newmont and by Nelson. This hole was following up a historical intersection in an area of incomplete drill-hole coverage and poorly understood geology. This intersection, and the adjacent results, continue to indicate a north-northeast strike to the system and demonstrate the failure of early exploration to identify the mineralised system.

At Socrates West, 600m to the west of Socrates Central, SDRC098 intersected 5m @ 1.72 g/t from 23m. This intersection was returned from a previously undrilled EM target identified by Sipa-Newmont and rockchipped by Nelson. This intersection is significant as the EM target appears to be approximately 2 km in length and will be the target of future drilling.

Nelson is currently reviewing the Woodline project with the objective of improving the understanding of the various mineralised systems in the area. This review will inform planning for substantial drilling programs, budgeted for 2022, with the objective of defining mineral resources on the project.

Tempest Project

The Company's Tempest project (Image 1) is located 250km ESE of Kalgoorlie and 90km NE from Nova-Bollinger Mine. With an area of 105 km^2, Tempest borders the IGO / Rumble Thunderstorm JV project (Image 4). Recent 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 Prospect (ASX Announcement Rumble Resources (ASX:RTR) 1 July 2019).

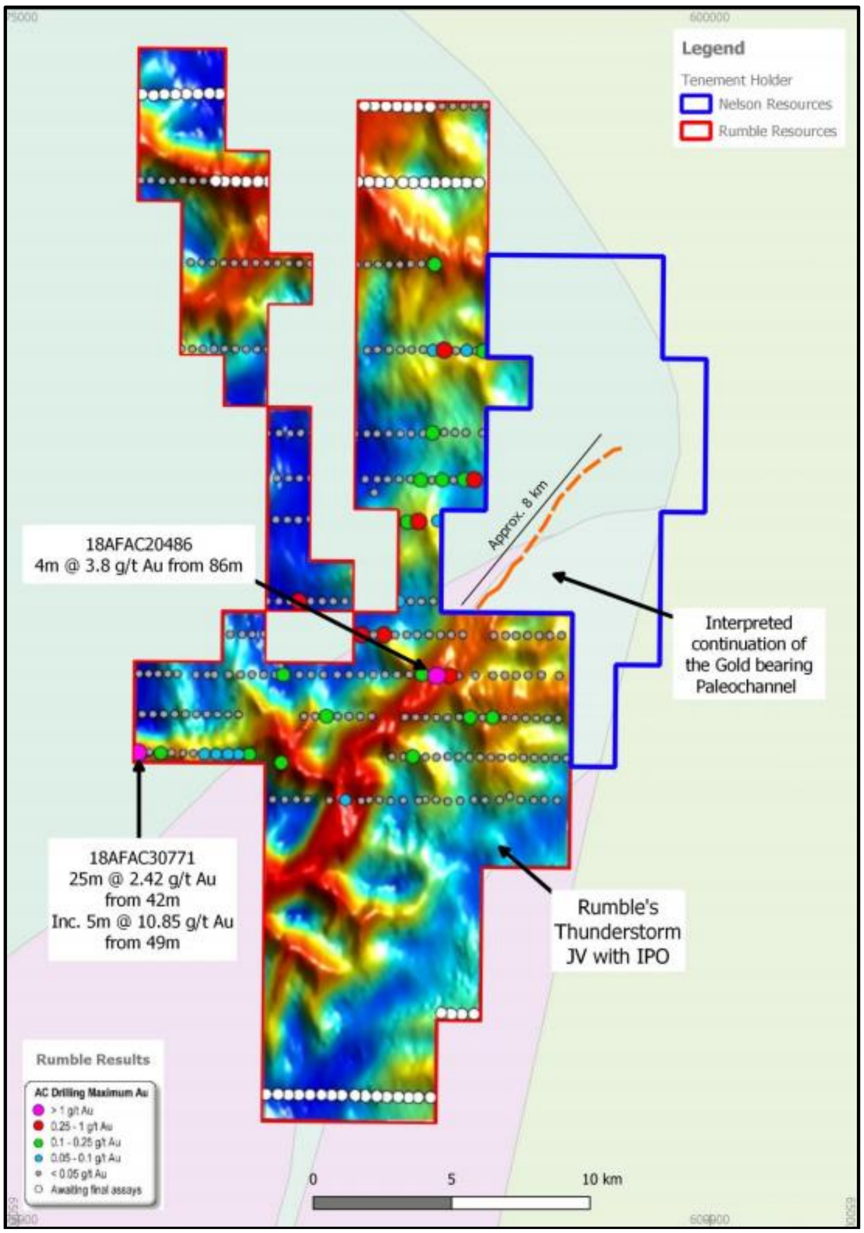

Image 4. Tempest project in relation to Rumble's Thunderstorm JV with IGO

The project is located within the Fraser Complex of the Proterozoic Albany-Fraser Belt to the east of the Archean Yilgarn Craton. Tertiary fluvio-marine sediments associated with the Eucla Basin cover much of the region almost completely obscuring the Proterozoic basement. The basement geology is interpreted to be high metamorphic grade, felsic to mafic gneisses, schists and associated intrusives.

During the period the Company completed a compilation and review of the previous work on an around the Tempest project. This review identified that previous work had not effectively tested the project. Work completed on the IGO-Rumble JV, to the immediate south, is likely to have intersected mineralisation that is sourced from within or close to Tempest.

Nelson will build on the findings of the review by completing geophysical programs over the Tempest project. These programs will be designed to assist in refining the targets at Tempest and to reduce technical risk in preparation for drilling programs planned for later in the year.

Yarri

The Yarri Project lies (Image 1) 160km north-east of Kalgoorlie on Edjudina Station, 30km north of Saracens Carosue Dam Mine and 7.5km east of the Porphyry Mine. Nelson's Yarri project consists of three prospects to the north and east of the historic Yarri State Battery site. The Company's main focus is on the Wallaby line of workings immediately to the east of Yarri, where historical drilling by the Company returned a number of encouraging, high-grade drill 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 to a shallow 35 metres (100 feet) below surface.

The Great Banjo lodes were mined between 1903 and 1905 producing 84.2 ounces of gold from 129 tonnes of ore at an average grade of 20.3g/t.

The Gibberts lodes were also mined between 1903 and 1905 and produced 37.5 ounces from 64.5 tonnes at an average grade of 18.1g/t. No production is documented since this time.

In the Yarri region, the Porphyry Mine, 7.5 kilometres to the west, in similar host rocks has a global resource approximately 880,000 ounces of gold (production plus defined resource estimates obtained from available literature).

During the period the Company conducted no work on the Yarri project.

Fortnum

The Fortnum project (Image 1) is located within the Peak Hill Mineral Field, 140km north-west of Meekatharra and approximately 14km southwest of the Fortnum Mining center, in the locality of Billara Bore.

The project contains 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. This geology sequence is similar to the host of the mineralisation at the adjacent gold deposits, including Nathans, Labouchere and Wilthorpe.

There are four prospects on the tenure. Billara A, Billara North and Billara South are associated with quartz veining in highly sheared mafic schist adjacent to the contact with the Despair Granite. Billara D is associated with quartz veins in a NNE-trending, biotite-rich schist, the Despair Granite, analogous to the Wilthorpe gold mine, 9km to the south.

During the period the Company completed a comprehensive compilation and review of previous work on and around the project, followed by a field visit. The previous work compilation identified significant intercepts from drilling, completed in the 1990's, that has not been followed-up. These intersections include 8m @ 2.41 g/t from 52m in FRB1117; 3m @ 2.43 g/t from 2m in FRB3032 and 5m @ 4.71 g/t from 35m in FRB3032 (Data from WAMEX open file Report A119961).

Nelson intends to complete more field work to consolidate the understanding of mineralisation on the project prior to committing to a substantial drilling program.

Happy Jack
The Company has a retained 1% net smelter royalty on any future gold production on this tenement.

Competent Person Statement

The information in this announcement that relates to Exploration Targets, Exploration Results and Mineral Resources is based on information compiled by Mr Derek Shaw who is an employee of Nelson Resources Limited. *Mr Shaw is a Member Australian Institute of Geoscientists and has sufficient experience that is relevant to this style of mineralisation and type of deposit under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Shaw consents to the inclusion in the report of the matters in the form and context in which it appears*.

Climate Risk

The Company acknowledges that climate change issues could constitute a risk to its operations but has assessed the risks to be 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 could 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 to be all-weather.

Key potential vulnerabilities

- 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.
- Sea level rise might impact on the longer-term access to and viability of infrastructure.
- Legislation uncertainty or compliance changes due to climate-related impacts.
- water discharge.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances which have arisen since the end of the period 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:

- 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. 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 renounceable entitlements issue and placement.
- The Company is exploring the sale of all plant and equipment used in its drilling operations.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 31 December 2021 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.

Adam Schofield
Executive Director
14 March 2022

Criterion Audit Pty Ltd

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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 review of the financial statements of Nelson Resources Limited and its controlled entities for the half year ended 31 December 2021, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

Criterion Audit Pty Ltd

CRITERION AUDIT PTY LTD
Chartered Accountants

ELIZABETH LOUWRENS CA
Director

DATED at PERTH this 14th day of March 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2021

	Note	Consolidated Entity 31 December 2021 $	Consolidated Entity 31 December 2020 $
Revenue	3	**347,668**	10,834
Administration and other expenses		**(185,390)**	(117,652)
Accounting and audit fees		**(72,339)**	(56,613)
Depreciation: other	7	**(182,030)**	(55,763)
Depreciation: right of use assets	8	**(27,323)**	(24,513)
Directors' fees		**(169,935)**	(136,505)
Drilling expenses		**(838,084)**	-
Employee expenses		**(126,341)**	(67,706)
Finance costs: lease liability		**(5,559)**	(99)
Finance costs: other		**(2)**	(1,962)
Impairment of exploration expenditure	9	**-**	(10,397)
Legal fees		**(3,405)**	(25,541)
Marketing expenses		**(3,000)**	(23,395)
Occupancy expenses		**(12,677)**	(34,334)
Share based payments: options – Director		**-**	(416,000)
Reversal of / (Share based payments): performance rights - Director	13	**15,000**	(61,200)
Travel and accommodation expenses		**(115,824)**	(36,386)
Tenement expenses		**-**	(1,908)
Loss before tax		**(1,379,241)**	(1,059,140)
Income tax benefit/(expense)		**-**	-
Net loss for the period from operations		**(1,379,241)**	(1,059,140)
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(1,379,241)**	(1,059,140)
Basic and diluted loss per share (cents)		**(0.76)c**	(0.94)c

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**124,722**	**126,865**
Trade and other receivables	6	**44,148**	**215,151**
Prepaid expenses		**386,123**	**409,894**
Total Current Assets		**554,993**	**751,910**
Non-Current Assets			
Plant and equipment	7	**1,005,252**	**1,111,072**
Right of use asset	8	**236,704**	**264,027**
Exploration and evaluation assets	9	**5,184,770**	**4,329,651**
Total Non-Current Assets		**6,426,726**	**5,704,750**
Total Assets		**6,981,719**	**6,456,660**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	**651,434**	**750,053**
Liability for application money		**-**	**22**
Lease liability	11	**49,065**	**28,500**
Provisions		**28,655**	**46,096**
Total Current Liabilities		**729,154**	**824,671**
Non-Current Liabilities			
Lease liability	11	**224,763**	**259,014**
Total Non-Current Liabilities		**224,763**	**259,014**
Total Liabilities		**953,917**	**1,083,685**
Net Assets		**6,027,802**	**5,372,975**
EQUITY			
Contributed equity	12	**42,822,958**	**40,853,510**
Reserves	13	**597,744**	**815,607**
Accumulated losses		**(37,392,900)**	**(36,296,142)**
Total Equity		**6,027,802**	**5,372,975**

The accompanying notes form part of these financial statements.

Consolidated Entity	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2021	**40,853,510**	**815,607**	**(36,296,142)**	**5,372,975**
Equity issues	2,292,434	-	-	2,292,434
Equity issue expenses	(322,986)	-	-	(322,986)
Share based payments	-	79,621	-	79,621
Share based payments (expired securities)	-	(297,484)	282,483	(15,000)
Loss for the period	-	-	(1,379,241)	(1,379,241)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,379,241)	(1,379,241)
Balance at 31 December 2021	**42,822,958**	**597,744**	**(37,392,900)**	**6,027,802**

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	2,364,213			2,364,213
Equity issue expenses	(270,673)	-	-	(270,673)
Share based payments	-	554,924	-	554,924
Loss for the period	-	-	(1,059,140)	(1,059,140)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,059,140)	(1,059,140)
Balance at 31 December 2020	**38,749,135**	**874,407**	**(34,257,915)**	**5,365,627**

The accompanying notes form part of these financial statements.

	Note	Consolidated Entity 31 December 2021 $	Consolidated Entity 31 December 2020 $
Cash flows from operating activities			
Receipts from customers		**347,488**	-
Payments to suppliers and employees		**(1,260,024)**	(690,048)
Payment for exploration and evaluation assets		**(1,018,420)**	(459,207)
Interest paid: lease liability		**(5,599)**	(99)
Interest paid: other		**(2)**	(1,962)
Interest received		**257**	4,556
Net cash (used in) operating activities		**(1,936,300)**	(1,146,760)
Cash flows from investing activities			
Proceeds from insurance payout		**30,718**	-
Payment for plant and equipment		**(141,922)**	(335,565)
Net cash (used in) investing activities		**(111,204)**	(335,565)
Cash flows from financing activities			
Proceeds from equity issues		**2,292,434**	2,364,213
Payment for costs of equity issues		**(233,387)**	(214,570)
Proceeds from borrowings		**74,000**	-
Repayment of borrowings: other		**(74,000)**	-
Repayment of borrowings: lease liability		**(13,686)**	(14,365)
Net cash generated by financing activities		**2,045,361**	2,135,278
Net increase / (decrease) in cash held		**(2,143)**	652,953
Cash and cash equivalents at beginning of the period		**126,865**	70,585
Cash and cash equivalents at period end	5	**124,722**	723,538

The accompanying notes form part of these financial statements.

1. *Corporate information*

This half year report covers Nelson Resources Limited (the "Consolidated Entity"), a company incorporated in Australia for the 6 month period ended 31 December 2021. 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 14 March 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. Statement of compliance
The general purpose financial statements of the Consolidated Entity have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

b. Going concern
The half year 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 $1,379,241 for the period ended 31 December 2021 (2020: $1,059,140) and net cash outflows from operating activities of $1,936,300 (2020: $1,146,760). The working capital deficit of the Consolidated Entity at 31 December 2021 was $174,161 (30 June 2021: $72,761 working capital deficit). The Consolidated Entity has exploration commitments due within the next 12 months. The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is principally dependent upon the Company successfully raising additional share capital (the latest capital raising being finalised in February 2022), full or partial divestment of assets, or containing expenditure in line with available funding. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern. 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.

2. *Accounting policies (continued)*

In particular, given the Consolidated Entity's history of raising capital to date, the Directors are confident of the Consolidated Entity's ability to raise additional funds as and when they are required. 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. 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. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australia dollars, unless otherwise noted. The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Consolidated Entity's annual financial report for the financial year ended 30 June 2021, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australia Accounting Standards and with International Financial Reporting Standards.

d. 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 period 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.

2. *Accounting policies (continued)*

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.

e. Comparatives

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

3. *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 31 December 2021 $	Consolidated Entity 31 December 2022 $
4. *Revenue*		
Drilling and survey income	**301,250**	-
Interest income	**180**	4,559
Other income	**46,238**	6,275
	347,668	10,834

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
5. *Cash and cash equivalents*		
Cash at hand and in bank	**124,722**	126,865
	124,722	126,865
6. *Trade and other receivables*		
Accrued interest revenue	**9**	86
GST receivable	**43,664**	211,524
Mongolian projects receivable[1]	**555,304**	555,304
Impairment of Mongolian projects receivable[1]	**(555,304)**	(555,304)
Other receivables	**475**	3,541
	44,148	215,151

[1] 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 year ended 30 June 2020, 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.

7. *Plant and equipment*

	Computer Equipment $	Office Equipment $	Motor Vehicles $	Exploration Equipment $	Total $
31 December 2021					
Written down value at beginning of period	6,509	112,421	238,050	754,092	**1,111,072**
Reclassification	-	1,058	(13,119)	12,061	**-**
Additions	-	19,640	-	95,428	**115,068**
Write-offs	-	(16,379)	(22,479)	-	**(38,858)**
Depreciation	(1,313)	(23,187)	(26,400)	(131,130)	**(182,030)**
Written down value at end of period	**5,196**	**93,553**	**176,052**	**730,451**	**1,005,252**
30 June 2021					
Written down value at beginning of period	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 period	**6,509**	**112,421**	**238,050**	**754,092**	**1,111,072**

8. *Right of use assets*

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
Balance at beginning of period[2]	**264,027**	15,853
Completion of old lease	**-**	(15,853)
Recognition of new lease	**-**	298,667
Depreciation	**(27,323)**	(34,640)
Balance at end of period	**236,704**	264,027

[2] 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%.

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
9. *Exploration and evaluation assets*		
Balance at beginning of period	**4,329,651**	3,662,667
Exploration and evaluation expenditure incurred during the period	**855,119**	1,537,770
Impairment	**-**	(870,786)
Balance at end of period	**5,184,770**	4,329,651

10. *Trade and other payables*

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
Accrued expenses	**34,100**	70,330
Revenue received in advance	**-**	12,000
Trade creditors	**617,334**	667,723
	651,434	750,053

11. *Lease liability*

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
Current		
Balance at beginning of period	**28,500**	11,687
Recognition of new lease	**-**	36,120
Repayments	**(13,686)**	(19,309)
Reclassification	**34,251**	-
Balance at end of period	**49,065**	28,500
Non-Current		
Balance at beginning of period	**259,014**	-
Recognition of new lease	**-**	259,014
Reclassification	**(34,251)**	-
Balance at end of period	**224,763**	259,014

12. *Contributed equity*

	Consolidated Entity 31 December 2021 No.	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 No.	Consolidated Entity 30 June 2021 $
Balance at beginning of period	**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**	**2,292,434**	-	-
Share issue costs	**-**	**(322,986)**	-	(415,279)
Balance at end of period	**194,292,195**	**42,822,958**	145,473,192	40,853,510

	Consolidated Entity 31 December 2021 No.	Consolidated Entity 30 June 2021 No.
<u>Listed options</u>		
Balance at beginning of period	**33,299,895**	-
Options granted (free-attaching) [3]	**24,409,408**	30,990,156
Grant of options[6] [4]	**2,294,497**	2,355,254
Options exercised	**-**	(45,515)
Balance at end of period	**60,003,800**	33,299,895

[3] On 17 August 2021 24,409,408 listed options exercisable at $0.08 each, exprirìng 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, exprirìng 7 July 2022 were granted as free attaching to the entitlements issue and placement.
[4] 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.

	Consolidated Entity 31 December 2021 No.	Consolidated Entity 30 June 2021 No.
12. *Contributed equity (continued)*		
Unlisted options		
Balance at beginning of period	**15,189,458**	7,614,458
Options granted[7] [5]	**2,152,539**	8,000,000
Options exercised	**-**	(425,000)
Options expired	**(4,000,000)**	-
Balance at end of period	**13,341,997**	15,189,458
Performance rights		
Balance at beginning of period	**3,000,000**	1,500,000
Performance rights issued[9]	**-**	3,000,000
Performance rights converted	**-**	(1,500,000)
Performance rights expired	**(1,000,000)**	-
Balance at end of period	**2,000,000**	3,000,000

[5] 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%.

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
13. *Reserves*		
Options reserve		
Balance at beginning of period	**749,457**	255,733
Options granted - Director [6]	**-**	408,000
Options granted - broker [7] [5] [6]	**79,620**	77,724
Options expired	**(263,733)**	-
Options revalued [8]	**-**	8,000
Balance at end of period	**565,344**	749,457
Share based payments reserve		
Balance at beginning of period	**66,150**	63,750
Performance rights grant – Director[9]	**-**	61,200
Performance rights conversion - Director	**-**	(58,800)
Performance rights expired[9]	**(33,750)**	-
Balance at end of period	**32,400**	66,150
Total Reserves	**597,744**	815,607

[6] 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%.

[7] 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.

[8] 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%.

[9] 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.

14. *Commitments and contingencies*

The Company had no capital expenditure contracted at the reporting date (30 June 2021: nil). 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 31 December 2021 $	**Consolidated Entity 30 June 2021 $**
Not longer than 1 year	**501,049**	229,582
More than 1 year but not longer than 5 years	**1,383,597**	1,620,983
More than 5 years	**-**	-
	1,884,646	1,850,565

a. Contingent assets

There are no contingent assets as at 31 December 2021.

b. Contingent liabilities

There were no contingent liabilities at 31 December 2021 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 period.

15. *Interests in controlled entities*

Company Name	Place of Incorporation	31 December 2021 % Ownership	30 June 2021 % Ownership
79 Exploration Pty Ltd	Australia	100%	100%
Nelson Exploration Services Pty Ltd	Australia	100%	100%

16. *Events after the end of the reporting period*

There are no matters or circumstances which have arisen since the end of the period 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:

- 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. 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 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 renounceable entitlements issue and placement.
- The Company is exploring the sale of all plant and equipment used in its drilling operations.

17. Related party transactions

There were no transactions with related parties during the period ended 31 December 2021 , other than Director remuneration and the following:

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.

During 2020 and 2021 the Company provided Drone Survey services to Mozmin Resources Limited 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 period the Company paid $60,180 in company secretarial and accounting fees to Mining Corporate Pty Ltd, a company of which Stephen Brockhurst is a director.

The Directors of the Consolidated Entity declare that:

The financial statements and notes:

a. are in accordance with the *Corporations Act 2001* and comply with Australian Accounting Standards *AASB 134 'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of the performance for the period ended 31 December 2021.

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 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Adam Schofield
Executive Director

14 March 2022

Criterion Audit Pty Ltd

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Independent Auditor's Review Report

To the Members of Nelson Resources Limited

Conclusion

We have reviewed the half-year financial report of Nelson Resources Limited ("the Company") and Controlled Entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Nelson Resources Limited and its Controlled Entities does not comply with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards*) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Emphasis of Matter

Without modifying our opinion above, we draw attention to Note 2(b) to the half year report, which indicates that the Consolidated Entity incurred a net loss of $1,379,241 with net cash outflows from operating activities of $1,936,300 for the period and had working capital deficit of $174,161 at 31 December 2021. The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is principally dependent upon the Company successfully raising additional share capital, full or partial divestment of assets, or containing expenditure in line with available funding.

Responsibility of the Directors for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Criterion Audit Pty Ltd

CRITERION AUDIT PTY LTD

Louwrens.

ELIZABETH LOUWRENS CA
Director

DATED at PERTH this 14th day of March 2022