Nelson Resources Limited

And Controlled Entities

ABN: 83 127 620 482

HALF YEAR REPORT

For the Period Ended 31 December 2019

CONTENTS

DIRECTORS

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

SECRETARY
Stephen Brockhurst

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Your Directors submit the annual financial report of the Consolidated Entity for the 6 month period ended 31 December 2019.

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 2019 was $429,941 (2018: $679,719).

CORPORATE

The Company's cash balance at 31 December 2019 was $82,212.

OPERATIONS

Woodline (Socrates, Socrates East, Grindall, Redmill, Harvey & Morris)

During the last 6 months the Company continued to increase its tenure holding in the Albany-Fraser Range and its consolidation of the Woodline Project with most applications being granted.

The Woodline tenement package forms part of the historic SIPA / Newmont Woodline Project. With all tenements granted the Company has reconsolidated 717 km2 of the Woodline Project. The Woodline Project was previously explored by Sipa Resources and Newmont and MRG Metals and is located on the southern end of the interpreted Tropicana Belt 20 km north-west of the Albany-Fraser Province. The Woodline tenure includes an exciting 20km long geochemical anomaly (Figure 2) that has the potential to produce a Tropicana scale gold deposit. The historical expenditure by the previous explorers and the Company within the Woodline Tenure is approximately $14 million.

The Company is finalising its exploration plans to continue the Company's and previous explorer's exploration success within the Woodline project in parallel with also actively seeking Joint Venture Partners in order to fast track its plans.

Woodline Highlights:

- **20 km geochemical gold anomaly**
- **717 km² of highly prospective tenure**
- **1556m of RC Drilling and 789m of Diamond Drilling**
- **$14m of successful exploration work by Sipa / Newmont / MRG Metals / Nelson Resources**
- **Potential for a Tropicana scale Gold Deposit**

Acquisition of tenure bordering IGO/Thunderstorm JV

During the period the Company acquired tenement E28/2805 (the Tempest Project) which is adjacent to the Independence Group / Rumble Resources Thunderstorm Joint Venture. It is also close to the Company's existing Woodline Project in the Albany-Fraser Range. As part of its JV venture with Rumble Resources, IGO has been conducting an aggressive exploration program throughout this region which is amongst other minerals prospective for Ni-Cu-Co and Au.

Nelson's 105 km² Tempest project is on the Eastern boundary of the Thunderstorm project. Recent drilling by IGO included Aircore (AC) results of 25m @2.42g/t Au at the Themis Prospect and 4m @ 3.8g/t Au at the Pion Prospect.

The Company believes its Tempest project has the potential to host a significant discovery as highlighted by the successful drilling at the Thunderstorm JV.

The tenement increases the company's significant tenure holding in the Albany-Fraser Range to 823 km² (includes applications) (Figure 4) and compliments its Woodline Project which the company believes could host a Tropicana scale gold deposit.

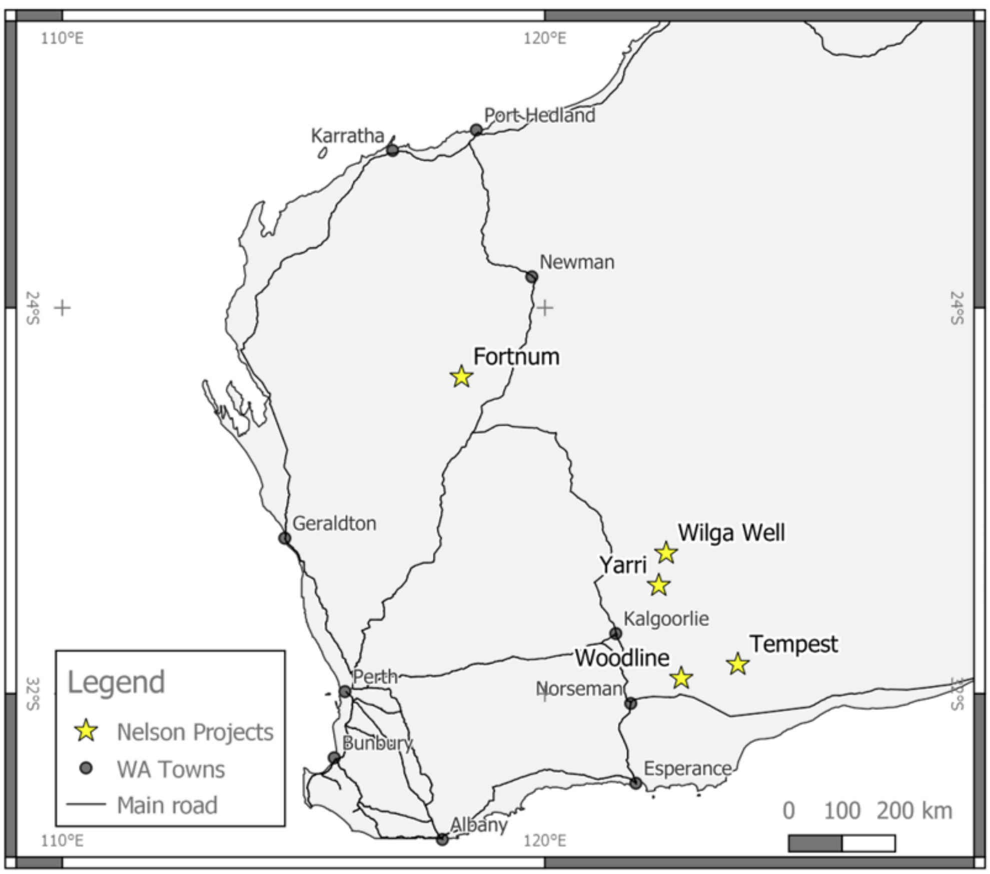
E 28/2805 Highlights:

- **Anticipated 8km Extension of Gold bearing Paleochannel**
- **105 km² of highly prospective tenure**
- **Early stage historical exploration**
- **Proximal to recent drilling success by IGO**
- **100% ownership of tenure**

The following outlines the activities of Nelson Resources Ltd for the period ending 31 December 2019.

During the Period the company continued to build its Western Australian Gold Tenement package whilst also reducing costs. The company aims to better focus its activities in the next period and will continue its Geophysics activities across its tenure to further delineate its many drill target opportunities. The company anticipates its next drilling program to commence in Quarter 3.
Existing Projects Summary:

Figure 1 – Project Locations

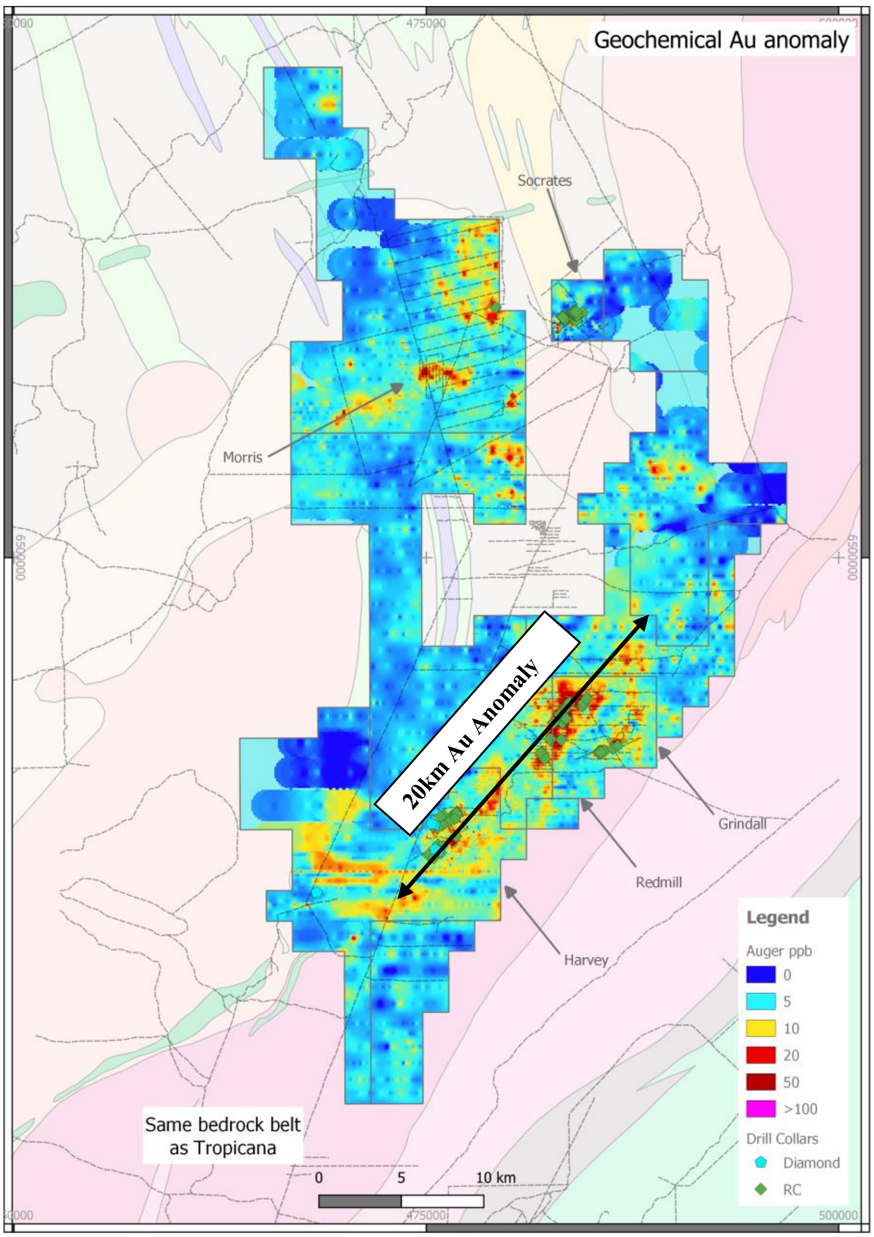


Woodline (Socrates, Socrates East, Grindall, Redmill, Harvey & Morris)

The Woodline Projects lie 90km North East of Kalgoorlie and halfway between the Trans Australia Rail line and the Eyre Highway. The Woodline Project are made up of the Socrates, Grindall, Redmill, Harvey and Morris (application) Projects which make up 858km² of Tenure.

The Projects lie over the reworked Archaean margin adjacent to the Albany-Fraser Province. Work carried out by Nelson at Socrates has returned some high calibre gold intersections, suggestive of a large gold system and it is believed that Grindall, Redmill & Harvey each have the potential to host a Tropicana scale gold deposit.

Figure 2. 20 Km Geochemical Gold Anomaly with Woodline tenure shown (Granted, Pending & Under Application)



Morris Prospect (New Application)

Application: E28/2941
Area of tenement: 201 km²

Geology
The Morris prospect lies on margin of sedimentary dominant rocks to the north-northeast and mafic dominant rocks to the south-southwest.

Previous Exploration
- Newmont explored part of the tenure in the early 1980's identifying mineralisation to the East of the Morris prospect.
- SIPA continued gold exploration within the tenure in a JV with Comet completing 535 soil samples.
- 2007 to 2010 Newmont conducted widespread shallow auger calcrete sampling over much of the southern half of the tenement, including rock chip sampling, geological mapping and RAB drilling.
- 2010 Sipa conducted close-spaced infill RAB drilling at the Morris prospect – best result 9m @ 1.3 g/t Au from 30m to EOH.

Total work
- 535 Soil samples collected within the tenement.
- 1490 Auger Calcrete samples taken within the tenement.
- Lines are wide spaced (500mx200m) in east-west direction with some infill lines mostly in the southern portion of the tenement.
- 519 RAB holes within the tenement.

Morris Prospect (Work done by Sipa)
RAB Drilling wide spaced 200mx50m

Straddles a major structural break between sedimentary dominant rocks to the north-north east and mafic dominant to the south- south west.

The notable result of this RAB drilling was 9m @ 1.3 g/t Au from 30m to 39m (EOH)*.
* **http://www.sipa.com.au/irm/PDF/1059_0/EncouragingGoldResultsContinueatWoodline**.

Holes are part of a RAB gold anomaly- striking east- south east over several hundred meters

Tempest Project (New Acquisition)

Tenement E28/2805
The company's Tempest project is located 250km ESE of Kalgoorlie and 90km NE from Nova-Bollinger Mine. It has an area of 105 km2 and borders the IGO / Rumble Thunderstorm JV project (Figure 3). 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 1st July 2019).

Geology

The project is located in the Fraser Complex of the Proterozoic Albany-Fraser Belt on the east of the Archean Yilgarn Craton. Tertiary fluvio-marine sediments associated with the Eucla Basin cover much of the region. The Proterozoic geology is characterized by granulite facies, felsic to mafic gneisses and felsic and mafic schists and intruded granites.

Previous Exploration

Historic exploration has been minimal and early stage within the project area. In the period between 2010 and 2011 Black Fire Minerals Limited (WAMEX) conducted a Soil Auger Geochemistry and a limited AC program. Auger sampling was done on a 1000mx500m grid and later infill auger soil geochemistry was done on a 500mx500m and 250mx250m grid. All samples were sampled for Au, As, Ca, Cu, Fe, Mg, Ni, Pb, Sb, Te & Zn. Aircore holes are located on the north-western part of the tenement that tested two +10ppb Au anomalies targets defined by previous Auger drilling.

- 430 Auger samples taken within the tenement.
- Lines are wide spaced (1000mx500m) in east-west direction with some infill lines spaced 500mx500m and 250mx250m
- 18 AC holes for 1,989m

Summary

- **Tenement E28/2805 has the potential to host a gold resource.**
- **Historical exploration has been limited and is early stage with work done being unrelated to the anticipated extension of the paleochannel identified at the Thunderstorm project**
- **The company will re-evaluate the historical exploration work and look to conduct several targeted geophysics programs.**
- **These geophysics programs will guide the planning of a drilling program designed to target the paleochannel and any other potential gold bearing structures identified.**

<u>Socrates East Prospect (New Application)</u>

Application: E 28/2953
Area of tenement: 41 km²

Geology

The tenements lithology comprises siliciclastic sedimentary rocks in the west and foliated metagranite in the east.

Previous Exploration

- Sipa and Newmont explored part of the tenement from 2005 to 2008.
- 2005 Sipa conducted wide spaced shallow auger calcrete sampling in the northern part of the tenement.
- 2008 Newmont conducted a RAB drilling program on the Socrates east tenement.
- 2013 AngloGold Ashanti conducted an auger program on the north eastern part of the tenement.

Total work

- 60 Auger Calcrete samples within the tenement – Drill lines are wide spaced (800mx400x) with some infill lines (800mx200m)
- 4 RAB holes within the tenement
- 56 Auger samples within the tenement

The Salt Lake is unexplored and this tenement links the total Woodline package and expands the area under tenure.

Figure 3. Tenement E28/2805 in relation to Rumble's Thunderstorm JV with IGO

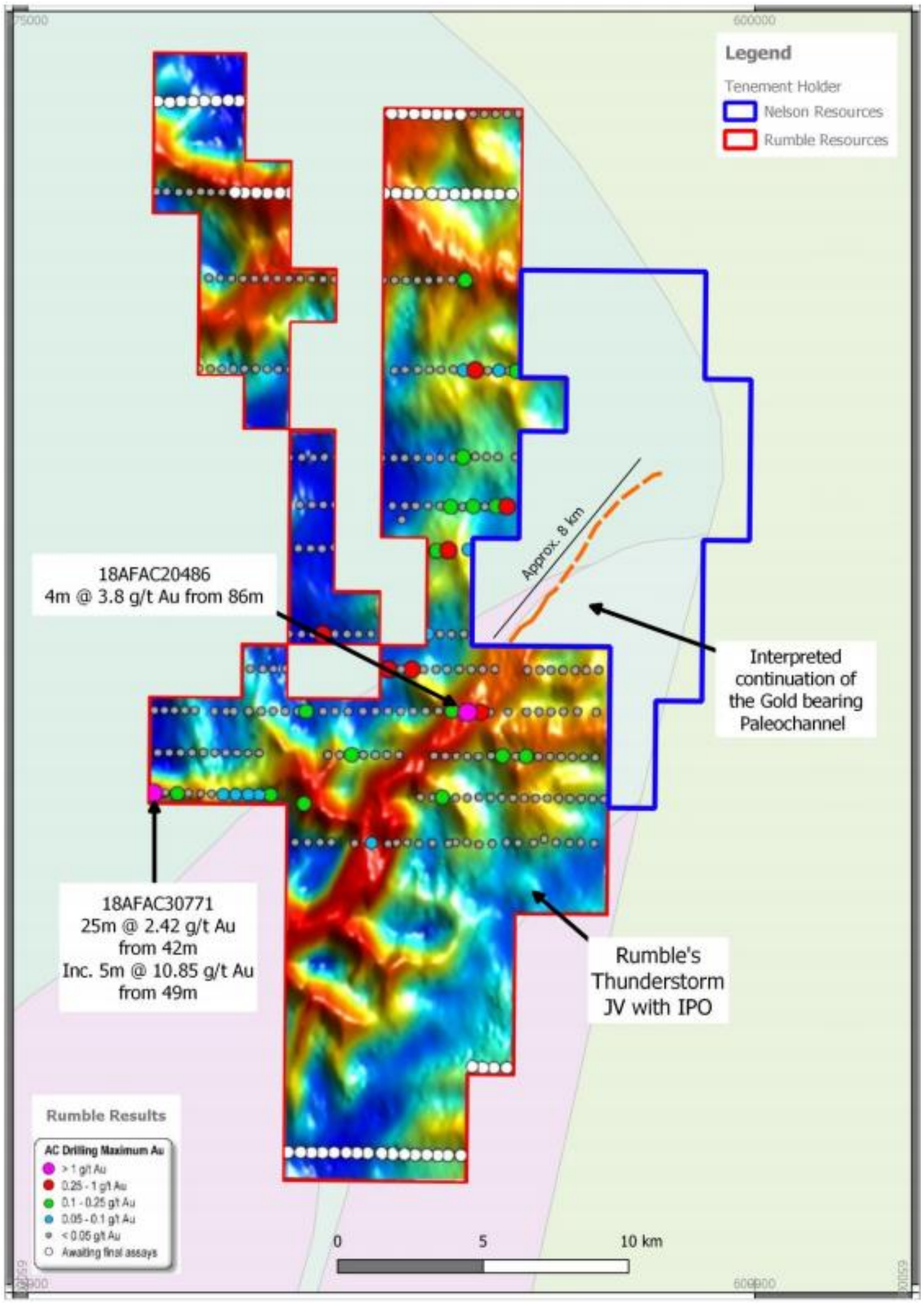
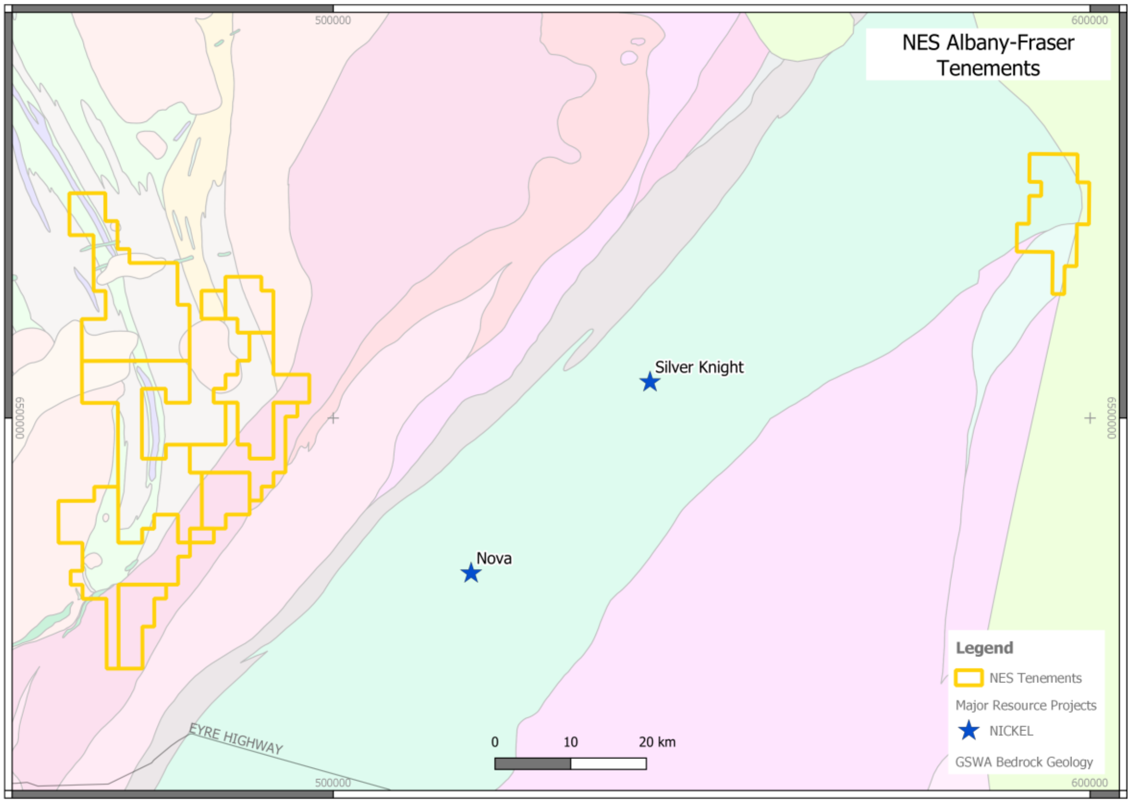


Figure 4. Nelson Resources Albany-Fraser Range Tenements (Includes pending & applied for)



<u>Wilga Well</u>
Wilga Well lies 9 km's East of AngloGold Ashanti's Sunrise Dam project (> 10 million ounces Au). The projects close proximity to Sunrise Dam and some significant historical drilling results indicate the project justifies both new geophysics work and drilling.

The tenement has at least 3 geochemically anomalous areas, one that corresponds to historical workings, while the other two have received little consideration. Drilling beneath the old workings is shallow, and the potential at depth remains largely untested.

<u>Yarri</u>
The Yarri Project lies 160km North East of Kalgoorlie on Edjudina Station and is 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 recent drilling by the Company has returned a number of high grade encouraging 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 region, the Porphyry Mine is located approximately 7.5 kilometres to the West in similar host rocks. It has amassed a resource of approximately 880,000 ounces of gold (production plus defined resource estimates obtained from available literature).

Fortnum

The Fortnum project tenement number E52/3695 was granted within the September quarter and totals 21km². The Project 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 geology of the tenure consists of a fault bounded package of schists derived from the Narracoota and Labouchere Formation constrained by the Despair Granite to the east and Yarlarweelor Gneiss complex to the West.

Thin surficial cover extends over the area, with strong insitu regolith development in the eastern parts of the schist, adjacent to the Despair Granite.

There are four gold mineralisation 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, biotiterich schist, the Despair Granite, analogous to the Wilthorpe gold mine, 9km to the south.

Project Activity:
Nelson Resources has completed the following work at each of its projects during the period:

Woodline
Redmill
During the Period the Company continued the desktop review of the extensive data set it has for this tenement and based on the data the company has reviewed it has continued to plan its next AC / RC Drill program whilst assessing geophysical methods to guide these programs.

Harvey (Tenure Pending)
During the Period the Company continued the desktop review of the extensive data set it has for this tenement. The company has identified numerous Gold drill targets as well as some exciting Nickel anomalies it believes are worth pursuing being that the anomalism is proximal to IGO's Nova nickel Project. The company now intends to run a geophysics campaign in the next period to better map the geology at this project and at all its Woodline tenure.

Socrates
During the Period limited work was done on the Socrates prospect.

Socrates East (Tenure Pending)
During the Period no work was done on the Socrates East prospect.

Morris (Tenure Ballot Pending)
During the Period no work was done on the Morris prospect.

Grindall
During the Period no work was done on the Grindall prospect.

Tempest Project
During the Period the Company commenced a desktop review of available data for this project and began planning a geophysics program to delineate the targeted Paleochannel.

Wilga Well
During the Period no work was done on the Wilga Well prospect.

Yarri Project
During the Period no work was done on the Wallaby, Great Banjo and Gibberts prospects.

Fortnum Project
During the Period the Company commenced a desktop review of the data it has for this tenement. The company has identified a number of potential drill targets it believes will improve the understanding of the geology of the project and add to the work done by previous explorers.

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. Simon Coxhell who is a consultant to Nelson Resources Limited. Mr. Coxhell is a member of the Australasian Institute of Mining and Metallurgy. r. Coxhell has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Coxhell consents to the inclusion in this report of the matters based on information 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. Most of the Company's operations occur in 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.

Key potential vulnerabilities

- Extreme weather events (floods, cyclonic activity, storm activity and bushfires) which could impede 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 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 14 February 2020 the Company issued 7,228,916 shares at $0.0415 each raising $300,000 plus 3,614,458 unquoted free attaching options exercisable at $0.08 each, expiring 14 February 2022 as part of a placement.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 31 December 2019 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.

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Adam Schofield
Executive Director

13 March 2020

CRITERION AUDIT

Criterion Audit Pty Ltd

ABN 85 165 181 822

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Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

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 2019, 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

ELIZABETH LOUWRENS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 13th day of March 2020

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Consolidated Entity 31 December 2019 $	Consolidated Entity 31 December 2018 $
Revenue		**(1,811)**	30,250
Administration and other expenses		**(118,668)**	(131,289)
Accounting and audit fees		**(60,677)**	(57,639)
Consultancy fees		**3,000**	(7,350)
Depreciation: other	6	**(46,582)**	(18,045)
Depreciation: right of use assets	7	**(24,230)**	-
Directors' fees		**(87,825)**	(84,137)
Finance costs: lease liability		**(1,390)**	-
Finance costs: other		**23**	(1,174)
Impairment of exploration expenditure	8	**(23,880)**	-
Legal fees		**(17,210)**	(8,947)
Marketing expenses		**(18,000)**	(18,000)
Occupancy expenses		**(19,990)**	(16,000)
Share based payments: options - Director		**-**	(159,833)
Share based payments: options - Employee		**-**	(95,900)
Share based payments: performance rights - Director		**-**	(63,750)
Share based payments: performance rights - Employee		**-**	(38,250)
Travel and accommodation expenses		**(27,051)**	(889)
Tenement expenses	8	**(42,140)**	(8,766)
Write-back of impairment of receivables		**56,490**	-
Loss before tax		**(429,941)**	(679,719)
Income tax benefit/(expense)		**-**	-
Net loss for the period from operations		**(429,941)**	(679,719)
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(429,941)**	(679,719)
Basic and diluted loss per share (cents)		**(0.94)c**	(1.49)c

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Consolidated Entity 31 December 2019 $	Consolidated Entity 30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	**82,212**	666,222
Trade and other receivables	5	**39,053**	108,463
Other assets		**24,941**	30,375
Total Current Assets		**146,206**	805,060
Non-Current Assets			
Plant and equipment	6	**241,329**	260,260
Right of use asset	7	**64,615**	-
Exploration and evaluation assets	8	**3,532,170**	3,330,881
Total Non-Current Assets		**3,838,114**	3,591,141
Total Assets		**3,984,320**	4,396,201
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**60,988**	118,257
Lease liability	10	**64,084**	-
Provisions		**34,178**	20,687
Total Current Liabilities		**159,250**	138,944
Total Liabilities		**159,250**	138,944
Net Assets		**3,825,070**	4,257,257
EQUITY			
Contributed equity	11	**36,410,669**	36,163,913
Reserves	12	**319,483**	568,483
Accumulated losses		**(32,905,082)**	(32,475,141)
Total Equity		**3,825,070**	4,257,257

The accompanying notes form part of these financial statements.

Consolidated Entity	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2019	**36,163,913**	**568,483**	**(32,475,141)**	**4,257,257**
Equity issue expenses	(2,244)	-	-	(2,244)
Reversal of expired options	249,000	(249,000)	-	-
Loss for the period	-	-	(429,941)	(429,941)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(429,941)	(429,941)
Balance at 31 December 2019	**36,410,669**	**319,483**	**(32,905,082)**	**3,825,070**

Consolidated Entity	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2018	**36,172,915**	**249,000**	**(31,395,866)**	**5,026,049**
Equity issue expenses	(9,002)	-	-	(9,002)
Share based payments: Director	-	223,583	-	223,583
Share based payments: Employee	-	134,150	-	134,150
Loss for the period	-	-	(679,719)	(679,719)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(679,719)	(679,719)
Balance at 31 December 2018	**36,163,913**	**606,733**	**(32,075,585)**	**4,695,061**

The accompanying notes form part of these financial statements.

	Note	Consolidated Entity 31 December 2019 $	Consolidated Entity 31 December 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		**(317,191)**	(438,271)
Payment for exploration and evaluation assets		**(230,116)**	(1,249,504)
Interest paid: lease liability		**(1,390)**	-
Interest paid: other		**24**	(509)
Interest received		**6,136**	36,084
Net cash (used in) operating activities		**(542,537)**	(1,652,200)
Cash flows from investing activities			
Proceeds from disposal of tenements		**-**	1,000
Payment for plant and equipment		**(14,468)**	(254,494)
Net cash (used in) investing activities		**(14,468)**	(253,494)
Cash flows from financing activities			
Payment for costs of equity issues		**(2,244)**	(9,002)
Repayment of borrowings: lease liability		**(24,761)**	-
Net cash (used in) financing activities		**(27,005)**	(9,002)
Net (decrease) in cash held		**(584,010)**	(1,914,696)
Cash and cash equivalents at beginning of the period		**666,222**	3,648,290
Cash and cash equivalents at period end	4	**82,212**	1,733,594

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 2019. 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 13 March 2020 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 $429,941 for the period ended 31 December 2019 (2018: $679,719) and net cash outflows from operating activities of $542,537 (2018: $1,652,200). The net asset position of the Consolidated Entity at 31 December 2019 was $3,825,070 (30 June 2019: $666,116 net working capital). 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, 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 2019, 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.

f. New accounting standards and interpretations

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 16 Leases

The Consolidated Entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

2. *Accounting policies (continued)*

Right-of-use assets

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate, which has been set at 3.53%. 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. 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.

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 2019 $	Consolidated Entity 30 June 2019 $
4. *Cash and cash equivalents*		
Cash at bank	**62,002**	46,182
Term deposits	**20,210**	620,040
	82,212	666,222
5. *Trade and other receivables*		
Accrued interest revenue	**75**	2,022
GST receivable	**17,000**	81,911
Mongolian projects receivable[1]	**555,304**	624,025
Impairment of Mongolian projects receivable[1]	**(555,304)**	(624,025)
Other receivables	**21,978**	24,530
	39,053	108,463

6. *Plant and equipment*

	Computer Equipment $	Office Equipment $	Motor Vehicles $	Exploration Equipment $	Total $
31 December 2019					
Written down value at beginning of period	16,556	11,179	110,700	121,825	**260,260**
Additions	-	-	-	27,650	**27,650**
Depreciation	(3,179)	(2,151)	(13,512)	(27,739)	**(46,581)**
Written down value at end of period	**13,377**	**9,028**	**97,188**	**121,736**	**241,329**

[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. Subsequently, the Company received an initial sum of USD20,000 or equivalent of AUD25,316 as a good faith payment, for the sale. During the period the Company received another instalment of USD40,000 or equivalent of AUD56,490. 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.

6. *Plant and equipment*

	Computer Equipment $	Office Equipment $	Motor Vehicles $	Exploration Equipment $	Total $
30 June 2019					
Written down value at beginning of period	4,950	-	1,114	6,321	**12,385**
Additions	16,263	13,157	129,877	158,382	**317,679**
Depreciation	(4,657)	(1,978)	(20,291)	(37,862)	**(64,788)**
Write-offs	-	-	-	(5,016)	**(5,016)**
Written down value at end of period	**16,556**	**11,179**	**110,700**	**121,825**	**260,260**

	Consolidated Entity 31 December 2019 $	Consolidated Entity 30 June 2019 $
7. *Right of use assets*		
Balance at beginning of period (restated – AASB 16 recognition)[2]	**88,845**	-
Depreciation	**(24,230)**	-
Balance at end of period	**64,615**	-
8. *Exploration and evaluation assets*		
Balance at beginning of period	**3,330,881**	1,463,937
Exploration and evaluation expenditure incurred during the period	**267,309**	1,879,200
Impairment	**(23,880)**	-
Write-off	**(42,140)**	(12,256)
Balance at end of period	**3,532,170**	3,330,881
9. *Trade and other payables*		
Accrued expenses	**13,191**	14,525
Trade creditors	**47,797**	103,732
	60,988	118,257

[2] The 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%.

	Consolidated Entity 31 December 2019 $	Consolidated Entity 30 June 2019 $
10. *Lease liability (current)*		
Balance at beginning of period (restated – AASB 16 recognition)	**88,845**	-
Repayments	**(24,761)**	-
	64,084	-

	Consolidated Entity 31 December 2019 No.	Consolidated Entity 31 December 2019 $	Consolidated Entity 30 June 2019 No.	Consolidated Entity 30 June 2019 $
11. *Contributed equity*				
Balance at beginning of period	**45,592,846**	**36,163,913**	45,592,846	36,172,915
Share issue costs	**-**	**(2,244)**	-	(9,002)
Reversal of expired options	**-**	**249,000**	-	-
Balance at end of period	**45,592,846**	**36,410,669**	45,592,846	36,163,913

	Consolidated Entity 31 December 2019 No.	Consolidated Entity 30 June 2019 No.
<u>Listed options</u>		
Balance at beginning of period	**12,500,000**	12,500,000
Expiration of options	**(12,500,000)**	-
Balance at end of period	**-**	12,500,000
<u>Unlisted options</u>		
Balance at beginning of period	**7,000,000**	3,000,000
Expiration of options	**(3,000,000)**	-
Options granted[3]	**-**	4,000,000
Balance at end of period	**4,000,000**	7,000,000

[3] On 12 December 2018 the Company granted 4,000,000 unlisted options exercisable at $0.20 each, expiring 20 November 2021 to a Director and an employee under the Amended Employee performance Rights and Options Plan. The fair value of $0.064 was calculated using the share price at grant date of $0.15, a risk free interest rate of 1.95% and a volatility of 76%. On 29 November 2017 3,000,000 unlisted options exercisable at $0.20 each, expiring 30 September 2019 were granted to the brokers associated with the capital raising.

	Consolidated Entity 31 December 2019 No.	Consolidated Entity 30 June 2019 No.
11. *Contributed equity (continued)*		
Performance rights		
Balance at beginning of period	**1,500,000**	-
Performance rights issued[4]	**-**	2,400,000
Performance rights cancelled[5]	**-**	(900,000)
Balance at end of period	**1,500,000**	1,500,000

	Consolidated Entity 31 December 2019 $	Consolidated Entity 30 June 2019 $
12. *Reserves*		
Options reserve		
Balance at beginning of period	**504,733**	249,000
Grant of options[6]	**-**	255,733
Reversal of expired options	**(249,000)**	-
Balance at end of period	**255,733**	504,733

[4] On 12 December 2018 the Company granted 2,400,000 unlisted performance rights, expiring 20 November 2021 to a Director and an employee 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 26 October 2018 for the terms and conditions of the performance rights.

[5] On 2 May 2019 900,000 of the unlisted performance rights expiring 20 November 2021 were cancelled due to the employee leaving the Company.

[6] On 12 December 2018 the Company granted 4,000,000 unlisted options exercisable at $0.20 each, expiring 20 November 2021 to a Director and an employee under the Amended Employee performance Rights and Options Plan. The fair value of $0.064 was calculated using the share price at grant date of $0.15, a risk free interest rate of 1.95% and a volatility of 76%.

	Consolidated Entity 31 December 2019 $	Consolidated Entity 30 June 2019 $

12. *Reserves (continued)*

Share based payments reserve		
Balance at beginning of period	**63,750**	-
Share based payments[7]	**-**	102,000
Cancellation of performance rights[8]	**-**	(38,250)
Balance at end of period	**63,750**	63,750

13. *Commitments and contingencies*

The Company had no capital expenditure contracted at the reporting date (30 June 2019: nil). There is a lease agreement, falling under the capital commitments at 31 December 2019. 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:

Not longer than 1 year	**397,094**	122,362
More than 1 year but not longer than 5 years	**1,101,831**	260,454
More than 5 years	**-**	-
	1,498,925	382,816

[7] On 12 December 2018 the Company granted 2,400,000 unlisted performance rights, expiring 20 November 2021 to a Director and an employee under the Amended Employee performance Rights and Options Plan. The value of the performance rights was calculated by using the share price at issue date of $0.15 and given a probability of the milestone being achieved. The performance condition for Tranche 1 is that the performance rights will vest upon the Company achieving a market capitalisation of A$10 million provided that if this is achieved within 6 months of the Performance Rights being granted then they will not vest until 6 months from the time the Performance Rights were granted. The performance condition for Tranche 2 is that the performance rights will vest upon the Company achieving a market capitalisation of A$20 million provided that if this is achieved within 6 months of the Performance Rights being granted then they will not vest until 6 months from the time the Performance Rights were granted. The performance condition for Tranche 3 is that the performance rights will vest upon the Company's discovery of a 100,000oz JORC resource, provided that if this is achieved within 6 months of the Performance Rights being granted then they will not vest until 6 months from the time the Performance Rights were granted.

[8] On 2 May 2019 900,000 of the unlisted performance rights expiring 20 November 2021 were cancelled due to the employee leaving the Company.

13. *Commitments and contingencies (continued)*

a. Contingent assets

There are no contingent assets as at 31 December 2019.

b. Contingent liabilities

There were no contingent liabilities at 31 December 2019 other than a bank guarantee for the office rent of $19,998. The Directors are not aware of any significant breaches of environmental legislation and requirements during the period.

14. *Interests in controlled entities*

Company Name	Place of Incorporation	31 December 2019 % Ownership	30 June 2019 % Ownership
79 Exploration Pty Ltd	Australia	100%	100%
Nelson Exploration Services Pty Ltd	Australia	100%	100%

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

There are no matters or circumstances 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 14 February 2020 the Company issued 7,228,916 shares at $0.0415 each raising $300,000 plus 3,614,458 unquoted free attaching options exercisable at $0.08 each, expiring 14 February 2022 as part of a placement.

16. Related party transactions

Effective 1 March 2019 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 is on an arm's length term, expiring 31 October 2020. However, the amounts were credited back during the period.

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;
b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2 to the financial statements; and
c. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of the performance for the period ended 31 December 2019;

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

____

Adam Schofield
Executive Director

13 March 2020

Criterion Audit Pty Ltd

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Independent Auditor's Review Report

To the Members of Nelson Resources Limited

We have reviewed the accompanying half-year financial report of Nelson Resources Limited ("the Company") and its Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 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. As the auditor of Nelson Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion above, we draw attention to Note 1 to the half year report, which indicates that the Consolidated Entity incurred a net loss of $429,941 with net cash outflows from operating activities of $542,537 for the period and had net current liabilities of $13,044 at 31 December 2019. These conditions, 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.

Criterion Audit Pty Ltd

CRITERION AUDIT PTY LTD

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ELIZABETH LOUWRENS CA
Director

DATED at PERTH this 13th day of March 2020