PATERSON RESOURCES LTD

ABN 45 115 593 005

Annual Report for the Year Ended 30 June 2021

Annual Report
For the year ended 30 June 2021

Contents

Corporate Directory

Board of Directors

Nick Johansen	Non-Executive Chairman
Mathew Bull	Executive Director (appointed 3 November 2020), Non-Executive Director (resigned 2 November 2020)
Kenneth Banks	Non-Executive Director (appointed 11 December 2020)
Brian Thomas	Technical Director (resigned 11 December 2020)

Secretary

Ms Sarah Smith

Registered Office

Suite 2, 1 Altona Street
West Perth WA 6005

Website: www.patersonresources.com.au

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: PSL)

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Solicitors

HWL Ebsworth Lawyers
Level 20, 240 St Georges Terrace
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 13, 109 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
172 St Georges Terrace
Perth WA 6000

Country of Incorporation

Paterson Resources Ltd is domiciled and incorporated in Australia

Directors' Report

The Directors of Paterson Resources Limited ("PSL" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Paterson Resources Limited and its controlled entities (the "Group") for the financial year ended 30 June 2021.

DIRECTORS

The names and particulars of the Company's directors in office during the financial year and at the date of this report are as follows. Directors held office for this entire period unless otherwise stated.

Nick Johansen | Non-Executive Chairman

A solicitor with extensive mining experience, ranging from junior exploration to production, across a range of commodities, Nick has expertise in transactions, resources regulation, native title and environmental law. Nick completed his Graduate Diploma of Legal Practice at Australian National University. In addition, he holds a BA in economics from the University of Adelaide.

During the past three years, Mr Johansen has held the following directorships in other ASX-listed companies:

- Non-Executive Chairman of Orcoda Limited (current).

Matthew Bull | Executive Director

(Appointed 3 November 2020), Non-Executive Director (Resigned 2 November 2020)

Matthew Bull is a geologist with over 10 years' experience in the mining and exploration industry. He has worked in a wide range of commodities including graphite, bauxite, gold, iron ore, copper and coal. He has considerable experience on the operation greenfield and resource development drilling exploration programs. His previous positions include consultant geologist working on Discovery Africa's Tanzanian Graphite Project and CEO/Chief Geologist at Baru Resources.

During the past three years, Mr Bull has held the following directorships in other ASX-listed companies:

- Non-Executive Director of Lindian Resources Limited (resigned 8 October 2020);
- Non-Executive Director Castillo Copper Limited (resigned 30 April 2020); and
- Non-Executive Director Volt Resources Limited (resigned 9 July 2018).

Kenneth Banks | Non-Executive Director

(Appointed 11 December 2020)

Mr Banks is a qualified Chartered Secretary and a Fellow of the Chartered Governance Institute. He has held a number of senior management positions notably Chief Financial Officer for two previously ASX-listed mining companies, and Director of an Australian subsidiary company (TWP Australia) which belonged to an internationally listed multi-discipline mining engineering consultancy. He has gained experience in Australia, Indonesia, Zimbabwe, and Brazil by actively participating in the establishment of businesses in all four countries. His most recent position was as General Manager – Corporate, for one of Western Australia's leading mining services businesses, MLG Oz.

During the past three years, Mr Banks has not held any directorships in other ASX-listed companies.

Brian Thomas | Technical Director

(Resigned 11 December 2020)

Brian is the principal of a boutique corporate advisory practice working with small to mid-market capitalisation companies and investors conducting technical reviews plus advising on corporate finance, mergers & acquisitions and investor relations. He has held both Executive and Non-Executive Director roles with numerous ASX listed and unlisted companies after an extensive career in the financial services sector in corporate stockbroking, investment banking, funds management and banking. He has more than 35 years of mining and exploration industry experience in a broad range of commodities from precious and base metals, bulk and industrial minerals, diamonds plus oil and gas.

Directors' Report

Brian graduated from the University of Adelaide with a BSc in Geology and Mineral Economics, the University of Western Australia Business School with an MBA and the Securities Institute of Australia (now FinSIA) with a Certificate in Applied Finance and Investment.

During the past three years, Mr Thomas has held the following directorships in other ASX-listed companies:

- Non-Executive Director of Auris Minerals Ltd (resigned 31 March 2020); and
- Non-Executive Director Cougar Metals NL (resigned 31 July 2019).

COMPANY SECRETARY

Sarah Smith

Ms Smith specialises in corporate advisory, company secretarial and financial management services. Ms Smith's experience includes company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Ms Smith is a Chartered Accountant and has acted as the Company Secretary for several ASX-listed companies.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The following table sets out each current Director's relevant interest in shares and options of the Company or a related body corporate as at the date of this report.

Director	Ordinary Shares	Unlisted Share Options	Performance Rights
Nick Johansen	6,666,667	-	-
Matthew Bull	10,000,001	-	4,000,000
Kenneth Banks	-	-	-
Brian Thomas (resigned)	-	-	-
Total	**16,666,668**	**-**	**4,000,000**

PRINCIPAL ACTIVITIES

Paterson Resources Ltd is a mineral exploration and development company with gold and gold/copper exploration projects.

REVIEW OF OPERATIONS

Grace Project – Paterson Province, Western Australia

The main focus of the company's activities during the year was obtaining permits for commencement of an extensive RC and Diamond drilling program at the Grace project in the December half. These permits were obtained and have allowed the company to commence drilling in September 2021. The grace project is the flagship asset of the company and are located in the highly prospective Paterson Range province, home to the world class gold and copper Telfer Mine, operated by Newcrest Mining Ltd located 25km to the north-east. The Paterson Range is also host to a number of other additional major discoveries including Rio Tinto's Winu copper project and the Havieron gold and copper discovery, a joint venture with Newcrest and AIM listed Greatland Gold.

Directors' Report

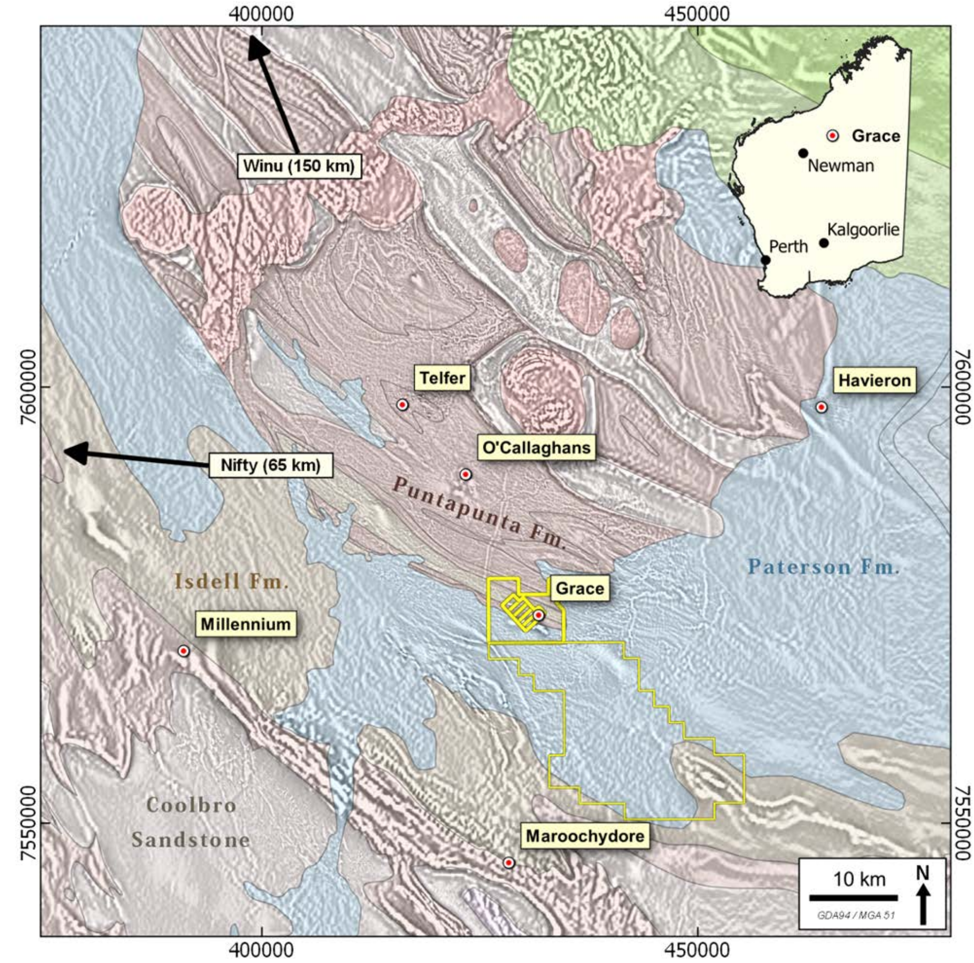

Figure 1: Grace Project Location Map

The Grace Project is comprised of granted prospecting licences P45/2905-2909, exploration licences E45/4524 and E45/5130 (Figure 2).

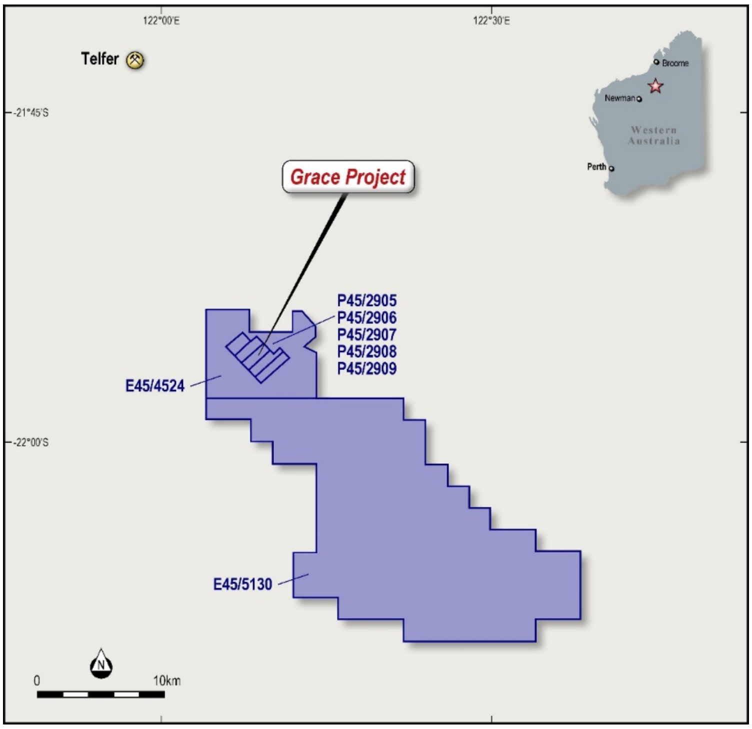

Figure 2: Grace Project Tenement Map

Directors' Report

The Drilling program is based on extensive review including 3D inversion aeromagnetic modelling on compiled exploration database of aeromagnetic survey data covering the Grace Project in the immediate vicinity of the open gold mineralisation at the Grace deposit.

High resolution aeromagnetic survey data acquired at 100m survey line spacing show a strong NW-SE magnetic anomaly high trend following the southern side of the Grace-Bemm shear zone, and just to the south of this magnetic anomaly trend is another parallel magnetic anomaly trend with very strong magnetic anomalism, with both anomaly trends located entirely within the Company's tenements (Figure 3). The magnetic anomaly patterns suggest that hydrothermal magnetite and/or pyrrhotite have altered the dolomitic siltstone host rocks, similar to the Havieron gold deposit to the northeast, or have formed skarn contact zones related to underlying intrusive igneous rocks, similar to the O'Callaghans tungsten and base metal deposit located between Grace and Telfer, or are related to dolerite sills usually found lower down in the stratigraphic sequence. These magnetic anomaly zones have not yet been systematically drilled deep enough to fully assess the sources of the magnetic anomalies to see if they are related to associated zones of gold and copper mineralisation. The potential sources for the magnetic anomalies could be hydrothermal magnetite and pyrrhotite alteration associated with gold-copper mineralisation at depth, and 3D inversion modelling has been used to estimate depth to the magnetic source bodies for planning deep drilling into these target bodies by the Company.

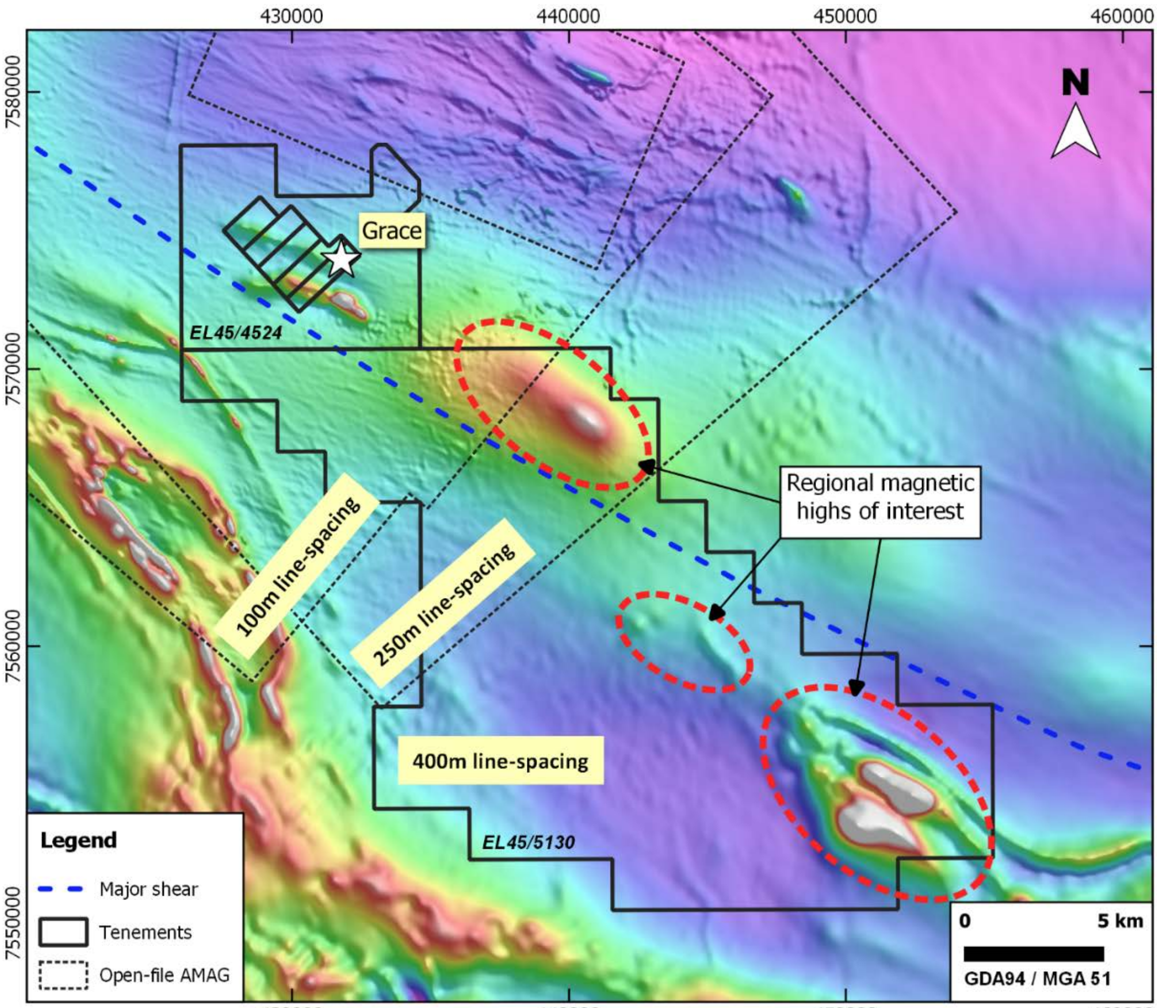

Figure 3: Grace Project Area Regional Aeromagnetics Merged aeromagnetic anomaly image (TMI reduced to the pole with NE sun angle) showing survey line spacing coverage for different survey areas ranging from 100m to 400m (dashed black outlines), and Paterson tenement outlines (black).

Directors' Report

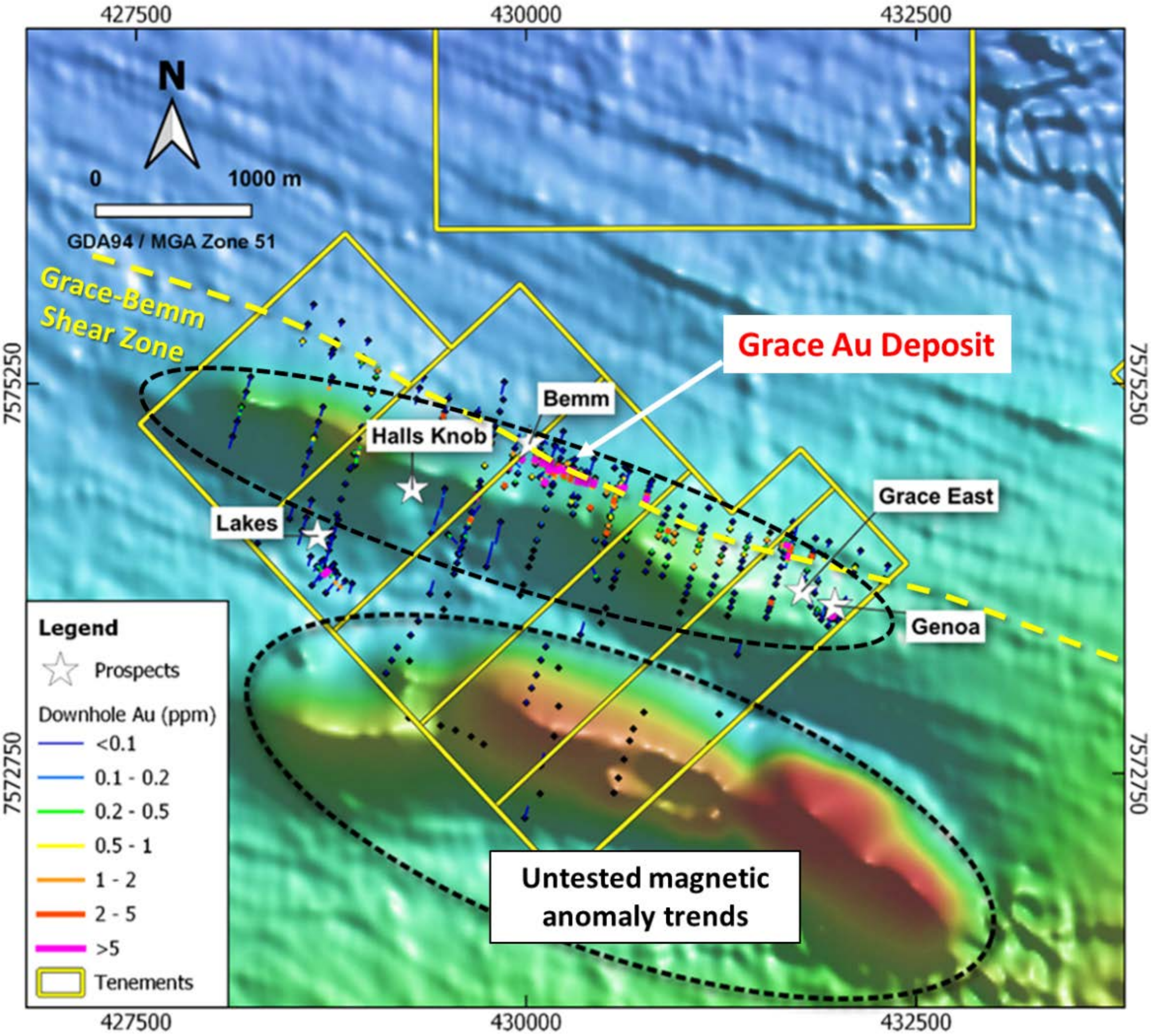

Figure 4: Grace Prospect Interpreted Regional Shears, Historic Drill Collars & IP Lines Overlaying Aeromagnetics. Grace magnetic anomaly image (TMI reduced to the magnetic pole and NE sun angle) showing a moderate strength anomaly trend following the Grace-Bemm shear zone in the north and a much stronger intensity magnetic anomaly trend in the south and running parallel to the Grace-Bemm shear zone trend (dashed black outlines). These large and intense magnetic anomaly zones sit entirely within the Company's tenements (yellow outline), they have not yet been systematically tested by enough deep enough drilling, and could be related to hydrothermal alteration, skarn contacts formed between carbonate host rocks and igneous intrusive rocks, or dolerite sills at greater depth.

Directors' Report

From this reprocessing of the geophysical data the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS) awarded the company a co-funded drilling grant of $200,000 under the Exploration Incentive Scheme (EIS). The EIS funds will be used to drill a deep 900m diamond hole South east of the current Grace Mineral Resource into a large magnetic anomaly, below a broad zone of anomalous gold mineralisation at the Grace/Bemm prospect. (figure 5) The magnetic target is approximately 2.5km in length and extends below and along strike from the oxide Grace Mineral Resources. No drilling to significant depth has previously been undertaken to properly test for the source of this northern magnetic anomaly trend. (figure 6)

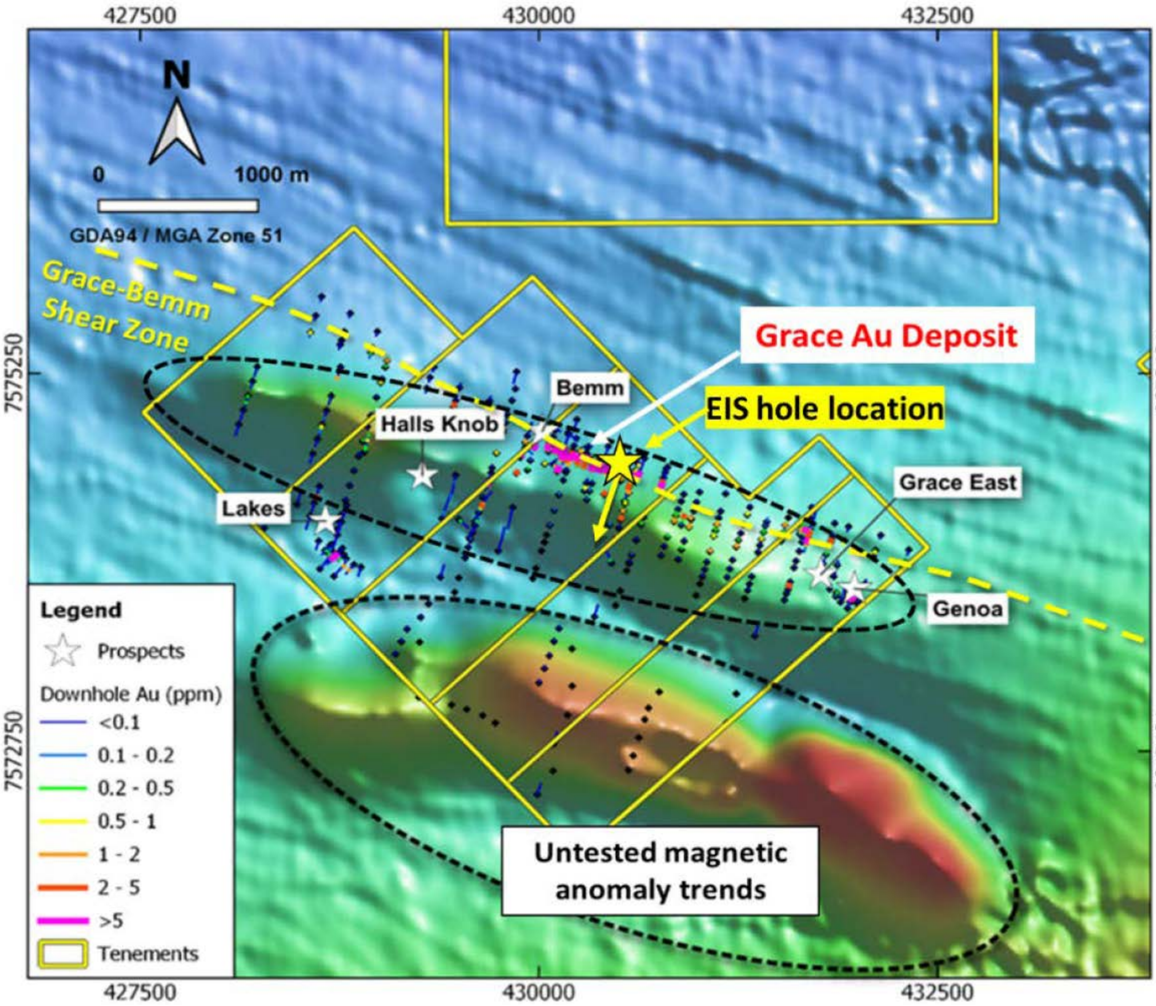

Figure 5: Magnetic intensity map covering the Grace and Bemm Shear zone trend, showing two large untested magnetic anomaly trends, the location of the proposed EIS co funded deep diamond drillhole, historical gold drilling, and the outline of the Company's 100% owned mineral prospecting tenements.

Directors' Report

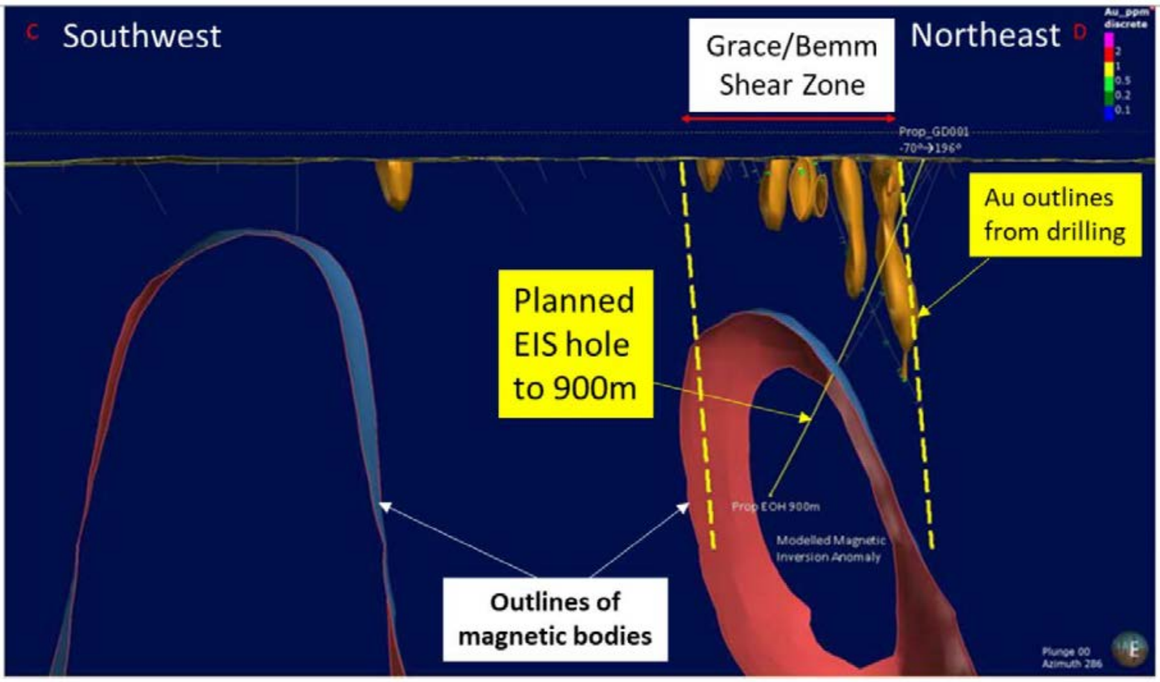

Figure 6: Cross section showing the planned EIS co-funded deep drillhole crossing the Grace/Bemm shear zone to test the source of the northern magnetic anomaly trend, which sits below anomalous Au and Cu from historical drilling.

A 46km line km of Gradient Array Induced Polarisation (GIAP) surveying completed covering 4.5km strike length over the gold mineralised Grace and Bemm Shear Zones. (figure 7) Data processing and targeting by the Company's geophysical consultants Resource Potentials in Perth, indicated results clearly showing anomaly trends related to the gold mineralized shear zones that had been missed by historic drilling.

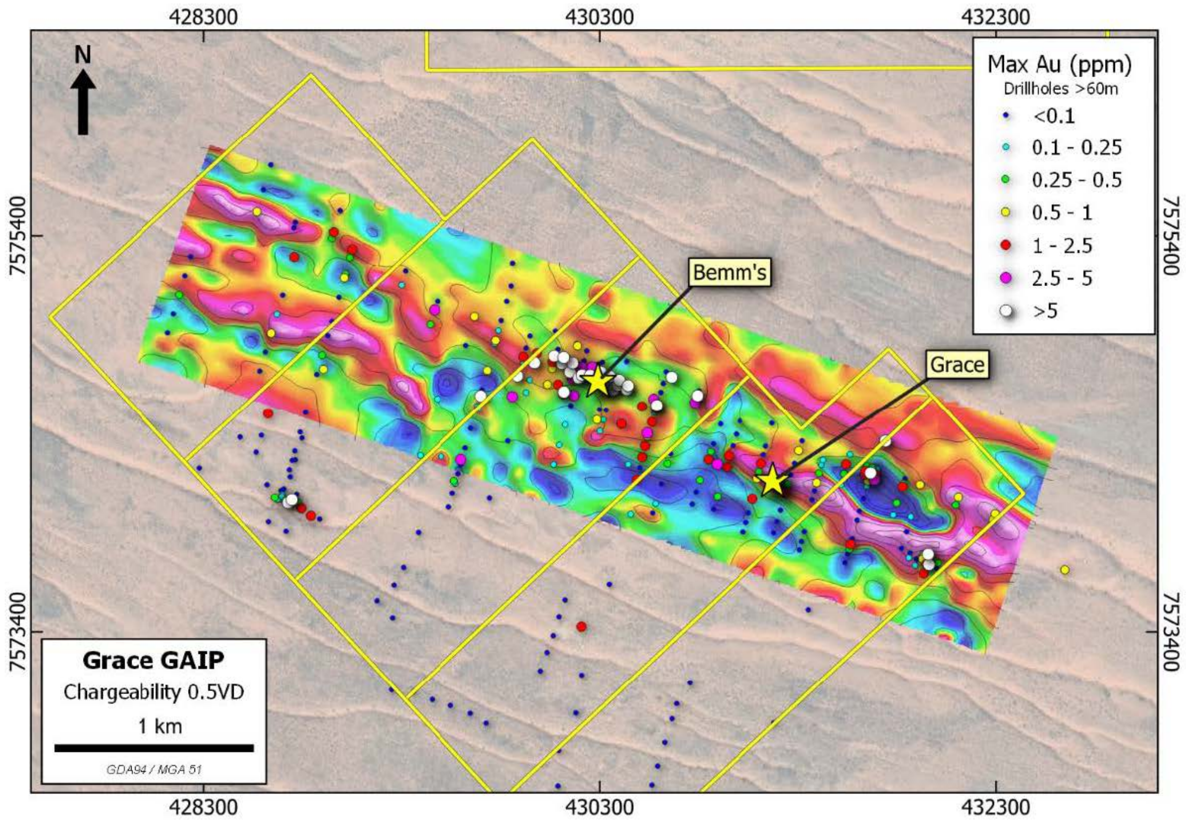

Figure 7: Preliminary GAIP chargeability 0.5VD filtered data grid over the Grace and Bemm Shear zone trend, showing maximum gold assays plotted at drillhole collar locations

Directors' Report

The Grace deposit has been drilled along 450-500m of strike and 90m across strike to an average depth of 73m. High grade shallow oxide gold mineralisation commences from surface and in general transported cover. The historic drilling has allowed the calculation of an inferred mineral resource of 1.59mt @ 1.35g/t Au for 69,000ozs outlined in table 1 (*PSL ASX Announcement 22 May 2020 – Entitlement Issue Prospectus)

Class	Type	Tonnes (Mt)	Au (g/t)	Ounces (koz)
Inferred	Oxide / Transitional	**1.59**	**1.35**	**69**
	TOTAL	**1.59**	**1.35**	**69**

Table 1: Grace Mineral resource statement (*PSL ASX Announcement 22 May 2020 – Entitlement Issue Prospectus)

The best intercepts for historic drilling in the Grace Project include:

- 10.0m @ 20.95 g/t Au from 6.0m - GPB0801 (RAB)
- 33.0m @ 1.55 g/t Au from 53.0m - GR124502 (RC)
- 12.0m @ 14.38 g/t Au from 56.0m - GR037 (RC)
- 3.1m @ 8.28 g/t Au from 17.1m - GPC9106 (DDH)
- 22.0m @ 1.31 g/t Au from 71.0m - GR124002 (RC)
- 6.0m @ 5.61 g/t Au from 34.0m - GR128001 (RC)
- 4.0m @ 7.04 g/t Au from 38.0m - GR124501 (RC)
- 16.0m @ 2.64 g/t Au from 34.0m -BR8-5 (RAB)
- 4.0m @ 5.13 g/t Au from 30.0m - HK3-4 (RAB)

(PSL Entitlement Issue Prospectus – ASX Ann 22 May 2020)

Pilbara Gold Exploration Projects – Pilbara Western Australia

During the year, planning for a drilling program for Cheela Plains was completed and the company is in the process on gaining approvals from drilling in the 2022 year.

Burraga Copper Gold Project – Lachlan Fold Belt, NSW

Activity on the Burraga project advanced significantly with planning and permitting completed for a drilling program at the Hackney's Creek Deposit and an RC drilling program at the Lloyds Copper Project completed. Both programs are targeting extensions of the existing resources.

Directors' Report

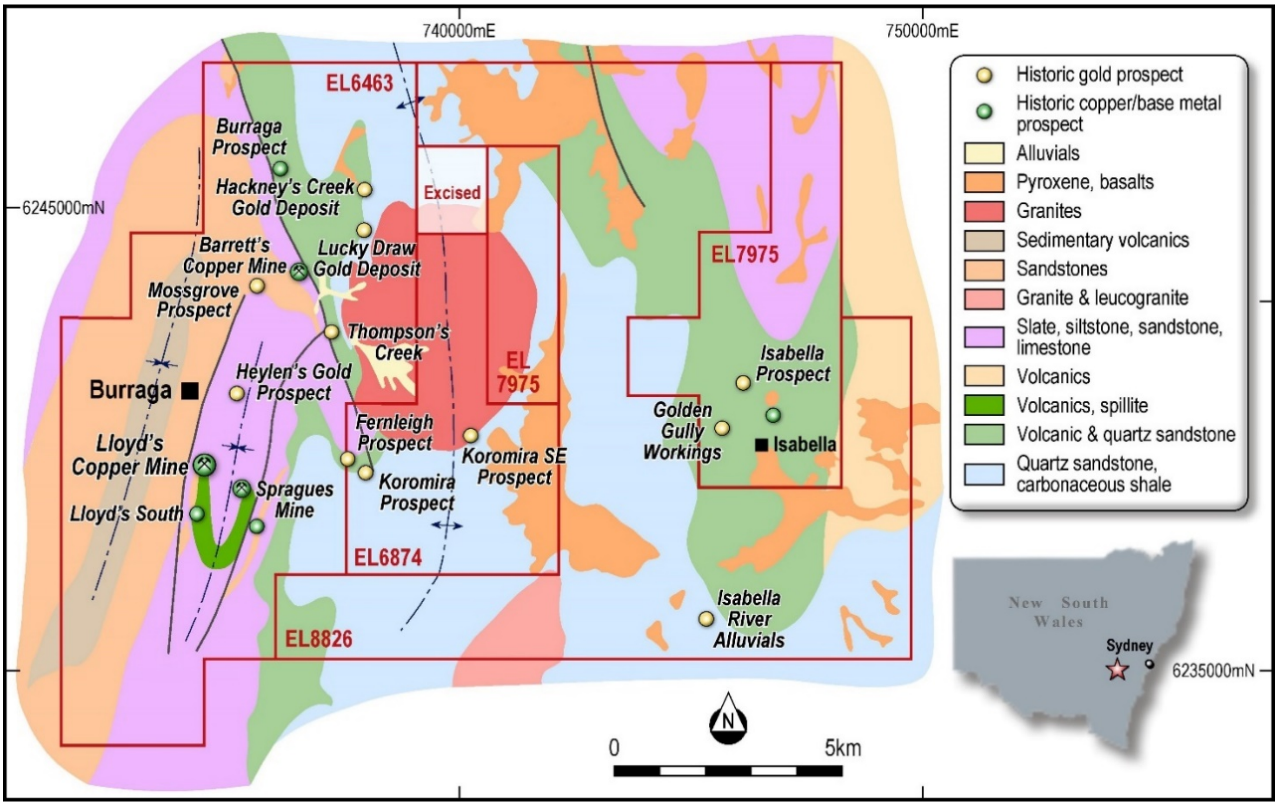

Figure 8: Burraga Project Area

The Hackneys Creek drilling is aimed at confirming the existing resource as well as testing for repetitions and extensions to the north which remains untested. The deposit also remains open at depth and additional drilling has the potential to expand significantly on the existing resource.

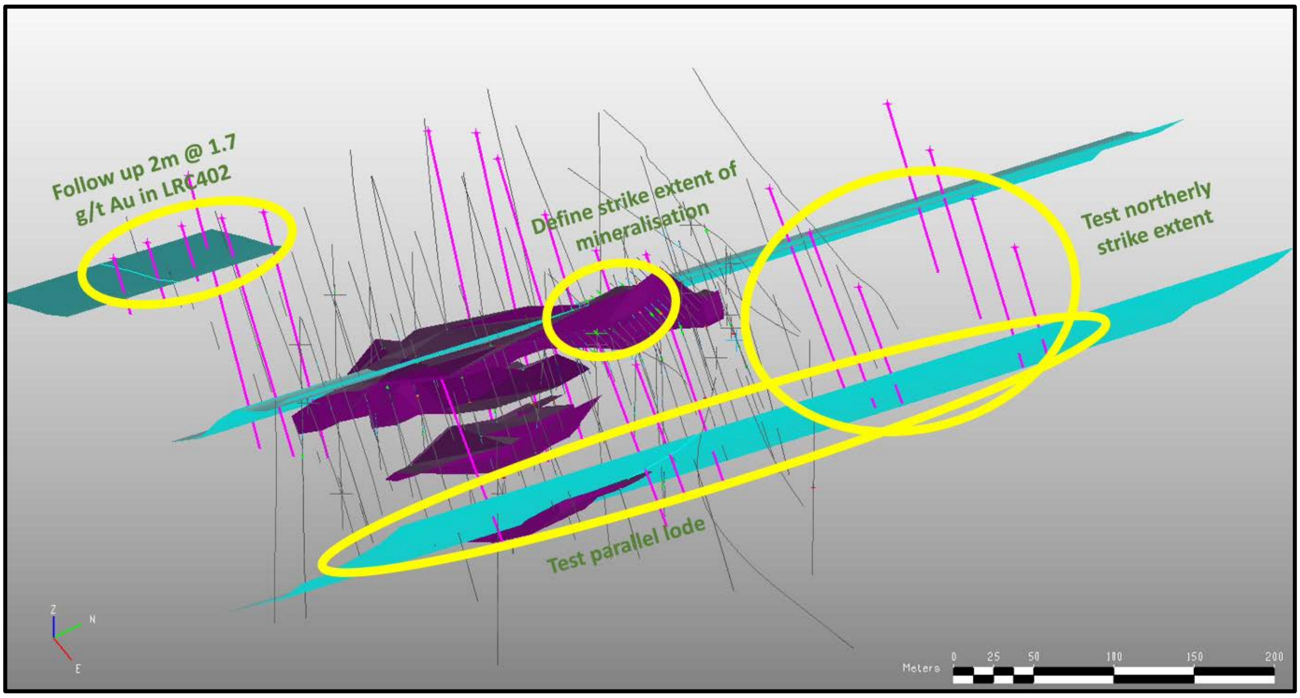

Figure 8: Oblique view looking north-west of proposed drillholes on Hackneys Creek with resource model

Previous drilling at Hackneys Creek produced numerous near surface high grade intercepts including: (refer to ASX release "Hackneys Creek and Lucky Draw Gold Prospects Burraga NSW", 26 August 2020)

Directors' Report

- 21.3m @ 9.19 g/t Au from 89m, including 4m @ 40.38 g/t Au from hole LDD309
- 33.6m @ 2.27 g/t Au from 71.4m, including 5m @ 5.83 g/t Au from hole LXD283
- 25.0m @ 3.57 g/t Au from 20m, including 4m @ 7.48 g/t Au from hole LXD359
- 2.0m @ 11.25 g/t Au from 28m from hole LXD 282
- 16.0m @ 3.30 g/t Au from 34m from hole LRC 353

Paterson Resources has now complied all of the historic exploration data from previous explorers which has highlighted several undrilled geochemical anomalies similar to the Lucky Draw and Hackneys Creek deposits which are characterised by elevated bismuth stream sampling anomalies in the project area as well as low tenor gold anomalies. Field activities have focused on adding to the data with additional soil sampling throughout the project to both confirm the historic anomalies and build up additional drilling targets which will allow the global resource of the project to increase.

The drilling at Lloyd's is expected to allow the company to update the exploration model to build on the current Inferred Resource of 1.68mt @ 0.9% Cu already identified, (refer ASX release "Burraga Copper Project Resource Estimate" 23 June 2015). A review of the historic exploration data aimed at identifying additional copper and or base metal mineralisation in and around the Lloyds Copper Deposit is also in progress and is expected to generate further drilling targets for testing in 2022.

As part of the comprehensive geological report for the technical section of the recently released entitlement issue prospectus (PSL ASX Ann 22 May 2020 *) was a re-statement of the Lloyd's copper gold resource (Table 2) and a Gold Resources Estimate for the Lucky Draw and Hackneys Creek gold prospects (Table 3).

Model		Tonnes	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)	Cu Metal (t)
Lloyds (0.3% Cu cut-off)	Measured	80,000	1.0	0.1	5	0.2	800
	Indicated	910,000	0.8	0.1	7	0.2	7,130
	Inferred	320,000	0.7	0.1	5	0.1	2,200
	Total	1,310,000	0.8	0.1	6	0.2	10,090
Tailings	Indicated	280,000	1.2	0.3	9	0.2	3,490
Slag Heaps	Inferred	90,000	1.3	0.2	7	0.7	1,170
Burraga Combined	Measured	80,000	1.0	0.1	5	0.2	800
	Indicated	1,280,000	0.9	0.1	7	0.2	11,520
	Inferred	320,000	0.7	0.1	5	0.1	2,200
	Total	**1,680,000**	**0.9**	**0.1**	**7**	**0.2**	**15,120**

Table 2. Lloyds Copper Mineral Resources by model and resource category

Directors' Report

Gold Mineral Resources (above 0.5 g/t Au cutoff)				
		Tonnes	**g/t Au**	**Au Metal Oz's**
Hackneys Creek	Measured			
	Indicated			
	Inferred	2,210,000	1.4	102,300
	Total	2,210,000	1.4	102,300
Lucky Draw	Measured			
	Indicated			
	Inferred	470,000	2.1	31,700
	Total	470,000	2.1	31,700
Gold Total	Measured			
	Indicated			
	Inferred	2,680,000	1.6	134,000
	Total	**2,680,000**	**1.6**	**134,000**

Table 3. Lucky Draw and Hackneys Creek Mineral Resources by model and resource category

(* - The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement. All material assumptions and technical parameters pertaining to the resource estimate continue to apply and have not materially changed)

Paterson Resources plans to complete an RC and diamond drilling program at Hackneys creek which has been designed to validate the existing drill assay data used in the inferred resource estimation at Hackneys Creek by twinning approximately 6 holes. A further 10 diamond drill holes recommended to validate the existing drill assay data at the remnant Lucky Draw inferred resource. Validation of this drill data along with the collection of additional geological and structural information will enable the upgrading of the current resource from inferred to a higher category.

The most promising intercepts returned from past drilling carried out by RGC Exploration at Hackneys Creek that were included in the inferred resource estimation are:

- **21.3m @ 9.19 g/t Au from 89m, including 4m @ 40.38 g/t Au from hole LDD309**
- **33.6m @ 2.27 g/t Au from 71.4m, including 5m @ 5.83 g/t Au from hole LXD283**
- **25.0m @ 3.57 g/t Au from 20m, including 4m @ 7.48 g/t Au from hole LXD359**
- **2.0m @ 11.25 g/t Au from 28m from hole LXD 282**
- **16.0m @ 3.30 g/t Au from 34m from hole LRC 353**

(* The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements. All material assumptions and technical parameters pertaining to the resource estimate continue to apply and have not materially changed.)

Directors' Report

Corporate

On 21 July 2020, the Company's securities were reinstated to trading on ASX following the satisfaction by PSL of ASX's conditions for reinstatement.

On 11 September 2020, PSL was placed in voluntary suspension pending an announcement regarding a capital raising.

On 14 September 2020, PSL was reinstated to Official Quotation following a capital raising announcement. The Company received firm commitments to raise approximately A$500,000 before expenses, by way of a placement of 142,857,143 shares (on a pre-consolidation basis) to sophisticated and professional investors ("Placement") together with one (1) free attaching option for every one (1) Placement Share subscribed for ("Placement Options"). The Placement Shares were issued at A$0.0035 per Share (on a pre-consolidation basis), representing a 12.5% discount to the previous traded price of $0.004 on 8 September 2020, being the last trading day prior to the Company's trading halt. The Placement Options have an exercise price of $0.007 (on a pre-consolidation basis) and will expire on 30 September 2023.

On 18 September 2020, the Company completed the Placement and issued 142,857,143 fully paid ordinary shares (on a pre-consolidation basis) at an issue price of $0.0035 per share (on a pre-consolidation basis), raising $500,000.

On 16 October 2020, the Company completed its Share Purchase Plan (SPP) which provided shareholders the opportunity to purchase additional shares in the Company at the same price and on the same terms as the September 2020 Placement.

The SPP offer allowed eligible shareholders to subscribe for up to $30,000 worth of shares at the determined issue price per Share (SPP Shares) being $0.0035 (on a pre-consolidation basis), together with one (1) free attaching option for every one (1) SPP Share subscribed for and issued (SPP Options). The SPP Options has an exercise price of $0.007 (on a pre-consolidation basis) and expires on 30 September 2023.

The SPP was intended to raise a total of $1,500,000, however the Company reserved the right to accept oversubscriptions, and the SPP closed oversubscribed on 9th October 2020 with the Company receiving applications for a total of 502,178,606 shares (on a pre-consolidation basis). PSL accepted the oversubscription funds of $257,625 as announced to ASX on 15 October 2020. Allotment of the SPP shares occurred on 16 October 2020. The Company sought and received shareholder approval for the SPP Options at its Annual General Meeting (AGM) held on 11 December 2020, and the SPP Options as well as the free attaching Options to the September 2020 Placement were issued on 22 December 2020.

Following shareholder approval at the AGM on 11 December 2020, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

(a) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and
(b) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

On 11 December 2020, Mr Brian Thomas tendered his resignation as a Director of the Company effective from the conclusion of the 2020 AGM on 11 December 2020. On the same day, Mr Kenneth Banks was appointed as a Non-Executive Director of the Company.

On 18 December 2020, the Company completed its 1:15 Share Consolidation following the grant of shareholder approval at its Annual General Meeting on 11 December 2020.

Directors' Report

On 20 January 2021, the Company completed the less than marketable parcel share sale facility. A total of 1,684 shareholders with an aggregate of 3,531,438 shares (on a post-consolidation basis, or 52,971,570 shares on a pre-consolidation basis) participated in the Facility. The shares were sold at a price of $0.0375 per share (on a post-consolidation basis, or $0.0025 per share on a pre-consolidation basis).

Financial Performance

The financial results of the Group for the year ended 30 June 2021 and 30 June 2020 are:

	30-June-21 $	30-June-20 $
Cash and cash equivalents	**2,208,449**	1,955,989
Net Assets	**20,488,710**	19,010,165
Revenue	**786**	440
Net loss after tax	**(903,628)**	(570,887)

DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, there were no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 18 August 2021, the Company received firm commitments to raise approximately $1.2 million by way of a placement of up to 22,222,222 ordinary shares ("Placement Shares") to sophisticated and professional investors ("Placement") together with one (1) free attaching option for every one (1) Placement Share subscribed for ("Placement Options"). The Placement Shares will be issued at $0.054 per share, representing a 4% discount to the 5-day volume weighted average price ("VWAP") of the Company's shares on the ASX. The Placement Options will have an exercise price of $0.105 and will expire on 30 September 2023. The funds raised from the Placement will be used to increase the drilling program from 3,500m to 6,000m allowing for additional high priority targets to be tested and for ongoing working capital. On 14 September 2021, the Placement was completed, and the shares were issued.

Other than the above there has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Future Exploration
The Group's main exploration efforts will be focussed on continuing to develop value from exploration across its tenements.

Directors' Report

SHARES UNDER OPTION

Unissued ordinary shares of Paterson Resources Ltd under option at the date of this report are as follows:

Class	Issue date	Expiry date	Exercise price	Number under option
Listed Options	22-12-2020	30-09-2023	$0.105	43,002,507

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Paterson Resources Ltd under option at the date of this report are as follows:

Class	Issue date	Expiry date	Exercise price	Number under option
Tranche 1	21-12-2020	11-12-2023	$0.00	2,000,000
Tranche 2	21-12-2020	11-12-2024	$0.00	2,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON EXERCISE OF OPTION

There were no shares issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted.

SHARES ISSUED ON EXERCISE OF PERFORMANCE RIGHTS

There were no shares issued during the year ended 30 June 2021 and up to the date of this report on the exercise of performance rights granted.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Director	Number Eligible to Attend	Number Attended
Nick Johansen	3	3
Matthew Bull	3	3
Kenneth Banks	1	1
Brian Thomas (resigned)	2	2

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Company, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, refer to the Corporate Governance Statement.

Directors' Report

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

a) Key Management Personnel Disclosed in this Report

Key Management Personnel of the Group during or since the end of the financial year were:

Nick Johansen	Non-Executive Chairman
Matthew Bull	Executive Director (appointed 3 November 2020), Non-Executive Director (resigned 2 November 2020)
Kenneth Banks	Non-Executive Director (appointed 11 December 2020)
Brian Thomas	Non-Executive Chairman (resigned 11 December 2020)

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

A Remuneration Philosophy
B Remuneration Governance, Structure and Approvals
C Remuneration and Performance
D Details of Remuneration
E Contractual Arrangements
F Share-based Compensation
G Equity Instruments Issued on Exercise of Remuneration Options
H Loans with KMP
I Other Transactions with KMP
J Additional Information
K Voting at 2020 Annual General Meeting ("AGM")

A Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of the Group comprise of the Board of Directors.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

B Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Group's development, nor has the Board engaged the services of an external remuneration consultant. It is considered that the size of the Board along with the level of activity of the Group renders this impractical. The Board is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- Remuneration levels of executives; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

❖ **Executive Remuneration Structure**

The Group's remuneration policy for executive directors is designed to promote superior performance and long-term commitment to the Group. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Group and its shareholders to do so. The Board's reward policy reflects its obligation to align executives' remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Refer below for details of Directors' remuneration.

❖ **Non-Executive Remuneration Structure**

The remuneration of Non-Executive Directors consists of Directors' fees, payable in arrears. The total aggregate fixed sum per annum to be paid to Non-Executive Directors in accordance with the Company's Constitution shall initially be no more than A$300,000 and may be varied by ordinary resolution of the Shareholders in a General Meeting.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements. Refer below for details of all Directors' share and option holdings.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using an appropriate valuation methodology.

The remuneration of Non-Executives are detailed in Table 1 and their contractual arrangements are disclosed in "Section E – Contractual Arrangements".

C Remuneration and Performance

The following table shows the gross revenue, losses, earnings per share ("EPS") and share price of the Group as at 30 June 2021 and 30 June 2020.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

	30-Jun-21	30-Jun-20
Revenue ($)	**786**	440
Net loss after tax ($)	**(903,628)**	(570,887)
Loss per share (cents)	**(0.30)**	(0.48)
Share price ($)	**0.046**	0.003

Relationship between Remuneration and Company Performance
Given the current phase of the Company's development, the Board does not consider earnings during the current and previous financial year when determining, and in relation to, the nature and amount of remuneration of KMP.

The pay and reward framework for key management personnel may consist of the following areas:

a) Fixed Remuneration – base salary
b) Variable Short-Term Incentives
c) Variable Long-Term Incentives

The combination of these would comprise the key management personnel's total remuneration.

a) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. The base covers standard business hours and terms. Work performed on weekends, after hours, travel, site visits and special assignments may be charged at hourly rates reviewable by the Board. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

b) Variable Remuneration – Short -Term Incentives (STI)

Discretionary cash bonuses may be paid to key management personnel annually, subject to the requisite Board and shareholder approvals where applicable.

During the year, the Company paid $25,000 to Mr Thomas as agreed by the Board for his services to the Company during his tenure. There were no other bonuses paid to Directors during the year.

c) Variable Remuneration – Long-Term Incentives (LTI)

Options and performance rights are issued at the Board's discretion.

Following shareholder approval at the AGM, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

(a) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and
(b) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

D Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Group during the financial year are:

Table 1 – Remuneration of KMP of the Group for the year ended 30 June 2021 is set out below:

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Performance Rights	
30 June 2021	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Nick Johansen	90,000	-	-	-	-	90,000
Matthew Bull (i)	119,250	-	-	-	24,548 (iv)	143,798
Kenneth Banks (ii)	33,226	-	-	-	-	33,226
Brian Thomas (iii)	75,000	-	25,000 (v)	-	-	100,000
Total	**317,476**	-	**25,000**	-	**24,548**	**367,024**

(i) Matthew Bull resigned as Non-Executive Director on 2 November 2020 and appointed as Executive Director on 3 November 2020.
(ii) Appointed on 11 December 2020.
(iii) Resigned on 11 December 2020.
(iv) Issue of 4,000,000 performance rights to Matthew Bull.

Following shareholder approval at the AGM, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

A) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and
B) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

Refer to Note 16 for the valuation of the rights.

(v) Payment of $25,000 to Brian Thomas as agreed by the Board for his services to the Company during his tenure.

Remuneration of KMP of the Group for the year ended 30 June 2020 is set out below:

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options (iii)	
30 June 2020	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Nick Johansen	82,500	-	-	-	-	82,500
Brian Thomas	60,000	-	-	-	-	60,000
Matthew Bull (i)	45,000	-	-	-	-	45,000
John Hannaford (ii)	29,000	-	-	-	-	29,000
David Izzard (iii)	5,000	-	-	-	-	5,000
Scott Paterson (iii)	7,500	-	-	-	-	7,500
Total	**229,000**	-	-	-	-	**229,000**

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

(i) Appointed on 27 September 2019.
(ii) Resigned on 27 September 2019.
(iii) Resigned on 14 August 2019.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 2 – Relative proportion of fixed vs variable remuneration expense

	Fixed Remuneration (%)		At Risk – STI (%)		At Risk – LTI (%)	
Name	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Directors						
Nick Johansen	**100%**	100%	**-**	-	**-**	-
Matthew Bull	**83%**	100%	**-**	-	**17%**	-
Kenneth Banks	**100%**	-	**-**	-	**-**	-
Brian Thomas	**75%**	100%	**25%**	-	**-**	-
John Hannaford (resigned)	**-**	100%	**-**	-	**-**	-
David Izzard (resigned)	**-**	100%	**-**	-	**-**	-
Scott Paterson (resigned)	**-**	100%	**-**	-	**-**	-

Table 3 – Shareholdings of KMP (direct and indirect holdings)

30 June 2021	Balance at 01/07/2020	On Conversion of Convertible Notes	On Exercise of Options	Net Change – Other	Balance at 30/06/2021
Directors					
Nick Johansen	-	-	-	6,666,667 (i)	6,666,667
Matthew Bull	-	-	-	10,000,001	10,000,001
Kenneth Banks	-	-	-	-	-
Brian Thomas (resigned)	-	-	-	-	-
Total	**-**	**-**	**-**	**16,666,668**	**16,666,668**

(i) On 4 December 2020, conversion of 100,000 convertible notes (converted to 100,000,000 fully paid ordinary shares pre-share consolidation and 6,666,667 ordinary shares post-share consolidation on 18 December 2020).
(ii) On 4 December 2020, conversion of 50,000 convertible notes (converted to 50,000,000 fully paid ordinary shares pre-share consolidation and 3,333,334 ordinary shares post-share consolidation on 18 December 2020). On 21 December 2020, issue of 6,666,667 Placement Shares at an issue price of $0.015 per share as approved by shareholders on 11 December 2020.

Table 4 – Option holdings of KMP (direct and indirect holdings)

30 June 2021	Balance at 01/07/2020	Granted as Remuneration	Exercised	Net Change – Other	Balance at 30/06/2021
Directors					
Nick Johansen	**-**	-	**-**	-	**-**
Matthew Bull	**-**	-	**-**	-	**-**
Kenneth Banks	**-**	-	**-**	-	**-**
Brian Thomas (resigned)	**-**	-	**-**	-	**-**
Total	**-**	**-**	**-**	**-**	**-**

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 5 – Performance rights holdings of KMP (direct and indirect holdings)

30 June 2021	Balance at 01/07/2020	On Conversion of Convertible Notes	On Exercise of Options	Net Change – Other	Balance at 30/06/2021
Directors					
Nick Johansen	-	-	-	-	-
Matthew Bull	-	-	-	4,000,000	4,000,000
Kenneth Banks	-	-	-	-	-
Brian Thomas (resigned)	-	-	-	-	-
Total	**-**	**-**	**-**	**4,000,000**	**4,000,000**

E Contractual Arrangements

The following contractual arrangements were in place during the year:

- **Nick Johansen – Non-Executive Chairman**
  - Contract: Commenced on 15 March 2019.
  - Remuneration: $90,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

- **Matthew Bull – Executive Director (Appointed 3 November 2020), Non-Executive Director (Resigned 2 November 2020)**
  - Non-Executive Contract: Commenced on 27 September 2019.
  - Non-Executive Remuneration from 1 July 2020 to 2 November 2020: $60,000 per annum.
  - Executive Contract: Commenced 3 November 2020
  - Executive Remuneration from 3 November 2020 to 30 June 2021: $150,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

- **Kenneth Banks – Non-Executive Director (Appointed 11 December 2020)**
  - Contract: Commenced on 11 December 2020.
  - Remuneration: $60,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

- **Brian Thomas – Technical Director (Resigned 11 December 2020)**
  - Contract: Commenced on 15 March 2019.
  - Remuneration: $150,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

Note 1: The term of each Non-Executive Director is open to the extent that they hold office subject to retirement by rotation, as per the Company's Constitution, at each AGM and are eligible for re-election as a Director at the meeting. Appointment shall cease automatically in the event that the Director gives written notice to the Board, or the Director is not re-elected as a Director by the shareholders of the Company. There are no entitlements to termination or notice periods.

F Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

Options
No short or long-term incentive based options were issued as remuneration to Directors during the current financial year.

Shares
Short and Long-term Incentives

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

No short or long-term incentive based shares were issued as remuneration to Directors during the current financial year.

Performance Rights

Following shareholder approval at the AGM, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

(a) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and

(b) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

Director	Number granted	Grant date	Fair Value of each right $	Lapsed	Vested	Exercised	Expiry date
Mr Matthew Bull							
Tranche 1	2,000,000	11/12/2020	$0.038	-	-	-	11/12/2023
Tranche 2	2,000,000	11/12/2020	$0.038	-	-	-	11/12/2024

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the financial year.

H Loans with KMP

There were no loans made to any KMP during the year ended 30 June 2021 (2020: Nil).

I Other Transactions with KMP

During the financial year, the Company incurred:

- fees of $16,500 to Mr Brian Thomas for geological consulting services provided to the Company;
- fees of $5,000 to Mr Matthew Bull for geological consulting services provided to the Company;
- Interest expenses of $5,929 to Mr Nick Johansen for convertible note loan provided to the Company; and
- Interest expenses of $2,964 to Mr Matthew Bull for convertible note loan provided to the Company.

At 30 June 2021, there were no outstanding payables to key management personnel and their related parties.

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

J Additional Information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Revenue	**786**	440	4,416	8,418	7,590
Loss after income tax	**(903,628)**	(570,887)	(2,849,384)	(3,981,619)	(2,447,519)
Share Price ($)	**0.046**	0.003	0.003	0.004	0.01
Loss per share (cents)	**(0.30)**	(0.48)	(2.94)	(17.70)	(45.46)
Dividends	**-**	-	-	-	-

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

K *Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')*

At the 2020 AGM, 99.76% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices

[End of Audited Remuneration Report]

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of these proceedings.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and included within these financial statements.

NON-AUDIT SERVICES

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Directors' Report

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Nick Johansen
Non-Executive Chairman
29 September 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paterson Resources Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM
RSM AUSTRALIA PARTNERS

AWhyte

Perth, WA
Dated: 29 September 2021

ALASDAIR WHYTE
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2021

	Note	2021 $	2020 $
Revenue from continuing operations			
Other income	4	**786**	440
Expenses			
Administrative expenses	5(a)	**(217,514)**	(307,724)
Compliance and regulatory expenses		**(165,980)**	(111,720)
Corporate advisory and consulting fees	5(b)	**(36,000)**	219,397
Depreciation		**(6,948)**	(4,425)
Employee benefit expenses	5(b)	**(288,868)**	(187,105)
Exploration consulting fees		**(27,954)**	(25,322)
Finance costs		**(10,116)**	(11,157)
Fair value of financial assets		**10,448**	(597)
Impairment expense		**(557)**	(5,394)
Legal fees		**(30,149)**	(93,158)
Marketing and investor relations		**(94,500)**	(5,322)
Occupancy costs		**(7,220)**	(7,460)
Loss on disposal of plant and equipment		**-**	(16,343)
Share-based payments expense	16	**(24,548)**	(25,457)
Other expenses	5(b)	**(4,508)**	10,460
(Loss) from continuing operations before income tax		**(903,628)**	(570,887)
Income tax expense	6	**-**	-
(Loss) from continuing operations after income tax		**(903,628)**	(570,887)
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive (loss) attributable to the members of Paterson Resources Ltd		**(903,628)**	(570,887)
(Loss) per share for the year attributable to the members Paterson Resources Ltd			
Basic loss per share (cents)	7	**(0.30)**	(0.48)
Diluted loss per share (cents)	7	**(0.30)**	(0.48)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**2,208,449**	1,955,989
Trade and other receivables	9	**218,249**	173,042
Total current assets		**2,426,698**	2,129,031
Non-current assets			
Plant and equipment		**47,435**	5,633
Financial assets at fair value through profit or loss		**11,194**	746
Exploration and evaluation expenditure	10	**18,341,473**	17,211,185
Total non-current assets		**18,400,102**	17,217,564
Total assets		**20,826,800**	19,346,595
LIABILITIES			
Current liabilities			
Trade and other payables	11	**338,090**	317,189
Other current liabilities		**-**	19,241
Total current liabilities		**338,090**	336,430
Total liabilities		**338,090**	336,430
Net assets		**20,488,710**	19,010,165
EQUITY			
Contributed equity	12	**32,961,364**	30,453,739
Reserves	13	**5,697,190**	5,822,642
Accumulated losses	21	**(18,169,844)**	(17,266,216)
Total equity		**20,488,710**	19,010,165

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2021

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
At 1 July 2020	**30,453,739**	**5,822,642**	**(17,266,216)**	**19,010,165**
Loss for the year	**-**	**-**	**(903,628)**	**(903,628)**
Total comprehensive loss for the year after tax	**-**	**-**	**(903,628)**	**(903,628)**
Transactions with owners in their capacity as owners:				
Shares issued during the year	**2,507,625**	**(150,000)**	**-**	**2,357,625**
Share-based payments	**-**	**24,548**	**-**	**24,548**
Issue of convertible notes	**-**	**-**	**-**	**-**
At 30 June 2021	**32,961,364**	**5,697,190**	**(18,169,844)**	**20,488,710**
At 1 July 2019	28,271,719	5,647,185	(16,695,329)	17,223,575
Loss for the year	-	-	(570,887)	(570,887)
Total comprehensive loss for the year after tax	-	-	(570,887)	(570,887)
Transactions with owners in their capacity as owners:				
Shares issued during the year	2,182,020	-	-	2,182,020
Listed options issued during the year	-	25,457	-	25,457
Share-based payments	-	150,000	-	150,000
At 30 June 2020	30,453,739	5,822,642	(17,266,216)	19,010,165

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees		**(904,729)**	(631,820)
Interest received		**786**	442
Interest paid		**(17,500)**	(2,551)
Net cash used in operating activities	8(a)	**(921,443)**	(633,929)
Cash flows from investing activities			
Payments for plant and equipment		**(48,749)**	-
Payments for exploration and evaluation expenditure		**(1,134,972)**	(250,327)
Net cash used in investing activities		**(1,183,721)**	(250,327)
Cash flows from financing activities			
Proceeds from convertible notes		**-**	150,000
Proceeds from issue of shares		**2,357,625**	2,182,020
Net cash from financing activities		**2,357,625**	2,332,020
Net increase in cash and cash equivalents		**252,460**	1,447,764
Cash and cash equivalents at the beginning of the year		**1,955,989**	508,225
Cash and cash equivalents at the end of the year	8	**2,208,449**	1,955,989

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Paterson Resources Limited (referred to as "Paterson" or the "Company") is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group").

(b) Basis of Preparation

Statement of compliance
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Paterson Resources Ltd is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 29 September 2021.

Basis of measurement
The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 22.

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

The following Accounting Standards or Interpretations are most relevant to the consolidated entity:
Conceptual Framework for Financial Reporting (Conceptual Framework)
The Company has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Company's financial statements.

New standards and interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Significant Judgements and Estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Comparatives

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

(d) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Paterson Resources Ltd (‘Company’ or ‘parent entity’) as at 30 June 2021 and the results of all subsidiaries for the year then ended. Paterson Resources Ltd and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity 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 consolidated entity.

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(f) Functional and presentation currency

The consolidated financial statements have been presented in Australian dollars, which is the Group’s functional currency.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(i) Employee benefits

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

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

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

(j) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and Evaluation Expenditure
Exploration and evaluation costs have been capitalised on the basis that activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

The Directors also determines when an area of mineral exploration interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees or suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Hoadley ES02 model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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

NOTE 3 SEGMENT INFORMATION

The Group operates in the mineral exploration industry in Australia only.

Given the nature of the Consolidated Entity, its size and current operations, management does not treat any part of the Group as a separate operating segment. Internal financial information used by the Group's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments.

The Group's management operate the business as a whole without any special responsibilities for any separately identifiable segments of the business.

Accordingly, the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Accounting Policy
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Notes to the Consolidated Financial Statements

NOTE 4 REVENUE	**2021 $**	**2020 $**
Other income		
Interest received	**786**	440
	786	440

Accounting Policy

Revenue from contracts with customers

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

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

Interest

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

Other Revenue

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

All revenue is stated net of the amount of goods and services tax.

NOTE 5 EXPENSES	**2021 $**	**2020 $**
(a) Administrative expenses		
Accounting, audit and company secretarial fees	**154,764**	205,360
Travel and accommodation expenses	-	8,719
General and administration expenses	**62,750**	93,645
	217,514	307,724
(b) Reversal of expenses from prior year		
Reversal of expenses are included in the following categories:		
Reversal of other expense	-	(26,192)
Reversal of director fees	-	(45,395)
Reversal of corporate advisory and consulting fees	-	(224,015)
	-	(295,602)

Refer to Note 18 for further details.

Notes to the Consolidated Financial Statements

NOTE 6 INCOME TAX	2021 $	2020 $
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the profit or loss and other comprehensive income	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	**(903,628)**	(570,887)
Prima facie tax benefit on loss before income tax at 30% (2020: 30%)	**(271,088)**	(171,266)
Tax effect of amounts that are not deductible/taxable in calculating taxable income		
Non-deductible expenses	**4,397**	13,344
Tax losses and temporary differences not brought to account	**266,691**	157,922
Income Tax Expense	**-**	-
Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	**25,997,169**	23,855,313
Unused capital tax losses for which no deferred tax asset has been recognised	**255,579**	105,579
Potential tax benefit at 30% (2020: 30%)	**7,875,824**	7,188,267
Unrecognised temporary differences		
Temporary differences for which deferred tax assets/liabilities have not been recognised		
• Provisions, accruals and prepayments	**(5,479)**	4,382
• Exploration assets	**(2,180,203)**	(1,588,597)
• Blackhole expenditure	**37,755**	63,539
	(2,147,927)	(1,520,676)
Unrecognised deferred tax assets relating to the above tax losses and temporary differences	**5,727,897**	5,667,592

Accounting Policy

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred Tax

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the Consolidated Financial Statements

NOTE 6 INCOME TAX (Continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 7 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2021	**2020**
	$	**$**
Net loss for the year	**(903,628)**	(570,887)
Weighted average number of ordinary shares for basic and diluted loss per share.	**297,609,191**	118,840,557

Options on issue are not considered dilutive to the earnings per share as the Company is in a loss-making position.

On 18 December 2020, the Company completed its 1:15 Share Consolidation following the grant of shareholder approval at its Annual General Meeting on 11 December 2020. Prior period weighted average number of options has been adjusted on this basis.

Continuing operations		
- Basic and diluted loss per share (cents)	**(0.30)**	(0.48)

Accounting Policy

Basic earnings per share
Basic earnings per share are calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Notes to the Consolidated Financial Statements

NOTE 7 LOSS PER SHARE (Continued)

Diluted earnings per share
Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 8 CASH AND CASH EQUIVALENTS

	2021	2020
	$	$
Cash at bank and in hand	**2,208,449**	1,955,989
	2,208,449	1,955,989

(a) Reconciliation of net loss after tax to net cash flows from operations

		2021	2020
		$	$
Loss for the financial year		**(903,628)**	(570,887)
Adjustments for:			
Depreciation		**6,948**	4,425
Share-based payments	16	**24,548**	25,457
Fair value of financial asset		**10,448**	(597)
Impairment expense	10	**557**	5,394
Loss on disposal of plant and equipment		**-**	16,343
Derecognition of payable - exploration asset	18	**-**	85,000
Changes in assets and liabilities			
Trade and other receivables		**(61,977)**	33,415
Trade and other payables		**1,661**	(232,479)
Net cash used in operating activities		**(921,443)**	(633,929)

(b) Non-cash investing and financing activities

Shares issued for conversion of convertible note	**150,000**	**-**
	150,000	**-**

Accounting Policy
Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term high liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities in the statement of financial position.

The Group's exposure to interest rate and credit risks is disclosed in Note 14.

NOTE 9 TRADE AND OTHER RECEIVABLES

Goods and services tax ("GST") receivable	**51,118**	19,001
Bonds	**3,863**	3,863
Other receivables	**163,268**	150,178
	218,249	173,042

(a) Allowance for expected credit loss

Notes to the Consolidated Financial Statements

NOTE 9 TRADE AND OTHER RECEIVABLES (Continued)

The consolidated entity has recognised a loss of $nil in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

Accounting Policy

Trade and Other Receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Goods and Services Tax ('GST')
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset of the assets or part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST on investing and financial activities, which are disclosed as operating cash flows.

NOTE 10 EXPLORATION AND EVALUATION EXPENDITURE	**2021** **$**	2020 $
Carrying amount of exploration and evaluation expenditure	**18,341,473**	17,211,185
At the beginning of the year	**17,211,185**	17,051,252
Exploration and evaluation expenditure incurred	**1,130,845**	250,327
Impairment expense	**(557)**	(90,394)
At the end of the year	**18,341,473**	17,211,185

Accounting Policy

Acquisition, exploration and evaluation costs associated with mining tenements are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful commercial development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Each area of interest is also reviewed annually, and acquisition costs written off to the extent that they will not be recoverable in the future.

Notes to the Consolidated Financial Statements

NOTE 11 TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade payables [(i)]	**312,932**	291,067
Accrued expenses	**15,500**	13,500
Other payables	**9,658**	12,622
	338,090	317,189

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Due to the short-term nature of these payables, their carrying value is assumed to be the same as their fair value.

Accounting Policy

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 12 CONTRIBUTED EQUITY

(a) Issued and fully paid

	2021		2020	
	No.	$	No.	$
Ordinary shares	**317,036,381**	**32,961,364**	3,860,497,312	30,453,739

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(b) Movement reconciliation

		Issue Price	Number	$
At 1 July 2020	**Opening Balance**		**3,860,497,312**	**30,453,739**
18 September 2020	Placement	0.0035	142,857,143	500,000
16 October 2020	Share Purchase Plan	0.0035	502,178,606	1,757,625
4 December 2020	Conversion of 150,000 Convertible Notes	0.0010	150,000,000	150,000
18 December 2020	1:15 Share Consolidation	-	(4,345,163,347)	-
21 December 2020	Placement - Director Participation	0.015	6,666,667	100,000
	Less capital raising costs	-	-	-
At 30 June 2021	**Closing Balance**		**317,036,381**	**32,961,364**
At 1 July 2019	**Opening Balance**		**1,678,477,092**	**28,271,719**
25 February 2020	Placement	0.0010	251,771,564	251,771
26 June 2020	Entitlement Offer	0.0010	1,597,205,980	1,597,206
30 June 2020	Entitlement Offer – Shortfall	0.0010	333,042,676	333,043
	Less capital raising costs	-	-	-
At 30 June 2020	**Closing Balance**		**3,860,497,312**	**30,453,739**

Ordinary shares entitle the holder to participate in the dividends and the proceeds on winding up in proportion to the number of and amounts paid on the shares held.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Accounting Policy
Ordinary shares are classified as equity.

Notes to the Consolidated Financial Statements

NOTE 12 CONTRIBUTED EQUITY (Continued)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

Notes to the Consolidated Financial Statements

NOTE 13 RESERVES	**2021 $**	**2020 $**
Share-based payments reserves	**5,697,190**	5,672,642
Convertible note reserve	**-**	150,000
	5,697,190	5,822,642
Movement reconciliation		
Balance at the beginning of the year	**5,672,642**	5,647,185
Options vested during the year	**-**	25,457
Performance shares issued during the period	**24,548**	-
Balance at the end of the year	**5,697,190**	5,672,642
Balance at the beginning of the year	**150,000**	-
Convertible notes issues	**-**	150,000
Convertible notes converted during the period	**(150,000)** [(i)]	-
Balance at the end of the year	**-**	150,000

(i) On 4 December 2020, 100,000 convertible notes were converted to 100,000,000 fully paid ordinary shares pre-share consolidation and 6,666,667 ordinary shares post-share consolidation on 18 December 2020 and 50,000 convertible notes were converted to 50,000,000 fully paid ordinary shares pre-share consolidation and 3,333,334 ordinary shares post-share consolidation on 18 December 2020).

Share-based payment reserve
The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

Convertible note reserve
The convertible note reserve is used to recognise the fair value of the convertible notes issued.

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future cash flow forecasts.

Risk management is carried out by Management and overseen by the Board of Directors with assistance from suitably qualified external advisors.

Notes to the Consolidated Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The carrying values of the Group's financial instruments are as follows:

	2021 $	2020 $
Financial Assets		
Cash and cash equivalents	**2,208,449**	1,955,989
Trade and other receivables	**218,249**	173,042
Financial assets at fair value through profit or loss	**11,194**	746
	2,437,892	2,129,777
Financial Liabilities		
Trade and other payables	**338,090**	336,430
	338,090	336,430

(a) Market risk

(i) Foreign exchange risk

The Group was not significantly exposed to foreign currency risk fluctuations.

(ii) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group's exposure to this risk relates primarily to the Group's cash and any cash on deposit. The Group does not use derivatives to mitigate these exposures. The Group manages its exposure to interest rate risk by holding certain amounts of cash in fixed and floating interest rate facilities. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2021		2020	
	Weighted average interest rate [(i)]	**Balance $**	Weighted average interest rate	Balance $
Cash and cash equivalents	**0.01%**	**2,208,449**	0.002%	1,955,989

(i) This interest rate represents the average interest rate for the period.

Sensitivity

Within the analysis, consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1% increase and 1% decrease in rates is based on reasonably expected possible changes over a financial year, using the observed range of historical rates for the preceding five-year period.

At 30 June 2021, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax losses and equity would have been affected as follows:

	Profit higher/(lower)	
Judgements of reasonably possible movements:	**2021 $**	**2020 $**
+ 1.0% (100 basis points)	**22,084**	19,560
- 1.0% (100 basis points)	**(22,084)**	(19,560)

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of the financial assets.

The Group's policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

Notes to the Consolidated Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

	6 months $	6-12 months $	1-5 years $	> 5 years $	Total $
2021					
Trade and other payables	**338,090**	**-**	**-**	**-**	**338,090**
2020					
Trade and other payables	336,430	-	-	-	336,430

(d) Capital risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Group's development there are no formal targets set for return on capital. The Group is not subject to externally imposed capital requirements. The net equity of the group is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

Accounting Policy

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

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

Notes to the Consolidated Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

NOTE 15 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2021 $	2020 $
Short-term benefits	**342,476**	229,000
Post-employment benefits	**-**	-
Share-based payments	**24,548**	-
	367,024	229,000

(b) Transactions with related parties

During the financial year, the Company incurred:

- Fees of $16,500 (2020: $31,112) to Mr Brian Thomas for geological consulting services provided to the Company.
- Fees of $5,000 (2020: Nil) to Mr Matthew Bull for geological consulting services provided to the Company.
- Interest expense of $5,929 was incurred to Mr Nick Johansen for a convertible note loan provided to the Company.
- Interest expense of $2,964 was incurred to Mr Matthew Bull for a convertible note loan provided to the Company

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

There were no other transactions with KMP during the year ended 30 June 2021.

At 30 June 2021, the Group there were no outstanding payables to key management personnel and their related parties.

Notes to the Consolidated Financial Statements

NOTE 16 SHARE-BASED PAYMENTS	**2021**	**2020**
	$	**$**
(a) Recognised share-based payment transactions		
Options vested during the year	-	25,457
Performance rights issued during the year	**24,548**	-
	24,548	25,457
Reconciliation:		
Recognised as share-based payment expenses in Statement of Profit or Loss and Other Comprehensive Income	**24,548**	25,457
	24,548	25,457

(b) Summary of options during the year:

2021							
Grant Date	**Expiry Date**	**Exercise Price**	**Balance at the Start of the Year**	**Granted**	**Exercised**	**Expired/ Forfeited/ Other**	**Balance at the End of the Year**
19/08/2016(i)	01/10/2020	$0.04	3,401,578	-	-	(3,401,578)	-
19/08/2016(i)	19/08/2020	$0.06	12,500,000	-	-	(12,500,000)	-
29/09/2016(i)	19/08/2020	$0.06	33,025,000	-	-	(33,025,000)	-
11/12/2020(ii)	30/09/2023	$0.105	-	43,002,507	-	-	43,002,507
			48,926,578	**43,002,507**	**-**	**(48,926,578)**	**43,002,507**
Weighted average exercise price			$0.06	-	-	-	$0.105

The weighted average remaining contractual life of options outstanding at the end of the financial year is 2.25 years (2020: 0.15 years).

(i) Options expired during the year.
(ii) Options are free-attaching options with no share-based payment expense, issued under September 2020 Placement, and October 2020 Share Purchase Plan as follows:

a) On 18 September 2020, the Company completed the Placement and issued 142,857,143 fully paid ordinary shares (on a pre-consolidation basis) at an issue price of $0.0035 per share (on a pre-consolidation basis), raising $500,000 (“Placement”) together with one (1) free attaching option for every one (1) Placement Share subscribed for (“Placement Options”). The Placement Options have an exercise price of $0.007 (on a pre-consolidation basis) and expire on 30 September 2023.

b) On 16 October 2020, the Company completed its Share Purchase Plan (SPP) which provided shareholders the opportunity to purchase additional shares in the Company at the same price and on the same terms as the September 2020 Placement. The SPP offer allowed eligible shareholders to subscribe for up to $30,000 worth of shares at the determined issue price per Share (SPP Shares) being $0.0035 (on a pre-consolidation basis), together with one (1) free attaching option for every one (1) SPP Share subscribed for and issued (SPP Options). The SPP Options have an exercise price of $0.007 (on a pre-consolidation basis) and expire on 30 September 2023.

Notes to the Consolidated Financial Statements

NOTE 16 SHARE-BASED PAYMENTS (Continued)

(c) Summary of options in the prior year:

2020							
Grant Date	**Expiry Date**	**Exercise Price**	**Balance at the Start of the Year**	**Granted**	**Exercised**	**Expired/ Forfeited/ Other**	**Balance at the End of the Year**
19/08/2016	01/10/2020	$0.04	3,401,578	-	-	-	3,401,578
19/08/2016	19/08/2020	$0.06	12,500,000	-	-	-	12,500,000
29/09/2016	19/08/2020	$0.06	33,025,000	-	-	-	33,025,000
21/07/2017 [i]	30/04/2020	$0.02	163,000,000	-	-	(163,000,000)	-
25/08/2017 [i]	30/04/2020	$0.02	1,828,592	-	-	(1,828,592)	-
17/11/2017 [i]	30/04/2020	$0.02	166,666,665	-	-	(166,666,665)	-
21/11/2017	30/04/2020	$0.02	138,888,889	-	-	(138,888,889)	-
07/05/2018 [i]	30/04/2020	$0.02	317,043,587	-	-	(317,043,587)	-
16/05/2018 [i]	30/04/2020	$0.02	25,456,613	-	-	(25,456,613)	-
15/03/2019[ii]	30/04/2020	$0.02	117,269,751	-		(117,269,751)	-
			979,080,675	**-**	**-**	**(930,154,097)**	**48,926,578**
Weighted average exercise price			$0.06	-	-	-	$0.06

(i) These are free attaching options as part of placement.
(ii) Issued for capital raising.

(d) Summary of performance rights during the year:

2021							
Grant Date	**Expiry Date**	**Exercise Price**	**Balance at the Start of the Year**	**Granted**	**Exercised**	**Expired/ Forfeited/ Other**	**Balance at the End of the Year**
11/12/2020*	11/12/2023	$0.00	-	2,000,000	-	-	2,000,000
11/12/2020*	11/12/2024	$0.00	-	2,000,000	-	-	2,000,000
			-	**4,000,000**	**-**	**-**	**4,000,000**

* Following shareholder approval at the AGM on 11 December 2020, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

(a) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and
(b) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of $0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

The assessed fair values of the performance rights was determined using Hoadley Barrier1 model, taking into account the vesting conditions, exercise price, term of performance rights, the share price at grant date and expected price volatility of the underlying share, expected yield and the risk-free interest rate for the term of the right. The inputs to the model used were:

Notes to the Consolidated Financial Statements

NOTE 16 SHARE-BASED PAYMENTS (Continued)

	Tranche 1	Tranche 2
Number of rights	2,000,000	2,000,000
Dividend yield (%)	Nil	Nil
Expected volatility (%)	110	110
Risk-free interest rate (%)	0.090	0.135
Expected life of performance rights (years)	3	4
Underlying share price ($)	0.045	0.045
Exercise price ($)	Nil	Nil
Value of performance rights ($)	0.038	0.038
Fair value of performance rights ($)	76,000	76,000
Share-based payment expense for the year ($)	12,274	12,274

No performance rights were issued in prior year.

NOTE 17 COMMITMENTS

(a) Tenement Commitments

In relation to the WA tenements, the Group must meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exceptions from expenditure are applied or are otherwise disposed of. The commitments that are not provided for in the financial statements are:

	2021 $	2020 $
- Within one year	**575,275**	515,683
- Later than one but not later than five years	**587,950**	838,411
	1,163,225	1,354,094

NOTE 18 CONTINGENCIES

Contingent liabilities

In the prior year, an aggregate claim of $412,487 was made by the former Directors or their associates. The Company is disputing the validity of these claims and have no intention to settle the claims. The Company considers it to be probable that any further action will result in its favour and has therefore not recognised a provision in relation to this claim. Of the aggregate amount of $412,487, $295,602 (exclusive of GST) was previously expensed to the Statement of Profit or Loss and Other Comprehensive Income and $85,000 (exclusive of GST) was previously capitalised as exploration expenditure.

Contingent assets

There are no contingent assets as at 30 June 2021 (2020: Nil).

NOTE 19 AUDITOR'S REMUNERATION

	2021 $	2020 $
Amounts received or due and receivable by RSM Australia Partners for:		
Audit or review of the financial statements	**35,500**	33,000
Other services – RSM Australia Pty Ltd		
- Independent Accountant's Report	**-**	10,000
	35,500	43,000

Notes to the Consolidated Financial Statements

NOTE 20 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Orange Hills Resources Limited	Exploration	Australia	**100**	100
Burraga Copper Pty Ltd	Exploration	Australia	**100**	100
BC Exploration Pty Ltd	Exploration	Australia	**100**	100
Malang Resources Pty Ltd	Exploration	Australia	**90**	90
ACN 603 462 513 Pty Ltd	Exploration	Australia	**100**	100
Old Lloyds Mine Pty Ltd	Exploration	Australia	**100**	100

NOTE 21 ACCUMULATED LOSSES

	2021 $	2020 $
Balance at beginning of the year	**(17,266,216)**	(16,695,329)
Loss after income tax for the year	**(903,628)**	(570,887)
Balance at end of the year	**(18,169,844)**	(17,266,216)

NOTE 22 PARENT ENTITY

	2021	2020
Assets		
Current assets	**2,416,153**	2,124,728
Non-current assets	**18,404,581**	17,217,899
Total assets	**20,820,734**	19,342,627
Liabilities		
Current liabilities	**332,025**	332,462
Total liabilities	**332,025**	332,462
Equity		
Contributed equity	**47,815,183**	45,307,558
Reserves	**5,823,070**	5,948,522
Accumulated losses	**(33,149,544)**	(32,245,915)
Total equity	**20,488,710**	19,010,165
Loss for the year	**(903,629)**	(570,887)
Total comprehensive loss	**(903,629)**	(570,887)

Contingent assets
The parent entity has no contingent assets at 30 June 2021.

Contingent liabilities
The parent entity has a contingent liability at 30 June 2021 as disclosed in Note 18.

Capital commitments - Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2021 and 30 June 2020.

Notes to the Consolidated Financial Statements

NOTE 22 PARENT ENTITY (Continued)

Exploration commitments
The parent entity had exploration commitments as disclosed in Note 17.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in the financial statements, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 23 EVENTS AFTER THE REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 18 August 2021, the Company received firm commitments to raise approximately $1.2 million by way of a placement of up to 22,222,222 ordinary shares (“Placement Shares”) to sophisticated and professional investors (“Placement”) together with one (1) free attaching option for every one (1) Placement Share subscribed for (“Placement Options”). The Placement Shares will be issued at $0.054 per share, representing a 4% discount to the 5-day volume weighted average price (“VWAP”) of the Company’s shares on the ASX. The Placement Options will have an exercise price of $0.105 and will expire on 30 September 2023. The funds raised from the Placement will be used to increase the drilling program from 3,500m to 6,000m allowing for additional high priority targets to be tested and for ongoing working capital. On 14 September 2021, the Placement was completed and the shares were issued.

Other than the above there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

Directors' Declaration

In the Directors' opinion:

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

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

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Nick Johansen
Non-Executive Chairman
29 September 2021

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PATERSON RESOURCES LIMITED**

Opinion

We have audited the financial report of Paterson Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Exploration and Evaluation Expenditure
Refer to Note 10 in the financial statements</td></tr>
<tr><td>The Group has capitalised exploration and evaluation expenditure with a carrying value of $18,341,473 as at 30 June 2021.

We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the asset including:

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

• Ensuring that the right to tenure of the area of interest was current;
• Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest;
• Enquiring with management and reviewing budgets and other documentation as evidence that active and significant operations in, or relation to, the area of interest will be continued in the future;
• Assessing and evaluating management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of economically recoverable reserves may be determined; and
• Assessing and evaluating management's assessment that no indicators of impairment existed at the reporting date.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Paterson Resources Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

AWhyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2021

Corporate Governance Statement

The Board of Directors of Paterson Resources Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition ("the ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, are in place.

The Company's Corporate Governance Statement and policies can be found on its website at www.patersonresources.com.au.

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 20 September 2021.

1. **Fully paid ordinary shares**
   - There is a total of 339,258,603 fully paid ordinary shares on issue which are listed on the ASX.
   - The number of holders of fully paid ordinary shares is 1,808.
   - Holders of fully paid ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.
   - There are no preference shares on issue.

2. **Distribution of fully paid ordinary shareholders is as follows:**

Range	Number of holders	Number of shares	% of Issued Capital
1 - 1,000	72	16,665	0.00
1,001 - 5,000	89	229,481	0.07
5,001 - 125,000	1,285	44,338,325	13.07
125,001 Over	362	294,674,132	86.86
Total	**1,808**	**339,258,603**	**100.00**

3. **Holders of non-marketable parcels**
   Holders of non-marketable parcels are deemed to be those whose shareholding is valued at less than $500.

   There are 348 shareholders who hold less than a marketable parcel of shares, amount to 0.54% of issued capital.

4. **Substantial shareholders of ordinary fully paid shares**
   There are no substantial holders who have notified the Company in accordance with Section 671B of the Corporations Act 2001.

5. **Share buy-backs**
   There is no current on-market buy-back scheme.

6. **Voting rights of Shareholders**
   All fully paid ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:
   - Show of hands – one vote per shareholders; and
   - Poll – one vote per fully paid ordinary share.

7. **Restricted Securities**
   There are no shares on issue that are subject to voluntary escrow restrictions or mandatory escrow restriction under ASX Listing Rules Chapter 9.

8. **Unlisted Options**
   There are no unlisted options as at 20 September 2021.

9. **Unlisted Performance Rights**
   As at 20 September 2021, there are a total of 4,000,000 unlisted Performance Rights on issue held by 1 holder. These rights have no exercise price and vest between 11 December 2020 and 11 December 2024, subject to the fulfilment of relevant vesting conditions.

ASX Additional Information

10. Major Shareholders

The Top 20 largest fully paid ordinary shareholders together held 38.38% of the securities in this class and are listed below:

Rank	Holder Name	Number Held	Percentage %
1	RENASCOR PTY LTD <VF A/C>	16,000,000	4.72
2	MR MATTHEW NORMAN BULL	10,000,001	2.95
3	GOTHA STREET CAPITAL PTY LTD <BLUE SKY NO 2 A/C>	10,000,000	2.95
4	MOVERLY SUPERANNUATION PTY LTD <MOVERLY SUPER FUND A/C>	10,000,000	2.95
5	MR NICHOLAS EDWARD BULL	7,779,065	2.29
6	CUTTING EDGE DEVELOPMENTS PTY LTD <BUSTIN FAMILY A/C>	6,950,740	2.05
7	MS ZUOJIA DU	6,904,762	2.04
8	MR RAMIN AFNANI	6,750,000	1.99
9	HARKISS MINERAL DISCOVERY PTY LTD	6,666,667	1.97
10	MR SURAJ PREMJI SANGHANI	6,404,099	1.89
11	MISS GAY VIVIAN CAIN	5,520,000	1.63
12	MR SHOUZHI ZHANG	4,784,762	1.41
13	CITICORP NOMINEES PTY LIMITED	4,578,398	1.35
14	MACQUARIE ANIMAL GROUP PTY LTD <MAG A/C>	4,555,000	1.34
15	SARWELL PTY LTD <ARM CONSTRUCT EMP S/F A/C>	4,260,000	1.26
16	AURORA VENTURES PTY LIMITED	4,000,000	1.18
17	MR TERRY LESLIE GALLAGHER	4,000,000	1.18
18	MR JOHN CHRISTOPHER SINGH BEDI	3,926,218	1.16
19	98 INVESTMENTS PTY LTD <98 INVESTMENT A/C>	3,685,185	1.09
20	MR JEFFORY JOSEPH COLLINS	3,444,415	1.02
Total: Top 20 holders of ORDINARY FULLY PAID SHARES		**130,209,312**	**38.38**

11. Listed Options

There is a total of 43,002,507 listed options on issue as at 20 September 2021. The number of holders of listed options is 165.

Rank	Holder Name	Number Held	Percentage %
1	SMONGO PTY LTD <SMONGO SUPER FUND A/C>	1,800,000	4.19
2	MISS GAY VIVIAN CAIN	1,688,096	3.93
3	BOWMAN GATE PTY LTD <THE DISCOVERY A/C>	1,523,810	3.54
4	CUTTING EDGE DEVELOPMENTS PTY LTD <BUSTIN FAMILY A/C>	1,333,334	3.10
5	EASY CONNECT GROUP PTY LTD	1,238,096	2.88
6	MR MARK FLEMING DURWARD	988,096	2.30
7	MS FENGMEI SHEN	975,460	2.27
8	JOHN AND EMMA HANNAFORD SUPERANNUATION PTY LTD <HANNAFORD SUPER FUND A/C>	952,381	2.21
9	MOVERLY SUPERANNUATION PTY LTD <MOVERLY SUPER FUND A/C>	952,381	2.21
10	TAYCOL NOMINEES PTY LTD	952,381	2.21
11	SUNDA PTY LTD	857,144	1.99
12	GOTHA STREET CAPITAL PTY LTD <BLUE SKY NO 2 A/C>	761,905	1.77
13	MRS GILLIAN KAREN NES + MR RONALD NES <GIRO S/F A/C>	725,000	1.69
14	98 INVESTMENTS PTY LTD	571,429	1.33
15	MR RAMIN AFNANI	571,429	1.33
16	AURORA VENTURES PTY LIMITED	571,429	1.33
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	571,429	1.33
18	MS ZUOJIA DU	571,429	1.33
19	GERALYN FENG	571,429	1.33
20	MRS ALISON CLAIRE GALLAGHER	571,429	1.33
Total: Top 20 holders of LISTED OPTIONS EXPIRING 30 SEPTEMBER 2023 @ $0.105		**18,748,087**	**64.86**

ASX Additional Information

12. Tax Status

The Company is treated as a public company for taxation purposes.

13. Franking Credits

The Company has no franking credits.

14. Business Objectives

The Company confirms that it is has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

15. Tenement Schedule

The following table sets out the tenement information as required by ASX Listing Rule 5.3.3

Table 1: Mining tenements held at the end of the Financial Year and their location

Project Name	Location	Tenement Licences	Interest held by Group
Bellary	WA	E47/3578	100%
Hamersley	WA	E47/3827	100%
Elsie North	WA	E45/5020	100%
Cheela Plains	WA	E08/2880	100%
Grace	WA	E45/4524	100%
Grace	WA	P45/2905	100%
Grace	WA	P45/2906	100%
Grace	WA	P45/2907	100%
Grace	WA	P45/2908	100%
Grace	WA	P45/2909	100%
Grace	WA	E45/5130	100%
Burraga	NSW	EL6463	100%
Burraga	NSW	EL6874	100%
Burraga	NSW	EL7975	100%
Burraga	NSW	EL8826	100%
Burraga	NSW	EL9135	100%