



**S2 RESOURCES LTD**

**ABN: 18 606 128 090**

**HALF YEAR FINANCIAL REPORT**

**31 December 2020**

**S2 RESOURCES LTD**  
**ABN: 18 606 128 090**

**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

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**S2 Resources Ltd**  
**Half Year Financial Report**  
**For the half year ended 31 December 2020**

## Corporate Directory

<b>Directors</b>	Mark Bennett Jeff Dowling Anna Neuling	Executive Chairman Non-Executive Director Executive Director
<b>Company Secretary</b>	Anna Neuling	
<b>Principal and Registered Office</b>	4/24 Parkland Road Osborne Park, Western Australia 6017 Telephone: +61 8 6166 0240 Facsimile: +61 8 6270 5410 Website: <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>	
<b>Auditor</b>	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco, Western Australia 6008 Telephone: (08) 6382 4600	
<b>Share Registry</b>	Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth, Western Australia 6000 Telephone: 1300 787 575	
<b>Stock Exchange Listing</b>	S2 Resources Ltd shares are listed on the Australian Securities Exchange.	
<b>ASX Code</b>	S2R	

# Directors' Report

The Directors of S2 Resources Ltd ("Directors") present their report on S2 Resources Ltd ("Company" or "S2") and the entities it controlled at the end of, or during, the half year ended 31 December 2020 ("Consolidated Entity" or "Group").

## Directors

The names and details of the Directors in office during the half year ended 31 December 2020 and until the date of this financial report are as follows. The Directors were in office for the entire period unless otherwise stated.

Jeff Dowling  
Mark Bennett  
Anna Neuling

## Principal Activities

The principal continuing activity of the Group is mineral exploration.

## Review of Operations

### Operating Result

The loss from continuing operations for the half year ended 31 December 2020 after providing for income tax amounted to \$3,312,246 (2019: \$5,461,224).

The loss results from \$2,521,928 of exploration expenditure incurred and expensed, \$493,333 of administration costs, \$227,527 of business development costs, \$734,549 of share-based payments expenses, \$68,259 depreciation costs and \$240,162 of other income and net gains/(losses) including finance costs. The exploration expenditure incurred and expensed mainly relates to the Company's Finnish and Australian projects. Also during the half year, the Group accounted for its share of its associate's consolidated statement of loss being \$159,042 and a fair value credit adjustment for reclassification of investment of \$1,132,554.

### Dividends

No dividends were paid or proposed to be paid to members during the half year ended 31 December 2020.

### Significant Changes in the State of Affairs

In July 2020, 61,976,000 shares were issued at 12.5 cents per share in a placement to institutional and sophisticated investors.

In August 2020, the Group's investment percentage in Todd River Resources Ltd (ASX:TRT) was reduced from 30.62% to 24.50%. This was due to a share issue by Todd River Resources Ltd in relation to a capital raising which S2 did not participate in.

In September 2020, the Group's investment percentage in Todd River Resources Ltd (ASX:TRT) was reduced to 18.48%. This was due to a share issue by Todd River Resources Ltd in relation to a project acquisition.

In October 2020, S2 entered into a binding agreement with private company Black Raven Mining Pty Ltd ("BRM") to earn a majority interest in a group of tenements known as the Jillewarra project (see S2 ASX announcement dated 5<sup>th</sup> October 2020). The farm-in comprised an up-front non-cash consideration, an earn-in phase, and a potential free carry, as summarised below:

- Issue of 5 million S2 shares to BRM at A\$0.28, representing a consideration of A\$1.4m (issued 5<sup>th</sup> October 2020)

- Minimum expenditure of A\$2m within 2 years
- Cumulative expenditure of A\$5m within 5 years to earn a 51% interest
- Completion of a study on Inferred Mineral Resources of at least 250,000 ounces of gold (or base metal equivalent) within 7 years to earn a 70% interest
- On completion of this study by S2, BRM can elect to contribute, dilute, or revert to a free carried interest (“FCI”) to commencement of commercial production
- In the event of BRM opting for a FCI, BRM’s interest reduces to 25% and S2’s interest increases to 75%, and BRM repays its free carry from 100% of its share of future revenue
- In the event of S2 not completing a study within 7 years, S2’s interest decreases to 49%

In October 2020, Matthew Keane was appointed as Chief Executive Officer to fill the vacancy created by Mark Bennett moving to the position of Executive Chairman. Mr Keane is a geologist with more than 20 years of experience in mining, exploration and financial markets. He has worked in various technical and operational roles including exploration, mine geology, scheduling and design, resource and reserve estimation, and production management for Lynas Gold (now Lynas Corp) and BHP.

He also held a corporate development and investor relations role with uranium miner Paladin Energy, focused on mergers, acquisitions and asset divestments.

Most recently, he has spent eight years in capital markets working as a metals and mining analyst for Argonaut Securities, covering gold, base metals, bulk commodities, specialty minerals and uranium. He holds a BSc (Hons) Geology from the University of Western Australia and a Masters of Business and Technology from the University of New South Wales.

In October 2020, the Group’s investment percentage in Todd River Resources Ltd (ASX:TRT) was reduced to 15.57%. This was due to a share issue by Todd River Resources Ltd in relation to a capital raising which S2 did not participate in. Post period end, TRT conducted a further equity raise which S2 did not participate in, further reducing the Company’s investment percentage to 13.85%.

# Directors' Report

## COVID 19

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future operating results during FY2021. Management has actively managed the global situation and its impact on the Group's financial condition, operations, and workforce. During the half year ended 31 December 2020, there have been no impacts from COVID-19 on the Group's exploration activities.

Although the Group cannot fully estimate the length or gravity of the COVID-19 effect, from its initial assessment, the impact over the next 12 months does not appear to be significant, indicating the entity will be able to continue as a going concern and it has sufficient funds to continue to actively explore.

## After Balance Date Events

There has been no matter or circumstance that has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the result of those operations in future financial years; or
- the Group's state of affairs in future financial years.

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of *the Corporations Act 2001* is set out on page 25 of the interim financial report.

Signed in accordance with a resolution of the Board of Directors.



Mark Bennett  
Executive Chairman  
Melbourne  
11 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Other income		27,728	41,961
Salaries and wages		(190,857)	(235,810)
Travel expenditure		(24,149)	(207,531)
Consulting and legal fees		(74,674)	(119,270)
Share & Company registry		(81,652)	(99,626)
Listing fees		(23,120)	-
Rent, insurance & variable outgoings		(98,881)	(140,391)
Business development		(227,527)	(281,740)
Depreciation expense		(68,259)	(59,736)
Share based payments	7	(734,549)	(752,002)
Other gains/(losses)		(261,912)	(18,369)
Finance costs		(5,978)	-
Exploration expenditure expensed as incurred	4	(2,521,928)	(2,675,231)
Exploration impairment expense		-	-
Share of associate's profit/(loss)	3	(159,042)	(542,609)
Fair value adjustment for reclassification of investment	3	1,132,554	-
Associate impairment reversal /(expense)		-	(370,870)
<b>Loss before income tax</b>		<b>(3,312,246)</b>	<b>(5,461,224)</b>
Income tax (expense)/benefit		-	-
<b>Loss for the period</b>		<b>(3,312,246)</b>	<b>(5,461,224)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be classified to profit or loss</i>			
Changes in the fair value of Investments at fair value through other comprehensive income	3	1,204,062	(33,227)
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations		178,497	(7,171)
<b>Total Comprehensive loss for the period attributable to the members of S2 Resources Ltd</b>		<b>(1,929,687)</b>	<b>(5,501,622)</b>
<b>Loss per share for the period attributable to the Members of S2 Resources Ltd</b>			
Basic loss per share	10	<b>Cents (1.09)</b>	<b>Cents (2.20)</b>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

as at 31 December 2020

	Notes	31 December 2020 \$	30 June 2020 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		10,627,441	6,419,891
Restricted cash		315,493	323,107
Trade and other receivables		230,878	177,555
Financial assets held at fair value through other comprehensive income	13	3,913,201	-
<b>TOTAL CURRENT ASSETS</b>		<b>15,087,013</b>	<b>6,920,553</b>
<b>NON-CURRENT ASSETS</b>			
Investments in associates	3	-	1,735,627
Exploration and evaluation	4	2,336,977	966,977
Property, plant and equipment		143,444	107,234
Right-of-use assets		204,289	251,196
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,714,710</b>	<b>3,061,034</b>
<b>TOTAL ASSETS</b>		<b>17,801,723</b>	<b>9,981,587</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		692,563	286,131
Provisions		69,897	86,394
Lease Liabilities		91,299	54,803
<b>TOTAL CURRENT LIABILITIES</b>		<b>853,759</b>	<b>427,328</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities		134,268	177,572
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>134,268</b>	<b>177,572</b>
<b>TOTAL LIABILITIES</b>		<b>988,027</b>	<b>604,900</b>
<b>NET ASSETS</b>		<b>16,813,696</b>	<b>9,376,687</b>
<b>EQUITY</b>			
Share capital	5	61,184,670	52,552,523
Reserves	6	4,152,604	4,345,801
Accumulated losses		(48,523,578)	(47,521,637)
<b>TOTAL EQUITY</b>		<b>16,813,696</b>	<b>9,376,687</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*



## Consolidated Statement of Changes in Equity

for the half year ended 31 December 2020

Attributable to equity holders of the Group in \$ dollars	Share capital	Share based payment Reserves	Other Reserve	Foreign Currency Translation Reserve	Fair Value Other Comprehensive Income ("FVOCI") Reserve	Accumulated losses	Total
Balance at 1 July 2020	52,552,523	4,016,601	144,517	184,683	-	(47,521,637)	9,376,687
Loss for the half year	-	-	-	-	-	(3,312,246)	(3,312,246)
Other comprehensive income	-	-	-	178,497	1,204,062	-	1,382,559
<b>Total comprehensive loss for the period</b>	-	-	-	<b>178,497</b>	<b>1,204,062</b>	<b>(3,312,246)</b>	<b>(1,929,687)</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of share capital net of capital raising costs	8,632,147	-	-	-	-	-	8,632,147
Share-based payment transactions	-	734,549	-	-	-	-	734,549
Transfer of lapsed and expired options value to accumulated losses	-	(2,310,305)	-	-	-	2,310,305	-
Total contributions by and distributions to owners	8,632,147	(1,575,756)	-	178,497	1,204,062	(1,001,941)	7,437,009
<b>Balance at 31 December 2020</b>	<b>61,184,670</b>	<b>2,440,845</b>	<b>144,517</b>	<b>363,180</b>	<b>1,204,062</b>	<b>(48,523,578)</b>	<b>16,813,696</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

for the half year ended 31 December 2019

Attributable to equity holders of the Group in \$ dollars	Share capital	Share based payment Reserves	Other Reserve	Foreign Currency Translation Reserve	Fair Value Other Comprehensive Income ("FVOCI") Reserve	Accumulated losses	Total
Balance at 1 July 2019	52,552,523	7,905,600	144,517	134,398	354,998	(45,063,551)	16,028,485
<b>Total comprehensive loss for the period</b>	-	-	-	(7,171)	(33,227)	(5,461,224)	<b>(5,823,393)</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of share capital net of capital raising costs	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-	-
Share-based payment transactions	-	752,002	-	-	-	-	<b>752,002</b>
Transfer gain on sale of investments to accumulated losses	-	-	-	-	(321,771)	321,771	-
Total contributions by and distributions to owners	-	752,002	-	(7,171)	(354,998)	(5,139,453)	<b>(4,749,620)</b>
<b>Balance at 31 December 2019</b>	<b>52,552,523</b>	<b>8,657,602</b>	<b>144,517</b>	<b>127,227</b>	<b>-</b>	<b>(50,203,004)</b>	<b>11,278,865</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

for the half year ended 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees for administration activities		(764,794)	(1,058,458)
Cash paid to suppliers and employees for exploration activities		(1,916,468)	(2,999,758)
Interest received		20,513	72,608
Interest and other finance costs paid		(8,126)	(9,418)
Income tax refund/(payment)		-	186,037
<b>Net cash used in operating activities</b>		<b>(2,668,875)</b>	<b>(3,808,989)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(57,562)	(19,424)
Payment for tenement acquisition		-	-
Net proceeds from sale of investment in TSX-V listed entity		-	1,837,167
Investment in Todd River Resources Ltd		-	(1,403,063)
<b>Net cash provided by/(used in) investing activities</b>		<b>(57,562)</b>	<b>414,680</b>
<b>Cash flows from financing activities</b>			
Net receipts / (payments) for cash backed guarantees		-	42,446
Proceeds from issue of shares & other equity securities		7,747,000	-
Share issue transaction costs		(514,853)	-
Principal elements of lease payments		(38,395)	(27,101)
<b>Net cash used in financing activities</b>		<b>7,193,752</b>	<b>15,345</b>
Net increase / (decrease) used in cash and cash equivalents		4,467,315	(3,378,964)
Effects of exchange rate changes on cash and cash equivalents		(259,765)	(9,525)
Cash and cash equivalents at 1 July		6,419,891	11,645,063
<b>Cash and cash equivalents at 31 December</b>		<b>10,627,441</b>	<b>8,256,574</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with Australia Accounting Standards ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2020 other than those included below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### *Equity accounted investments – changes in ownership interests*

When the group ceases to equity account for an investment because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

#### *Financial assets at fair value through other comprehensive income: equity instruments*

For investments in equity instruments, the Group has made an irrevocable election to account for the equity investment at fair value through other comprehensive income (FVOCI).

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

### Standards and Interpretations applicable to 31 December 2020

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. None of which have a material impact on the Group.

### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## Use of estimates and judgements

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, that it 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 (refer to the respective notes) within the next financial year are discussed below that are new in relation to this half year report:

### *Classification of investment in Todd River Resources as Investment*

The Group have reclassified the investment in Todd River Resources ("TRT") from being an associate to an investment in October 2020.

Since 30 June 2020, the Group has not taken part in any of the TRT capital raisings, and as a result it is holding less than 20%.

At less than 20%, significant influence is required to account for an investment as an investment in an associate. The Group does not consider that it has significant influence over TRT due to the other substantial shareholders in TRT and the composition of the TRT board.

## NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has four reportable segments as follows:

- Finland exploration activities, which includes exploration and evaluation of mineral tenements in Finland.
- Nevada exploration activities, which includes exploration and evaluation of mineral tenements in Nevada.
- Australian exploration activities, which includes exploration and evaluation of mineral tenements in Australia.
- Unallocated, which includes all other expenses that cannot be directly attributed to any of the segments above.

Segment information that is evaluated by the Chief Operating Decision Maker (as defined by AASB 8 Operating Segments) is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## Segment Results

### Statement of loss for the half year ended 31 December 2020

	Finland exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	27,728	27,728
Corporate expenses	-	-	-	(469,184)	(469,184)
Business Development	-	-	-	(227,527)	(227,527)
Travel	-	-	-	(24,149)	(24,149)
Depreciation expense	-	-	-	(68,259)	(68,259)
Share-based payments	-	-	-	(734,549)	(734,549)
Other gain/(losses) - net	-	-	-	(261,912)	(261,912)
Finance cost	-	-	-	(5,978)	(5,978)
Exploration expenditure expensed as incurred	(1,350,641)	(4,805)	(1,166,482)	-	(2,521,928)
Exploration impairment expense	-	-	-	-	-
Share of associate's profit/(loss)	-	-	-	(159,042)	(159,042)
Fair value adjustment for reclassification of investment	-	-	-	1,132,554	1,132,554
Associate impairment expense	-	-	-	-	-
Loss before income tax	(1,350,641)	(4,805)	(1,166,482)	(790,318)	(3,312,246)
Income tax expense	-	-	-	-	-
Loss after income tax for the half year	(1,350,641)	(4,805)	(1,166,482)	(790,318)	(3,312,246)

### Statement of loss for the half year ended 31 December 2019

	Finland exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	41,961	41,961
Corporate expenses	-	-	-	(802,631)	(802,631)
Business Development	-	-	-	(281,740)	(281,740)
Depreciation expense	-	-	-	(59,736)	(59,736)
Share-based payments	-	-	-	(752,002)	(752,002)
Other gain/(losses) - net	-	-	-	(18,369)	(18,369)
Exploration expenditure expensed as incurred	(2,310,967)	(68,664)	(295,600)	-	(2,675,231)
Exploration impairment expense	-	-	-	-	-
Share of associate's profit/(loss)	-	-	-	(542,609)	(542,609)
Associate impairment expense	-	-	-	(370,870)	(370,870)
Loss before income tax	(2,310,967)	(68,664)	(295,600)	(2,785,996)	(5,461,228)
Income tax expense	-	-	-	-	-
Loss after income tax for the half year	(2,310,967)	(68,664)	(295,600)	(2,785,996)	(5,461,228)

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## SEGMENT ASSETS AND LIABILITIES

The Group's assets are mostly attributable to the unallocated segment therefore assets attributable to Finland and Australia is immaterial for disclosure other than exploration and evaluation assets which are allocated as follows:

31 Dec 2020	Finland exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Exploration and evaluation assets	966,977	-	1,400,000	-	2,366,977
30 June 2020	Finland exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Exploration and evaluation assets	966,977	-	-	-	966,977

## NOTE 3 FINANCIAL ASSET: EQUITY INVESTMENT AND INTERESTS IN ASSOCIATES

The entity listed below have share capital consisting of ordinary shares and options of which 15.57% of the ordinary shares are held directly by the Group.

The Groups investment in Todd River Resources Ltd (ASX:TRT) was reduced from 30.52% to 24.50% in August 2020 due to a capital raising share issue by TRT that the Group did not participate in, to 18.48% in September 2020 due to a share issue by TRT in relation to a project acquisition and to 15.57% in October due to a capital raising share issue by TRT that the Group did not participate in.

The Group have reclassified the investment from being an associate to an investment in October 2020 as the Group no longer has significant influence over TRT. See Note 1 for an explanation of the accounting judgement in relation to this classification.

	31 Dec 2020
<b>Investment in associate reconciliation</b>	<b>\$</b>
S2R's investment as at 1 July 2020 (1)	1,735,627
Less Group's share to October 2020	\$ (159,042)
Fair value adjustment of interest retained (2)(3)	\$ 1,132,554
Transfer to financial asset	(2,709,139)
Carrying amount	-
<b>Financial asset: equity investment</b>	
Transfer from investment in associate balance	2,709,139
Change in fair value of investment	\$ 1,204,062
<b>Carrying amount</b>	<b>\$ 3,913,201</b>

(1) This includes \$8,703 of transaction costs.

(2) The share price as at 26 October 2020 which was the date of reclassification was 0.036 cents.

(3) This was taken through the profit and loss statement.

	30 June 2020
<b>Investment in associate reconciliation</b>	<b>\$</b>
S2R's investment as at 1 July 2019	\$ 1,241,255
Increase in investment (1)	\$ 1,403,063
Less Group's share	\$ (1,494,961)
Less impairment reversal (expense) (2)	\$ 586,270
<b>Carrying amount</b>	<b>\$ 1,735,627</b>

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

(1) This includes transaction costs.

(2) The Group reversed the impairment as at June 2019 in the year ended 30 June 2020 on the basis of the market price of TRT shares as at 30 June 2020.

## Amounts recognised in profit or loss

During the year, the following gains were recognised in the profit or loss and other comprehensive income.

	31 Dec 2020	31 Dec 2019
	\$	\$
Fair value adjustment for reclassification of investment	1,132,554	-
Gains/(losses) recognised in other comprehensive income	1,204,062	-

## NOTE 4. EXPLORATION AND EVALUATION

	31 December 2020 \$	30 June 2020 \$
Exploration costs	2,366,977	966,977
<b>Movement during the period</b>		
Balance at beginning of the period	966,977	1,028,199
Exploration expenditure incurred during the period (ii)	3,921,928	3,964,516
Exploration expenditure incurred during the period and expensed (i)	(2,521,928)	(3,964,516)
Exploration impairment expense	-	(68,172)
Foreign currency translation differences	-	6,950
<b>Balance at end of the period</b>	<b>2,366,977</b>	<b>966,977</b>

(i) During the half year ended 31 December 2020 the exploration expenditure incurred pertains to the following:

### Australian Projects

Exploration expenditure incurred and expensed for Australian Projects was \$1,166,482.

### Finland Projects

Exploration expenditure incurred and expensed for Finland was \$1,350,641.

### Nevada Project

Exploration expenditure incurred and expensed for E cru was \$4,805.



## Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

- (ii) This balance includes the value of 5 million shares at the share price on the day of issue of 0.28 cents.

In October 2020, S2 entered into a binding agreement with private company Black Raven Mining Pty Ltd (“BRM”) to earn a majority interest in a group of tenements known as the Jillewarra project (see S2 ASX announcement dated 5<sup>th</sup> October 2020). The farm-in comprises an up-front non-cash consideration, an earn-in phase, and a potential free carry, as summarised below:

- Issue of 5 million S2 shares to BRM at A\$0.28, representing a consideration of A\$1.4m (issued 5<sup>th</sup> October 2020)
- Minimum expenditure of A\$2m within 2 years
- Cumulative expenditure of A\$5m within 5 years to earn a 51% interest
- Completion of a study on Inferred Mineral Resources of at least 250,000 ounces of gold (or base metal equivalent) within 7 years to earn a 70% interest
- On completion of this study by S2, BRM can elect to contribute, dilute, or revert to a free carried interest (“FCI”) to commencement of commercial production
- In the event of BRM opting for a FCI, BRM’s interest reduces to 25% and S2’s interest increases to 75%, and BRM repays its free carry from 100% of its share of revenue
- In the event of S2 not completing a study within 7 years, S2’s interest decreases to 49%.

### NOTE 5. SHARE CAPITAL

	31 December 2020 No of Shares	31 December 2020 \$
Ordinary shares fully paid	314,891,179	59,784,670
<b>Ordinary shares fully paid</b>		
Balance at beginning of period	247,915,179	52,552,523
Placement shares issued at 12.5 cents per share net of costs	61,976,000	7,232,147
Shares issued as consideration for Jillewarra Joint Venture	5,000,000	1,400,000
<b>Balance at period end</b>	<b>314,891,179</b>	<b>61,184,670</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## NOTE 6. RESERVES

	31 December 2020 \$	30 June 2020 \$
Share-based payments reserve (i)	2,440,845	4,016,601
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	363,180	184,683
Fair Value Other Comprehensive Income Reserve (iv)	1,204,062	-
	<b>4,152,604</b>	<b>4,345,801</b>

- (i) The share-based payments reserve recognises the fair value of the options issued to Directors, employees and service providers.  
Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.
- (ii) The other reserve recognises the remaining non-controlling interest (33%) that was purchased from the Sakumpu vendors on 30 November 2015. Sakumpu Exploration Oy is a registered entity in Finland.
- (iii) Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.
- (iv) The Fair Value Other Comprehensive Income Reserve recognises the valuation of the investments to market. This is in relation to the shares held in Todd River Resources Ltd.

## NOTE 7. SHARE BASED PAYMENTS

The following share-based payments arrangements were in existence during the current and prior reporting period

### Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(14) Issued 27 August 2020	200,000	27/08/20	26/08/2024	0.30	0.10
(15) Issued 5 October 2020	2,000,000	05/10/2020	4/10/2024	0.39	0.14
(16) Issued 17 November 2020	7,350,000	17/11/2020	16/11/2024	0.38	0.14

- (14) The 200,000 options in series 14 were issued to service provider under the Service Provider Share Option Plan which vest one year from grant date.
- (15) The 2,000,000 options in series 15 were issued to employee under the Employee Share Option Plan which vest one year from grant date.
- (16) The 7,350,000 options in series 16 comprised 4,500,000 were issued to Directors under the Directors Share Option Plan which vest immediately, 2,450,000 were issued to employees under the Employee Share Option Plan which vest one year from grant date and 400,000 options were issued to service providers which vest one year from grant date. For the service provider options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued.

The weighted average fair value of the share options granted during the period is \$0.14.

The weighted average contractual life for options outstanding at the end of the period was 2.12 years.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## NOTE 7. SHARE BASED PAYMENTS (CONTINUED)

The total expense of the share based payments for the period was:

	31 December 2020 \$
Options issued under Directors Option Plan	646,380
Options issued under Employee Share Plan	74,445
Options issued under Service Provider Plan	13,724
	<u>734,549</u>

Options granted during the half year ended 31 December 2020, were priced using a Black-Scholes option pricing model using the inputs below:

	Series 14	Series 15	Series 16
Grant date share price	0.20	0.28	0.28
Exercise price	0.30	0.39	0.38
Expected volatility	80%	80%	80%
Option life	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%
Interest rate	0.43%	0.29%	0.29%

The following reconciles the outstanding share options granted in the half year ended 31 December 2020:

	31 December 2020 Number of Options	31 December 2020 Weighted average exercise price \$	31 December 2019 Number of Options	31 December 2019 Weighted average exercise price \$
Balance at the beginning of the period	41,600,000	0.34	53,200,000	0.34
Granted during the period	9,550,000	0.38	18,400,000	0.30
Exercised during the period	-	-	-	-
Expired/cancelled during the period (i)	(10,850,000)	0.56	(29,800,000)	0.31
<b>Balance at the end of the period</b>	<b>40,300,000</b>	<b>0.29</b>	<b>41,800,000</b>	<b>0.34</b>
Un-exercisable at the end of the period	5,050,000	0.38	2,950,000	0.30
<b>Exercisable at end of the period</b>	<b>35,250,000</b>	<b>0.28</b>	<b>38,850,000</b>	<b>0.34</b>

(i) *Options expired or cancelled during the period*

For the half year ended 31 December 2020, 650,000 service provider options had expired, 2,700,000 employee share options had expired or were cancelled due to staff resignation and 7,500,000 Director options had expired.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## NOTE 8. RELATED PARTIES

During the half year ended 31 December 2020, options were issued to the following Directors and Key Management Personnel:

	Grant Date	Number of Options	Total value of share based payment \$	Share based payment expensed in current period \$
<b>Management</b>				
Mark Bennett	17 Nov 2020	2,000,000	287,280	287,280
Anna Neuling	17 Nov 2020	1,500,000	215,460	215,460
Jeff Dowling	17 Nov 2020	1,000,000	143,640	143,640
Matthew Keane	05 Oct 2020	2,000,000	284,100	-
		<b>6,500,000</b>	<b>930,480</b>	<b>646,380</b>

On 2 October 2020, an Executive Services Agreement was entered into between the Company and Chief Executive Officer (CEO) Matthew Keane.

Under the terms of the Agreement as CEO:

- Mr Keane was appointed as CEO.
- Mr Keane will be paid a remuneration package of \$280,000 per annum plus statutory superannuation on a full-time basis.
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Mr Keane twelve months' notice or payment in lieu of notice.
- Under the general termination of employment provision, Mr Keane may terminate the Agreement by giving the Company three months' notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

Mr Keane has been offered and accepted an offer of 2 million unlisted options under the S2 Employee Share Option Plan (ESOP) and the options have the following terms:

- the exercise price of each of the options is \$0.39 and the expiry date is four years after issue;
- the Options are subject to a Vesting Period of 1 year which requires Mr Keane to be employed by the Company at the end of one year from issue; and
- all other terms are as noted in the ESOP which was approved at the S2 2018 AGM and is included in the Notice of Meeting for the S2 2018 AGM.

Other than the Key Management Personnel stated above, there were no new related party transactions for the half year ended 31 December 2020.

## NOTE 9. EVENTS OCCURRING AFTER THE REPORTING DATE

There has been no matter or circumstance that has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the result of those operations in future financial years; or
- the Group's state of affairs in future financial years.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## NOTE 10. LOSS PER SHARE

### (a) Reconciliation of loss used in calculating Loss Per Share

#### *Basic loss per share*

Loss attributable to the ordinary equity holders used in calculating basic loss per share

31 December 2020 \$	31 December 2019 \$
(3,312,246)	(5,461,228)

### (b) Weighted average number of shares used as the Denominator

Ordinary shares used as the denominator in calculating basic loss per share

31 December 2020 Number	31 December 2019 Number
303,462,895	247,915,179

### (c) Loss per share

Basic loss per share

31 December 2020 Cents	31 December 2019 Cents
(1.09)	(2.2)

Where loss per share is non-dilutive, it is not disclosed.

## NOTE 11. COMMITMENTS AND CONTINGENCIES

### Commitments

There were no material changes to the Group's commitments since 30 June 2020 other than as noted below:

In October 2020, the Group entered into a binding agreement with private company Black Raven Mining Pty Ltd ("BRM") to earn a majority interest in a group of tenements known as the Jillewarra project (see S2 ASX announcement dated 5<sup>th</sup> October 2020). The farm-in includes the commitment of a minimum exploration expenditure of A\$2m within 2 years on the Jillewarra project. If the Group withdraw from the project prior to the A\$2m having been incurred, then the Group must pay the balance in cash to BRM.

### Contingencies

For the half year ended 31 December 2020, there were no contingencies to disclose for the Group.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## NOTE 12. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	2020	2019
Third Eye Pty Ltd (i)	Australia	Ordinary	100%	-
Southern Star Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sirius Europa Pty Ltd	Australia	Ordinary	100%	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%	100%
S2 Sverige AB	Sweden	Ordinary	100%	100%
S2RUS LLC	USA	Ordinary	100%	100%
Nevada Star Exploration LLC	USA	Ordinary	100%	100%
S2 Exploration Quebec Inc.	Canada	Ordinary	100%	100%

(i) Third Eye Pty Ltd was incorporated during the period.

## NOTE 13. FAIR VALUE MEASUREMENT

This note provides an update on the judgements and estimates in determining the fair values of the financial instruments since the last annual financial report.

### Fair Value Hierarchy

To provide the indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 on a recurring basis (30 June 2019: none):

	Level 1	Level 2	Level 3	Total \$
As at 31 December 2020	\$	\$	\$	
Financial assets as FVOCI – Equity Securities	3,913,201	-	-	3,913,201

There were no transfers between levels during the year. The Group's policy is to recognise transfers into and out of the fair value hierarchy levels at balance date.

The fair value of the financial assets and liabilities held by the Group must be estimated for recognition, measurement and /or disclosure purposes. The Group measures fair value by level, per the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or the liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2020

## Valuation techniques used to determine fair values

The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. The fair value of assets and liabilities are included at an amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying value of amounts of cash and short term trade and other receivables, trade payables and other current liabilities approximate their fair value largely due to the short term maturities of these payments.

## Financial assets at fair value through other comprehensive income - equity securities

The fair value of the equity holdings held in ASX companies are based on the quoted market prices from the ASX on the last trading day prior to the period end.

## Directors' Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes set out on pages 7 to 23 are in accordance with the Corporations Act 2001 and other professional reporting requirements including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the period then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mark Bennett  
Executive Chairman  
Melbourne  
11 March 2021

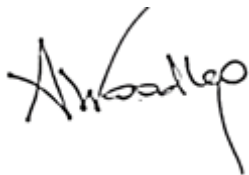


**DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF S2 RESOURCES LIMITED**

As lead auditor for the review of S2 Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of S2 Resources Limited and the entities it controlled during the period.



**Ashleigh Woodley**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth, 11 March 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of S2 Resources Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of S2 Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

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

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

#### Responsibility of the directors for the financial report

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



### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley'. The signature is written in a cursive style and is positioned below the printed name.

**Ashleigh Woodley**

**Director**

Perth, 11 March 2021