



S2 RESOURCES LTD
ABN 18 606 128 090
Financial Report
for the
Year Ended 30 June 2020

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Corporate Directory

Directors

Jeff Dowling
Mark Bennett
Anna Neuling

Non-Executive Director
Executive Chairman
Executive Director

Company Secretary

Anna Neuling

Principal and Registered Office

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Osborne Park, Western Australia 6017
Telephone: +61 8 6166 0240
Facsimile: +61 8 6270 5410
Website: www.s2resources.com.au

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008
Telephone: (08) 6382 4600

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth, Western Australia 6000
Telephone: 1300 787 575

Stock Exchange Listing

S2 Resources Ltd shares are listed on the Australian Securities Exchange.

ASX Code

S2R

Directors Report

The Directors of S2 Resources Ltd ("Directors") present their report on the consolidated entity consisting of S2 Resources Ltd ("the Company" or "S2") and the entities it controlled at the end of, or during, the year ended 30 June 2020 ("Group").

Directors

The names and details of the Directors in office during the financial year and until the date of this Report are as follows. Directors were in office for the entire year unless otherwise stated.

Jeff Dowling
Mark Bennett
Anna Neuling
Grey Egerton-Warburton (resigned 3rd April 2020)

Principal Activities

The principal continuing activity of the Group is mineral exploration.

Dividends

No dividends were paid or proposed to be paid to members during the financial year.

Review of Operations

Operating Result

The loss from continuing operations for the year ended 30 June 2020 after providing for income tax amounted to \$7,475,048.

The loss results from \$3,964,516 of exploration expenditure incurred and expensed, \$68,172 of exploration impairment expense, \$806,194 of share-based payments expenses, \$797,411 of administration costs, \$913,392 of business development costs including travel, \$140,999 of depreciation costs, \$136,540 of net income and other net gains, share of our associate's consolidated statement of loss being \$1,494,960 and reversal of impairment of our associate's investment of \$586,270. The exploration expenditure incurred and expensed mainly relates to the Company's projects in Finland and Australia.

During the year ended 30 June 2020, the Group withdrew from its Nevada project and have focused its exploration activities in Finland and Australia.

Directors Report (cont)

Significant Changes in the State of Affairs

During the financial year ended 30 June 2020 the Group increased its investment in Todd River Resources Ltd (ASX:TRT), from 19.99% to 22.99% in September 2019 (11,959,700 shares at \$0.031 per share) and again to 30.62% in October 2019 (33,019,667 shares at \$0.031 per share). The investment reduced to 30.52% in December 2019 due to a share issue in relation to the acquisition of an exploration project by Todd River Resources Ltd.

During the financial year ended 30 June 2020, 1,000,000 remaining Westgold Resources Ltd shares were disposed of and the Company received net proceeds of \$1,841,779, the Company realised a gain of \$321,769. For more information in relation to the movement of the gain, please refer to note 8 of the financial 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 spreads 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 results of operations during FY2021.

Management has actively managed the global situation and its impact on the Group's financial condition, operations, and workforce. Due to the termination of flights, closures of borders and various measures being imposed by governments in relation to the pandemic, the Group decided on 18 March 2020 that it is prudent to suspend its overseas exploration activities and repatriate its Australian, Irish, French and Belgian personnel. This resulted in a temporary cessation of exploration activities in Finland which restarted in July 2020 and an increased focus on Australian exploration which will continue.

The Perth office was also closed from mid-March 2020 to June 2020 during which time, directors, employees and consultants worked from home or exploration projects and a 40% salary reduction was in place for directors and employees from April 2020 to June 2020.

The Group was eligible for Jobkeeper and lodged claims in relation to their eligible employees which resulted in a benefit of \$72,000 in the year to 30 June 2020. The Group also received a benefit of \$100,000 of cash boost of which \$50,000 was received in the year. The remaining \$50,000 will be received between July and September 2020 upon lodgement of the Group's BAS returns.

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.

After Balance Date Events

On 28 July 2020, the Group completed its placement by issuing 61,976,000 shares to institutional and sophisticated investors at an issue price of \$0.125 resulting in the Group having additional working capital of \$7,747,000. The placement was undertaken within the Group's 25% capacity under ASX Listing Rule 7.1 and 7.1A and accordingly no shareholder approval was required in connection with the equity raising.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors Report (cont)

Likely Developments and Expected Results of Operations

The Group will continue its exploration activities in Australia and Finland for the foreseeable future. The Group will also seek other exploration opportunities that will add value to the Group's portfolio of assets.

Environmental Regulation

The Group's operations are subject to environmental regulation under the laws of Finland, the Australian Commonwealth and the State of Western Australia. The Board of Directors ("Board") is of the view that all relevant environmental regulation requirements have been met.

Information on Directors

Mark Bennett – Executive Chairman

Experience and Expertise

Dr Bennett was the managing director and CEO of Sirius Resources NL ("Sirius") from its inception until its merger with Independence Group NL, and was non-executive director of Independence Group following the merger until June 2016.

He is a geologist with 30 plus years of experience in gold, nickel and base metal exploration and mining. He holds a BSc in Mining Geology from the University of Leicester and a PhD from the University of Leeds and is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Geological Society of London, a Fellow of the Australian Institute of Geoscientists and a Member of the Australian Institute of Company Directors.

He has worked in Australia, West Africa, Canada, USA and Europe, initially for LionOre Mining International Limited and WMC Resources Limited at various locations including Kalgoorlie, Kambalda, St.Ives, LionOre's nickel and gold mines throughout Western Australia, the East Kimberley, and Stawell in Victoria. His more recent experience, as Managing Director of Sirius, S2 Resources and as a director of private Canadian company True North Nickel, has been predominantly in Western Australia (the Fraser Range including Nova-Bollinger, and the Polar Bear project in the Eastern Goldfields), Quebec (the Raglan West nickel project), British Columbia, Sweden, Finland, and Nevada.

Positions held include various technical, operational, executive and board positions including Executive Chairman, Managing Director, Chief Executive Officer, Executive Director, Non-Executive Director, Exploration Manager and Chief Geologist.

Dr Bennett is a two times winner of the Association of Mining and Exploration Companies "Prospector Award" for his discoveries which include the Thunderbox gold mine, the Waterloo nickel mine and most recently the world class Nova-Bollinger nickel-copper mine.

In addition to his technical expertise, Dr Bennett is very experienced in corporate affairs, equity capital markets, investor relations and community engagement and led Sirius from prior to the discovery of Nova through feasibility, financing, permitting and construction, and through the schemes of arrangement to merge with Independence and to demerge S2.

Other Directorships

Non-Executive Director of Todd River Resources Ltd since 30 November 2018.

Former Directorships in the Last Three Years

Dr Bennett has had no directorships of any other public listed company in the last three years.

Directors Report (cont)

Number of interests in shares and options held in S2 Resources Ltd

Options	13,000,000
Shares	5,035,868

Jeff Dowling – Non- Executive Director

Experience and Expertise

Mr Dowling was Sirius' Non-Executive Chairman until 21 September 2015 and is a highly experienced corporate leader with 36 years' experience in professional services with Ernst & Young. Mr Dowling held numerous leadership roles within Ernst & Young which focused on the mining, oil and gas and other industries.

His professional expertise centres around audit, risk and financial management derived from acting as lead partner on large public company audits, capital raisings and corporate transactions. Mr Dowling's career with Ernst & Young culminated in his appointment as Managing Partner of the Ernst & Young Western Region for a period of 5 years.

Mr Dowling has a Bachelor of Commerce from the University of Western Australia and is a fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Mr Dowling is the Chairman of the Group's Audit & Risk Committee and Chairman of the Remuneration & Nomination Committee which was formed on 19 July 2016.

Other Directorships

Non-Executive Director of NRW Holdings Ltd since 22 August 2013.

Non-Executive Director of Fleetwood Corporation Ltd since 1 July 2017.

Non-Executive Director of Battery Minerals since 21 June 2019.

Former Directorships in the Last Three Years

Non-Executive Chairman of Battery Minerals from 25 January 2018 to 20 June 2019.

Number of interests in shares and options held in S2 Resources Ltd

Options	5,250,000
Shares	700,000

Anna Neuling – Executive Director

Experience and Expertise

Ms Neuling was the Company Secretary and Chief Financial Officer of Sirius Resources NL from the company's inception in 2009 until 22 September 2013 where she was appointed as Executive Director – Corporate and Commercial until its merger with Independence Group that occurred on 21 September 2015.

Ms Neuling worked at Deloitte in London and Perth prior to joining LionOre Mining International Limited in 2005, until its takeover by Norilsk Nickel. She holds a degree in mathematics from the University of Newcastle (UK).

She is a Fellow of the Institute of Chartered Accountants in England and Wales and has held a number of senior executive positions in the resources industry, including CFO and Company Secretarial roles at several listed companies.

Ms Neuling is a member of the Group's Audit & Risk Committee and Remuneration & Nomination Committee which was formed on 19 July 2016.

Directors Report (cont)

Other Directorships

Ms Neuling has no directorships of other public listed companies.

Former Directorships in the Last Three Years

Ms Neuling has had no directorships of any other public listed company in the last three years.

Number of interests in shares and options held in S2 Resources Ltd

Options	7,250,000
Shares	675,000

Grey Egerton-Warburton – Non-Executive Director until 3rd of April 2020

Experience and Expertise

Mr Egerton-Warburton is an experienced corporate financier, with a strong background in natural resources, having spent 16 years with Hartleys Limited, for many years as head of corporate finance. He has extensive experience in equity capital markets, acquisitions, divestments and domestic and international change of control transactions, having led a substantial number of capital raisings, takeovers and mergers for many ASX listed companies, across many sectors. Prior to a career in corporate finance, Mr Egerton-Warburton practiced at a tier one national law firm.

Mr Egerton-Warburton currently serves as Deputy Chair of the Womens and Infants Research Foundation (WIRF), the charitable arm of King Edward Memorial Hospital in Perth, Western Australia.

While at Hartleys, Mr Egerton-Warburton worked closely with Sirius Resources NL as its corporate advisor from mid-2012 until the completion of the merger between Sirius and Independence Group NL.

Mr Egerton-Warburton was the Chairman of the Group's Audit & Risk Committee and a member of the Remuneration & Nomination Committee which was formed on 19 July 2016.

Other Directorships

Mr Egerton-Warburton has no directorships of other public listed companies.

Former Directorships in the Last Three Years

Mr Egerton-Warburton has had no directorships of any other public listed company in the last three years.

Number of interests in shares and options held in S2 Resources Ltd as at 3rd April 2020

Options	5,250,000
Shares	1,030,400

Directors Report (cont)

Meetings of Directors

The number of meetings of the Board and of each Board Committee held during the year ended 30 June 2020 and the number of meetings attended by each Director were:

Name	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Meeting Held	Meetings attended	Meeting Held	Meetings attended	Meeting Held	Meetings attended
Mark Bennett (i)	12	12	-	-	-	-
Anna Neuling	12	12	2	2	2	2
Jeff Dowling	12	12	2	2	2	2
Grey Egerton-Warburton (ii)	11	11	2	2	2	2

(i) Mark Bennett is not a member of the Audit & Risk Committee or the Remuneration & Nomination Committee
(ii) Grey Egerton-Warburton resigned on 3 April 2020 and was not eligible to attend meetings after that date.

Indemnifying of Officers or Auditor

During the year the Group paid a premium in respect of insuring Directors and Officers of the Group against liabilities incurred as a Director or Officer. The insurer shall pay on behalf of the Group or each Director or Officer all losses for which the Director or Officer is not indemnified by the Group arising from a claim against a Director or Officer individually or collectively.

The Group had not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Group against a liability incurred as an auditor.

Options & Rights

Unissued ordinary shares of the Company under options or rights at the date of this Report are as follows:

Options

Number	Grant Date	Expiry Date	Exercise Price \$
1,000,000	07/10/2016	06/10/2020	0.35
9,050,000	07/10/2016	06/10/2020	0.61
7,750,000	17/10/2017	16/10/2021	0.23
2,650,000	20/10/2017	19/10/2021	0.23
2,700,000	28/11/2018	27/11/2022	0.14
50,000	05/03/2019	04/03/2023	0.11
18,000,000	12/11/2019	11/11/2023	0.30
400,000	03/12/2019	02/12/2023	0.30
200,000	27/08/2020	26/08/2024	0.30

There were no shares issued since the end of the financial year on the exercise of options. No person entitled to exercise an option had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

Directors Report (cont)

Remuneration Report (audited)

This Remuneration Report, which has been audited, outlines the Key Management Personnel (as defined in AASB 124 Related Party Disclosures) (“KMP”) remuneration arrangements for the Group, in accordance with the requirements of the section 308 (3c) of the Corporations Act 2001 and its Regulations.

The KMP covered in this remuneration report are:

- Mark Bennett – Executive Chairman
- Anna Neuling – Executive Director and Company Secretary
- Jeff Dowling – Non-Executive Director
- Grey Egerton-Warburton – Non-Executive Director – resigned 3 April 2020
- Su-Mei Sain – Chief Financial Officer – resigned 24 December 2019

The principles adopted have been approved by the Board and have been set out in this Remuneration Report. This audited Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under Accounting Standard AASB 124, Related Party Disclosures.

1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group’s executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework which has been set out in detail under the remuneration structure in this Remuneration Report aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) aligns shareholders and executive interests;
- (iii) performance based and aligned to the successful achievement of strategic and tactical business objectives;
and
- (iv) transparency.

Executive Directors

Remuneration to Executive Directors reflects the demands which are made on, and the responsibilities of, the Executive Directors. Executive Directors’ remuneration is reviewed annually to ensure it is appropriate and in line with the market. There are no retirement allowances or other benefits paid to Executive Directors other than superannuation guarantee amounts as required.

The executive remuneration and reward framework has three components:

- (i) base pay;
- (ii) share-based payments; and
- (iii) other remuneration such as superannuation and long service leave.

Directors Report (cont)

Remuneration Report (audited) (cont)

1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (CONTINUED)

The combination of these comprises the Executive Director's total remuneration.

Fixed remuneration, consisting of base salary and superannuation will be reviewed annually by the Remuneration & Nomination Committee, based on individual contribution to corporate performance and the overall relative position of the Group to its market peers.

Non - Executive Directors

Remuneration to Non-Executive Directors reflects the demands which are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' remuneration is reviewed annually. The maximum aggregate for remuneration of Non-Executive Directors is \$300,000 and was approved by shareholders prior to the demerger of the Company from Independence Group NL (formerly Sirius Resources NL) on 21 September 2015.

From 1 July 2019 to 3 April 2020, exclusive of superannuation guarantee the annual cash remuneration for the Non-Executive Director was \$34,062 per annum with the Chairman receiving \$67,500 per annum.

From 3 April 2020 (when Grey Egerton-Warburton resigned and Jeff Dowling changed in role from Non-Executive Chairman to Non-Executive Director) to 30 June 2020, exclusive of superannuation guarantee the annual cash remuneration for the Non-Executive Director was \$67,500 per annum. However, from 1 April 2020 to 30 June 2020, all Directors accepted a 40% pay reduction and therefore the actual annual cash remuneration during the last quarter for the Non-Executive Director was \$40,500 per annum.

Company Performance

As an exploration company the Board does not consider the operating loss after tax as one of the performance indicators when implementing an incentive based remuneration policy. The Board considers that identification and securing of new business growth opportunities, the success of exploration and, if appropriate, feasibility activities, safety and environmental performance, the securing of funding arrangements and responsible management of cash resources and the Company's other assets are more appropriate performance indicators to assess the performance of management at this stage of the company's development.

Short-term incentives

To align the remuneration of employees with the company aim of responsible management of cash resources, there were no short-term incentives paid or proposed to be paid for the year ended 30 June 2020. The company's approach in regards to the use of short term cash incentives will be assessed by the Remuneration & Nomination Committee on an ongoing basis as the company evolves.

Long-term incentives

To align the board and management with shareholder's interests and with market practices of peer companies and to provide a competitive total remuneration package, the Board introduced a long-term incentive ("LTI") plan to motivate and reward Executives and Non-Executive Directors. The LTI is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan and the Directors Option Plan as approved in September 2015.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance due to the nature of the Company's operations being a non-producing resources exploration company.

Directors Report (cont)

Remuneration Report (audited) (cont)

The table below shows the losses and earnings per share of the Company for the last five financial years.

	2020	2019	2018	2017	2016
Net loss	(7,475,048)	(8,288,971)	(1,673,903)	(10,020,602)	(10,823,222)
Share price at year end (cents)	9.3	12	16	16	28.5
Loss per share (cents)	(3.02)	(3.34)	(0.68)	(4.12)	(7.12)

2.DETAILS OF REMUNERATION

Year Ended 30 June 2020

The amount of remuneration paid and entitlements owed to KMP is set out below.

CASH REMUNERATION AND ENTITLEMENTS

2020	Cash remuneration			Total cash payments and entitlements
	Salary	Post-employment benefits (superannuation)	Annual leave entitlement owing	
	\$	\$	\$	\$
Directors				
M Bennett	292,500	20,383	19,369	332,252
A Neuling	106,383	10,106	4,021	120,511
J Dowling	67,500	6,412	-	73,912
G Egerton-Warburton(1)	34,062	3,206	-	37,268
Other Key Management Personnel				
S Sain (2)	37,764	3,326	-	41,090
	538,209	43,433	23,390	605,033

1) Mr Egerton- Warburton's salary is for the period 1 July 2019 to 3 April 2020 when Mr Egerton- Warburton resigned as Non-Executive Director.

2) Ms Sain's salary is for the period 1 July 2019 to 24 December 2019 when Ms Sain resigned as Chief Financial Officer.

All directors and employees had a 40% salary reduction from 1 April 2020 to 30 June 2020.

Directors Report (cont)

Remuneration Report (audited) (cont)

2.DETAILS OF REMUNERATION (CONTINUED)

Year Ended 30 June 2019

CASH REMUNERATION AND ENTITLEMENTS

2019	Cash remuneration			
	Salary	Post-employment benefits (superannuation)	Annual leave entitlement owing	Total cash payments and entitlements
	\$	\$	\$	\$
Directors				
M Bennett	325,000	20,531	23,120	368,651
A Neuling	73,003	6,935	4,856	84,794
J Dowling	75,000	7,125	-	82,125
G Egerton-Warburton	45,000	4,275	-	49,275
Other Key Management Personnel				
S Sain	60,791	5,775	2,365	68,931
	578,794	44,641	30,341	653,776

2020 TOTAL REMUNERATION

	Total cash payments and entitlements	Options issued	Total	LTI % of remuneration
	\$	\$	\$	
Directors				
M Bennett	332,252	259,348	591,600	44%
A Neuling	120,511	194,511	315,022	62%
J Dowling	73,912	129,674	203,586	64%
G Egerton-Warburton	37,268	86,449	123,717	70%
Other Key Management Personnel				
S Sain	41,090	-	41,090	-
	605,033	669,982	1,275,015	

Directors Report (cont)

Remuneration Report (audited) (cont)

2.DETAILS OF REMUNERATION (CONTINUED)

2019 TOTAL REMUNERATION

	Total cash payments and entitlements	Options issued	Total	LTI % of remuneration
	\$	\$	\$	
Directors				
M Bennett	368,651	-	368,651	-
A Neuling	84,794	-	84,794	-
J Dowling	82,125	-	82,125	-
G Egerton-Warburton	49,275	-	49,275	-
Other Key Management Personnel				
S Sain	68,931	13,519	82,450	17%
	653,776	13,519	667,295	

There were no non-monetary benefits other than options paid to the Directors or KMP for the year ended 30 June 2020.

Other than those disclosed above, there were no transactions with related parties to the KMP for the year ended 30 June 2020.

3. SERVICE AGREEMENTS

For the year ended 30 June 2020, the following service agreements were in place with the Directors and KMP of S2:

For all Directors and KMP's of S2, a 40% salary reduction was in place from 1 April 2020 to 30 June 2020 as part of managing the Group's working capital with regards to the COVID-19 pandemic.

On 4 September 2015, an Executive Services Agreement was entered into between the Company and Managing Director and Chief Executive Officer Mark Bennett. Under the terms of the Agreement:

- Dr Bennett was paid a remuneration package of \$325,000 per annum base salary plus statutory superannuation.
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Dr Bennett twelve months' notice or payment in lieu of notice.
- Under the general termination of employment provision, Dr Bennett 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.

On 3 April 2020, a Change of Role letter was entered into between the Company and Mark Bennett which changed his role from Managing Director and Chief Executive Officer to Executive Chairman. All other terms remained in line with his Executive Services Agreement.

Directors Report (cont)

Remuneration Report (audited) (cont)

3. SERVICE AGREEMENTS (CONTINUED)

On 10 September 2015, a letter of appointment was entered into between the Company and Non-Executive Chairman Jeff Dowling. Under the terms of the Agreement:

- Mr Dowling was paid a remuneration package of \$75,000 per annum base salary plus statutory superannuation.
- Under the general termination of employment provision, either party may terminate the Agreement by the giving of written notice.

On 3 April 2020, a Change of Role Letter was entered into between the Company and Jeff Dowling which changed his role from Non-Executive Chairman to Non-Executive Director. All other terms remained in line with his letter of appointment.

On 4 September 2015, an Executive Services Agreement was entered into between the Company and Executive Director Anna Neuling. Under the terms of the Agreement as Executive Director:

- Ms Neuling was appointed as Executive Director, including the role of Company Secretary.
- Ms Neuling was paid a remuneration package of \$120,000 per annum comprising a base salary plus statutory superannuation for work on a part time basis (based on \$300,000 full time equivalent).
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Ms Neuling twelve months' notice or payment in lieu of notice.
- Under the general termination of employment provision, Ms Neuling 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.

On 29 April 2016, a letter of appointment was entered into between the Company and Non-Executive Director Grey Egerton-Warburton. Under the terms of the Agreement:

- Mr Egerton-Warburton was paid a remuneration package of \$45,000 per annum base salary plus statutory superannuation.
- Under the general termination of employment provision, either party may terminate the Agreement by the giving of written notice.

Mr Egerton-Warburton resigned in line with the terms of the Agreement on 3 April 2020.

On 8 September 2015, the Company entered into an employment contract with Su-Mei Sain. Under the terms of the Agreement:

- Ms Sain was appointed in the capacity of Chief Financial Officer and paid a remuneration package of \$120,000 per annum base salary plus statutory superannuation for work on a part time basis (based on \$150,000 full time equivalent).
- The Company or Ms Sain may terminate the contract at any time by giving the other party 12 weeks notice or payment in lieu of notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, Ms Sain is not entitled to any payment.

Ms Sain resigned in line with the terms of the Agreement on 24 December 2019.

Directors Report (cont)

Remuneration Report (audited) (cont)

4. SHARE-BASED COMPENSATION

Option holdings

The numbers of options in the Company held during the year ended by each KMP of S2, including their related parties, are set out below:

2020	Balance at the start of the year	Granted during the year	Expired during the year	Other changes	Balance at the year ended*
Director					
M Bennett	19,500,000	6,000,000	12,500,000	-	13,000,000
A Neuling	11,500,000	4,500,000	8,750,000	-	7,250,000
J Dowling	4,750,000	3,000,000	2,500,000	-	5,250,000
G Egerton-Warburton	3,250,000	2,000,000	-	-	5,250,000
	39,000,000	15,500,000	23,750,000	-	30,750,000
Other Key Management Personnel					
S Sain	1,700,000	-	800,000	-	900,000
	1,700,000	-	800,000	-	900,000

*Or at their resignation date.

As at 30 June 2020, the number of options that have vested and exercisable were 31,650,000. All director options are vested and exercisable.

The option terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in the year ended or future reporting years are as follows:

Options issued	Grant Date	Expiry date	Exercise price \$	Fair value per option \$	Vested %
Directors Option Plan	7 Oct 2016	6 Oct 2020	0.35	0.16	100%
	7 Oct 2016	6 Oct 2020	0.61	0.23	100%
	17 Oct 2017	16 Oct 2021	0.23	0.08	100%
	12 Nov 2019	11 Nov 2023	0.30	0.04	100%
Options issued	Grant Date	Expiry date	Exercise price \$	Fair value per option \$	Vested %
Employee Share Option Plan	7 Oct 2016	6 Oct 2020	0.61	0.23	100%
	17 Oct 2017	16 Oct 2021	0.23	0.08	100%
	28 Nov 2018	27 Nov 2022	0.14	0.05	100%
	5 Mar 2019	4 Mar 2023	0.11	0.04	100%
	12 Nov 2019	11 Nov 2023	0.30	0.04	*
	3 Dec 2019	2 Dec 2023	0.30	0.04	*

*Options vest a year after grant date.

Directors Report (cont)

Remuneration Report (audited) (cont)

4.SHARE-BASED COMPENSATION (CONTINUED)

Options issued in the year were priced using a Black-Scholes option pricing model using the inputs below:

Grant date share price	0.115
Exercise price	0.30
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.86%

Shareholdings

The numbers of shares in the Company held during the year ended by each KMP of S2, including their related parties, are set out below:

2020	Balance at the start of the year	Other changes during the year	Balance for the year ended
Directors			
M Bennett	5,035,868	-	5,035,868
A Neuling	675,000	-	675,000
J Dowling	700,000	-	700,000
G Egerton-Warburton	1,030,400	-	1,030,400*
Other Key Management Personnel			
S Sain	50,000	-	50,000*
	7,491,268	-	7,491,268

*Or at their resignation date.

There were no shares granted to KMP's during the reporting year as remuneration.

Use of remuneration consultants

Hewitt Associates Pty Ltd remuneration consultants were engaged by the Group for remuneration benchmarking during the year ended 30 June 2020 and were paid \$8,140 including GST for their services.

Voting and comments made at the Company's Annual General Meeting

At the 2019 Annual General Meeting, the resolution to adopt the Remuneration Report for the year ended 30 June 2019 was passed on a poll with 90% of votes cast on the poll voting "For" the resolution to adopt the Remuneration Report. The Company did not receive any specific feedback at the Annual General Meeting regarding its remuneration practices.

Directors Report (cont)

Remuneration Report (audited) (cont)

Share trading policy

The trading of shares issued to participants under any of the Group's employee equity plans is subject to, and conditional upon, compliance with the Group's employee share trading policy as per the Group's Corporate Governance Policy. Directors and executives are prohibited from entering into any hedging arrangements over unvested options under the Group's employee option plan. The Group would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

This concludes the Remuneration Report, which has been audited.

Directors Report (cont)

Proceedings on behalf of the Group

No person had applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. No proceedings had been brought or intervened in on behalf of the Group with leave of the court under section 237 of the Corporations Act 2001.

Audit Services

During the year ended 30 June 2020, \$36,845 was paid or is payable for audit services provided by the auditors. There were no non-audit services performed during the financial year.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 61 of the financial report.

Corporate Governance

The Directors support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability.

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

A handwritten signature in black ink that reads 'Mark Bennett'.

Mark Bennett

Executive Chairman

Perth

10 September 2020

Annual Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Notes	30 June 2020 \$	30 June 2019 \$
Other income	4	74,570	157,154
Corporate salaries and wages		(294,411)	(503,769)
Consulting and legal fees		(231,941)	(257,504)
Share and company registry		(127,670)	(102,971)
Rent, insurance and variable outgoings		(143,389)	(229,737)
Business development		(689,267)	(428,646)
Travel expenditure		(224,125)	(175,782)
Depreciation expense		(140,999)	(101,376)
Share-based payments	14	(806,194)	(118,994)
Other net gains		61,970	199,015
Finance cost of Right of Use Asset		(12,214)	-
Exploration expenditure expensed as incurred		(3,964,516)	(5,093,484)
Exploration impairment expense		(68,172)	(60,446)
Share of associate's loss	9	(1,494,960)	(915,715)
Associate impairment reversal (expense)	9	586,270	(586,270)
Loss before income tax		(7,475,048)	(8,218,526)
Income tax benefit/(expense)	5	-	(70,445)
Loss after income tax for the year		(7,475,048)	(8,288,971)
Other comprehensive income			
<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	8	(33,229)	(597,921)
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations		50,285	3,175
Total comprehensive income/(loss) for the year attributable to the members of S2 Resources Ltd		(7,457,992)	(8,883,717)
Loss per share for loss attributable to the members of S2 Resources Ltd			
Basic loss per share (cents)	18	(3.02)	(3.34)

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

Annual Financial Report (cont)

Consolidated Statement of Financial Position

as at 30 June 2020

	Notes	30 June 2020 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents	6	6,419,891	11,645,063
Restricted cash	6	323,107	365,778
Trade and other receivables	7	177,555	454,872
TOTAL CURRENT ASSETS		6,920,553	12,465,713
NON-CURRENT ASSETS			
Investments	8	-	1,875,000
Investments in associates	9	1,735,627	1,241,255
Exploration and evaluation	10	966,977	1,028,199
Property, plant and equipment		107,234	151,878
Right-of-Use Assets	1	251,196	-
TOTAL NON-CURRENT ASSETS		3,061,034	4,296,332
TOTAL ASSETS		9,981,587	16,762,045
CURRENT LIABILITIES			
Trade and other payables	11	286,131	660,511
Lease Liabilities	1	86,394	-
Provisions		54,803	73,049
TOTAL CURRENT LIABILITIES		427,328	733,560
NON CURRENT LIABILITIES			
Lease Liabilities	1	177,572	-
TOTAL NON CURRENT LIABILITIES		177,572	
TOTAL LIABILITIES		604,900	733,560
NET ASSETS		9,376,687	16,028,485
EQUITY			
Share capital	12	52,552,523	52,552,523
Reserves	13	4,345,801	8,539,513
Accumulated losses		(47,521,637)	(45,063,551)
TOTAL EQUITY		9,376,687	16,028,485

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

Annual Financial Report (cont)

Consolidated Statement of Changes in Equity

for the year ended 30 June 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 2019	52,552,523	7,905,600	144,517	134,398	354,998	(45,063,551)	16,028,485
Total comprehensive income for the year	-	-	-	50,285	(33,229)	(7,469,776)	(7,457,992)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital	-	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-	-
Share-based payment transactions	-	806,194	-	-	-	-	806,194
Share options exercised	-	-	-	-	-	-	-
Transfer of lapsed and expired options value to accumulated losses	-	(4,695,193)	-	-	-	4,695,193	-
Transfer cumulative gain on sale of investments to accumulated losses	-	-	-	-	(321,769)	321,769	-
Total contributions by and distributions to owners	-	(3,888,999)	-	50,285	(354,998)	(2,458,086)	(6,651,798)
Balance at 30 June 2020	52,552,523	4,016,601	144,517	184,683	-	(47,521,637)	9,376,687

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

Annual Financial Report (cont)

Consolidated Statement of Changes in Equity

for the year ended 30 June 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 2018	52,552,523	7,786,606	144,517	131,223	1,910,667	(37,732,328)	24,793,208
Total comprehensive income for the year	-	-	-	3,175	(597,921)	(8,288,971)	(8,883,717)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital	-	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-	-
Share-based payment transactions	-	118,994	-	-	-	-	118,994
Share options exercised	-	-	-	-	-	-	-
Transfer cumulative gain on sale of investments to accumulated losses	-	-	-	-	(957,748)	957,748	-
Total contributions by and distributions to owners	-	118,994	-	3,175	(1,555,669)	(7,331,223)	(8,764,723)
Balance at 30 June 2019	52,552,523	7,905,600	144,517	134,398	354,998	(45,063,551)	16,028,485

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

Annual Financial Report (cont)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	30 June 2020 \$	30 June 2019 \$
Cash flows from operating activities			
Cash paid to suppliers and employees for corporate activities		(1,720,917)	(1,858,012)
Cash paid to suppliers and employees for exploration activities		(4,227,264)	(4,928,662)
Interest received		94,274	145,260
Interest and other finance costs paid		(19,160)	(18,423)
Income taxes refund/(paid)	5	186,048	-
Net cash used in operating activities	17	(5,687,019)	(6,659,837)
Cash flows from investing activities			
Payment of property, plant and equipment		(33,824)	(15,779)
Investment in Todd River Resources Ltd	9	(1,403,063)	(2,743,240)
Net proceeds from disposal of investments	8	1,837,167	5,837,938
Net cash derived from investing activities		400,280	3,078,919
Cash flows from financing activities			
Repayment of Borrowings		(64,080)	-
Receipts/(Payments) for cash backed guarantees		43,799	(15,888)
Cash payments for financing activities		(20,281)	(15,888)
Net increase in cash and cash equivalents		(5,307,020)	(3,596,805)
Effects of exchange rate changes on cash and cash equivalents		81,848	215,749
Cash and cash equivalents at 1 July		11,645,063	15,026,119
Cash and cash equivalents at 30 June	6	6,419,891	11,645,063

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

S2 Resources Ltd (“Company” or “S2”) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Group as at and for the year ended to 30 June 2020 comprise the Company and its subsidiaries (together referred to as the “Group” or “consolidated entity” and individually as a “Group entity”).

The separate financial statements of the parent entity, S2 Resources Ltd, have not been presented within this financial report. Summary parent information has been included in note 22.

The financial statements were authorised for issue on 10 September 2020 by the Directors of the Company.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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 1(a)(iii).

(i) Operating segments

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.

(ii) Adoption of new and revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting year. The adoption of these Accounting Standards and Interpretations did

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) **Adoption of new and revised Accounting Standards (continued)**

not have any material impact on the financial performance or position of the consolidated entity, except for AASB 16 Leases.

This note explains the changes in the Group's accounting policies as a result of the adoption of AASB 16 Leases, however the prior year financial statements did not have to be restated as a result.

Impact on operating leases

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes classification, measurement and recognition leases. The changes result in almost all leases where the Group is the lessee being recognised on the Consolidated Statement of Financial Position and removes the former distinction between 'operating and 'finance leases'. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term, and low value leases.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. There is no initial impact on retained earnings under this approach. The Group has not restated comparatives for the 2019 reporting period.

The Group leases various premises, plant and equipment. As at 30 June 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Group is a lessee, the Group recognised a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using an interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Extension options are included in property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position as at 30 June 2019.

There were no onerous lease contracts that required an adjustment to the right-of-use assets of initial application.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 5%.

In the statement of cash flows, the Group has recognised cash payments for the principal portion of the lease liability within operating activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

Extension and termination options are included in property leases across the Group and are an area of judgement. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). As at 1 July 2019 the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of \$110,888, an increase in depreciation of \$76,846 and an increase of interest of \$12,181 in the year ended 30 June 2020.

Right-of-use asset

The recognised right-of-use asset relate to the following types of assets:

	30 June 2020
	\$
Property leases	227,929
IT Equipment	23,267
	<u>251,196</u>

Lease liability

	30 June 2020
	\$
Current lease liabilities	86,394
Non-current lease liabilities	177,572
	<u>263,996</u>

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Impact

The change in accounting policy resulted in an increase of a right-of-use asset of \$315,901 and a corresponding lease liability of \$317,001 in respect of all these leases, other than short-term leases and leases of low-value assets as at 1 July 2019.

The net impact on retained earnings on 1 July 2019 was \$nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, with no right-of-use asset nor lease liability recognised; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(iii) 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, 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 (refer to the respective notes) within the next financial year are discussed below.

Impact of 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 company based on known information. 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 company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Incremental borrowing rate.

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. 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. Refer to note 14.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of preparation (continued)**

Exploration and evaluation costs

Exploration and evaluation costs are capitalised in an identifiable area of interest upon announcement of a JORC 2012 compliant resource and costs will be amortised in proportion to the depletion of the mineral resources at the

commencement of production. 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. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Significant judgement – Interest in Associates and Impairment

Through the Subscription Agreement between the Company and its associate, Todd River Resources Ltd (“TRT”), the Company retains a board member on TRT’s board of directors if the shareholding is above 7.5%. For the financial year ended 30 June 2020, the Group’s shareholding in TRT was 30.52%. If TRT issues new shares, the Company has the right but not the obligation to participate in the new issue on the same terms as the other participants up to such additional number of shares in order to maintain its ownership percentage. The Company also has a shared services agreement with TRT to share its offices and staff. Therefore the Company in accordance with AASB 128, determined it has significant influence over TRT for the year ended 30 June 2020. At each reporting date, the Company reviews for any impairment triggers that adversely reduces the value of its interest after the asset has been treated under equity accounting. The Company takes into consideration a number of impairment triggers such as but not limited to, TRT’s net assets as at reporting date, exploration activities announced on the ASX and movement in share price.

(iv) **Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by S2 at the end of the reporting year. A controlled entity is any entity over which S2 has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity’s activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 23 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the Consolidated Statement of Financial Position and the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Australian dollar (\$), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation difference on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(c) Revenue Recognition

Interest income is recognised on a time proportion basis using the effective interest method.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(f) Cash and Cash Equivalents

For the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade and Other Receivables

A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of any provision is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(h) Trade and Other Payables

These amounts 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.

(i) Investments in Associates

Principles of consolidation and equity accounting

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting after being initially recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or excess its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment each reporting period.

(j) Exploration and Evaluation

Exploration and evaluation assets acquired

Exploration and evaluation assets comprise of acquisition of mineral rights (such as joint ventures) and fair value (at acquisition date) of exploration and expenditure assets from other entities. As the assets are not yet ready for use they are not depreciated. Exploration and evaluation assets are assessed for impairment if:

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Exploration and Evaluation (continued)

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; or
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; or
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the assets are demonstrable, exploration and evaluation assets are first tested for impairment and then reclassified to mine properties as development assets.

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is expensed in respect of each identifiable area of interest until such a time where a JORC 2012 compliant resource is announced in relation to the identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development.

Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment annually in accordance with AASB 6. Where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units.

The Statement of Profit or Loss and Other Comprehensive Income will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates used for each class of asset are:

- | | |
|--------------------------|-------------|
| • buildings | 16.67% |
| • fixtures and fittings | 22.5% - 40% |
| • leasehold improvements | 20% |
| • plant and equipment | 22.5% - 40% |
| • motor vehicles | 20% |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(l) Leases

The following accounting policy was in place until 30 June 2019.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

The following accounting policy was in place from 1 July 2019.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by VALUE IFRS Retail Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(m) Interest in Joint Ventures

The Group accounts for 100% of the assets, liabilities and expenses of joint venture activity. These have been incorporated in the financial statements.

(n) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(o) Employee Benefits

(i) Equity Settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(ii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee Benefits (continued)

(iii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Option Plan.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(p) Issued Capital

Ordinary shares are classified as equity. Costs associated with capital raisings (exclusive of GST) directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. If the entity reacquires its own equity instruments, e.g. as the 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 costs associated with capital raisings (net of income taxes) is recognised directly in equity.

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Group, excluding

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Issued Capital (continued)

(i) Basic earnings per share (continued)

during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as 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 with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(r) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. This includes Job Keeper and Cash Boost income received due to COVID-19 during the year which has been net off with the associated salaries this year.

(s) New Accounting 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 year ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Amendment to Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

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Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.

The amendments apply prospectively on or after 1 January 2020, with no material effect to the Group.

Amendments to AASB 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to AASB 101: Definition of Material

This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments apply prospectively on or after 1 January 2020, with no material effect to the Group.

Amendments to IAS 1: Presentation of Financial Statements

This Standard aims to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current.

This amendment is to:

- Clarify that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
- Clarify the link between the settlement of the liability and the outflow of resources from the entity

The amendments apply prospectively on or after 1 January 2022. The client has not yet determined the impact of this amendment.

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Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, lease liabilities and accounts receivable and payable.

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board of Directors under policies approved by the Board. The Board identifies and evaluates financial risks and provides written principles for overall risk management.

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, and liquidity risk, credit risk and price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Australian Dollar current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short term deposits.

2020 Financial Instruments	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Fixed interest rate maturing between 1 and 2 years \$	Non-interest bearing \$	Total \$	Weighted average effective interest rate %
(i) Financial assets						
Available cash on hand	325,504	2,500,000	-	3,594,387	6,419,891	0.98%
Restricted cash	-	195,000	-	128,107	323,107	1.05%
Total financial assets	325,504	2,695,000	-	3,722,494	6,742,998	
(ii) Financial liabilities						
Trade and other payables	-	-	-	286,131	286,131	
Lease liabilities – current	-	-	86,394	-	86,394	
Lease liabilities – non current	-	-	177,572	-	177,572	
Total financial liabilities	-	-	263,966	286,131	550,097	

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

2019	Floating interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing between 1 and 2 years	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	\$	\$	%
(i) Financial assets						
Available cash on hand	472,860	7,425,923	-	3,746,280	11,645,063	2.17%
Restricted cash	-	195,000	-	170,778	365,778	2.69%
Total financial assets	472,860	7,620,923	-	3,917,058	12,010,841	
(ii) Financial liabilities						
Trade and other payables	-	-	-	660,511	660,511	
Total financial liabilities	-	-	-	660,511	660,511	

Net Fair Values

The net fair value of financial assets and liabilities approximate carrying values due to their short term nature.

Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in interest rates.

	30 June 2020 \$	30 June 2019 \$
Change in loss:		
Increase by 1%	(3,255)	(82,890)
Decrease by 1%	3,255	82,890
Change in equity:		
Increase by 1%	(3,255)	(160,285)
Decrease by 1%	3,255	160,285

Foreign exchange risk

Exposure

The Group holds foreign currency cash in Euro and US Dollar to operate in Finland and the United States. It also has foreign currency receivables and payables in these countries which are exposed to foreign currency fluctuations. The Group manages its foreign exchange risk and exposure by purchasing foreign currency for the following budget year and reviews forecasted exchange rates by various banks on a monthly basis. The Group's exposure to foreign currency risk at the end of the reporting year, expressed in Australian dollar, was as follows:

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Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Year ended 30 June 2020	EUR \$	USD \$	SEK \$	Total \$
Cash on hand	3,330,495	240,767	23,104	3,594,366
Restricted cash	68,458	53,883	-	122,341
Other receivables	24,870	-	483	25,353
Trade and other payables	(116,910)	(729)	3	(117,635)
	3,306,913	293,921	23,590	3,624,424
Year ended 30 June 2019	EUR \$	USD \$	SEK \$	Total \$
Cash on hand	3,536,863	1,486,187	146,060	5,169,110
Restricted cash	19,174	79,952	-	99,126
Other receivables	210,805	-	896	211,701
Trade and other payables	(300,390)	(41,345)	(4,032)	(345,767)
	3,466,452	1,527,794	142,924	5,134,170

Amounts recognised in profit or loss and other comprehensive income

During the year ended, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2020 \$	2019 \$
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss) included in other income/other expenses	62,110	199,015
Total net foreign exchange (losses) recognised in loss before income tax for the year	62,110	199,015
<i>Net gains/(losses) recognised in other comprehensive income</i>		
Translation of foreign operations	50,285	3,175

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in EUR/\$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro and US dollar denominated financial instruments and the impact on other components of equity arises from translation of foreign operations.

	Impact on post tax loss	Impact on other components of equity
	\$	\$
EUR/\$ exchange rate – increase 10%*	(299,002)	3,324
EUR/\$ exchange rate – decrease (10%)*	299,002	(3,324)
USD/\$ exchange rate – increase 10%*	(8,092)	(6,252)
USD/\$ exchange rate – decrease (10%)*	8,092	6,252

*Holding all other variables constant

LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Management monitors rolling forecasts of the Group's cash reserves on the basis of expected development, exploration and corporate cash flows. This ensures that the Group complies with prudent liquidity risk management by maintaining sufficient cash and marketable securities and the availability of funding through the equity markets to meet obligations when due. For the year ended 30 June 2020, the Group had no contractual financial liabilities.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on Standard and Poor's rating agency.

The credit risk on other receivables is limited as it is comprised of prepayments and GST recoverable from the Australian Taxation Office and tax authorities in Scandinavia. The credit risk on liquid funds is limited because the counter party is a bank with high credit rating. There are no receivable balances which are past due or impaired.

Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position as investments (see note 8). The Group's investment is publicly traded on the Australian Stock Exchange ("ASX").

The Group is not currently exposed to commodity price risk.

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Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

The table below summarises the impact of increases/decreases of the investment's share price on the Group's equity and post-tax loss for the year. The analysis is based on the assumption that the investment's share price had increased or decreased by 10% with all other variables held constant, and that the Group's equity instrument moved in line with the indexes.

	Impact on post tax loss	Impact on post tax loss	Impact on other components of equity	Impact on other components of equity
	2020	2019	2020	2019
	\$	\$	\$	\$
ASX index – increase 10%	-	-	-	(187,500)
ASX index – decrease (10%)	-	-	-	187,500

There would be no impact on post tax loss as the Group does not recognise any financial assets at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as investments. As the fair value of investments would still be above cost, no impairment loss would be recognised in profit or loss as a result of the decrease in the index.

Amounts recognised in statement of profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the investments held by the Group are disclosed in note 8.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 3. 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 Central Lapland.
- Sweden exploration activities, which includes exploration and evaluation of mineral tenements in Skellefte. As disclosed in the half year ended 31 December 2018 financial report, the Group had discontinued its exploration activities in Sweden and any costs incurred relate to relinquishment of tenure and closure of the Swedish office based in Malå.
- US exploration activities, which includes exploration and evaluation of mineral tenements in Nevada. In March 2020, the Ecrú project was withdrawn from and therefore there are no longer any exploration activities in the US.
- Australia exploration activities, which includes exploration and evaluation of mineral tenements in Western Australia.
- Unallocated, which includes all other expenses that cannot be directly attributed to either segments above.

Segment information that is evaluated by the CODM is prepared in conformity with the accounting policies adopted for preparing the financial statements of the Group.

SEGMENT RESULTS

Statement of profit or loss for the year ended 30 June 2020	\$					
	Finland exploration activities	Sweden exploration activities	US exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	-	74,570	74,570
Corporate expenses	-	-	-	-	(797,411)	(797,411)
Business Development	-	-	-	-	(689,267)	(689,267)
Travel	-	-	-	-	(224,125)	(224,125)
Depreciation expense	-	-	-	-	(140,999)	(140,999)
Share-based payments	-	-	-	-	(806,194)	(806,194)
Other gain/(losses) - net	-	-	-	-	61,970	61,970
Finance Cost of Right of Use asset	-	-	-	-	(12,214)	(12,214)
Exploration expenditure expensed as incurred	(2,990,022)	-	(80,920)	(893,574)	-	(3,964,516)
Exploration impairment expense	-	-	(68,172)	-	-	(68,172)
Share of associate's loss	-	-	-	-	(1,494,960)	(1,494,960)
Associate impairment expense	-	-	-	-	586,270	586,270
Loss before income tax	(2,990,022)	-	(149,092)	(893,574)	(3,442,360)	(7,475,048)
Income tax expense	-	-	-	-	-	-
Loss after income tax for the year	(2,990,022)	-	(149,092)	(893,574)	(3,442,360)	(7,475,048)

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 3. SEGMENT INFORMATION (CONTINUED)

Statement of profit or loss for the year ended 30 June 2019	\$					
	Finland exploration activities	Sweden exploration activities	US exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	-	157,154	157,154
Corporate expenses	-	-	-	-	(1,093,981)	(1,093,981)
Business Development	-	-	-	-	(428,646)	(428,646)
Travel	-	-	-	-	(224,124)	(224,124)
Depreciation expense	-	-	-	-	(101,376)	(101,376)
Share-based payments	-	-	-	-	(118,994)	(118,994)
Other gain/(losses) - net	-	-	-	-	199,015	199,015
Exploration expenditure expensed as incurred	(2,925,806)	9,164	(1,890,118)	(286,724)	-	(5,093,484)
Exploration impairment expense	-	-	(60,446)	-	-	(60,446)
Share of associate's loss	-	-	-	-	(915,715)	(915,715)
Associate impairment expense	-	-	-	-	(586,270)	(586,270)
Loss before income tax	(2,925,806)	9,164	(1,950,564)	(286,724)	(3,064,596)	(8,218,526)
Income tax expense	-	-	-	-	(70,445)	(70,445)
Loss after income tax for the year	(2,925,806)	9,164	(1,950,564)	(286,724)	(3,135,041)	(8,288,971)

SEGMENT ASSETS AND LIABILITIES

The Group's assets are mostly attributable to the unallocated segment therefore assets attributable to exploration in Scandinavia, Nevada and Australia is immaterial for disclosure.

NOTE 4. OTHER INCOME

	30 June 2020 \$	30 June 2019 \$
Interest received	74,570	157,154

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 5. INCOME TAX

	30 June 2020 \$	30 June 2019 \$
Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Current tax		
Deferred tax	-	-
Under (over) provided in prior years	-	-
Total income tax benefit/(expense) per Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	-
<i>Numerical reconciliation between tax expense and pre-tax net loss</i>		
Net loss before tax	(7,475,048)	(8,288,971)
Income tax benefit/(expense) at 27.5%	(1,187,478)	(914,780)
Income tax benefit/(expense) for overseas entities (at various rates)	(662,959)	(1,042,125)
<i>Increase in income tax due to:</i>		
Non-deductible expenses	540,082	1,423,602
Current year tax losses not recognised	1,118,423	998,111
<i>Decrease in income tax due to:</i>		
Movement in unrecognised temporary differences	121,932	119,975
Capital losses recognised during the year	(92,712)	-
Capital losses utilised during the year	92,712	-
Tax losses utilised during the year		(584,783)
	-	-
Unrecognised deferred tax assets		
<i>Deferred tax assets have not been recognised in respect of the following:</i>		
Previous year tax losses brought forward	5,581,723	3,736,617
Tax revenue losses (1)	1,185,713	1,845,105
	6,767,436	5,581,723

(1) Net deferred tax assets have not been brought to account as it is not probable that within the immediate future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 6. CASH AND CASH EQUIVALENTS

	30 June 2020 \$	30 June 2019 \$
Current		
Cash at bank and in hand	6,419,891	11,645,063
Restricted cash	323,107	365,778
	6,742,998	12,010,841

NOTE 7. OTHER RECEIVABLES

	30 June 2020 \$	30 June 2019 \$
GST refund due	28,809	28,635
Accrued interest	5,666	25,403
Prepayment	61,723	134,898
Income Tax Receivable	-	186,037
Other	81,357	79,899
	177,555	454,872

The Group has no impairments to other receivables or have receivables that are past due but not impaired. Refer to note 2 for detail on the risk exposure and management of the Group's other receivables.

NOTE 8. INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category.

(ii) Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	30 June 2020 \$	30 June 2019 \$
Investments		
<i>Balance at beginning of the year</i>		
GT Gold	-	910,859
Westgold Resources Ltd	1,875,000	7,400,000

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 8: INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

	30 June 2020 \$	30 June 2019 \$
Investments		
<i>Movement during the year</i>		
GT Gold	-	(910,859)
Westgold Resources Ltd	(1,875,000)	(5,525,000)
Balance as at 30 June	-	1,875,000

The table below describes the total gain/(loss) on disposal of the Group's investments from the initial purchase to the financial year ended 30 June 2020:

	GT Gold Corp.			Westgold Resources Ltd			Total		
	Net proceeds \$	Original cost \$	Gain \$	Net proceeds \$	Original cost \$	Gain/(loss) \$	Net proceeds \$	Original cost \$	Gain/(loss) \$
Sold 30 June 2018	2,574,078	(680,409)	1,893,669	-	-	-	2,574,078	(680,409)	1,893,669*
Sold 30 June 2019	1,813,925	(320,192)	1,493,733	4,024,015	(4,560,000)	(535,985)	5,837,940	(4,880,192)	957,748**
Sold 30 June 2020	-	-	-	1,841,769	(1,520,000)	321,769	1,841,769	(1,520,000)	321,769**
Total gain/(loss) on disposal			3,387,402			(214,216)			3,173,186

*The gain recognised of \$1,893,669 for the financial year ended 30 June 2018 was disclosed in the profit or loss or other comprehensive income as per AASB 139. AASB 9 became effective from 1 July 2018.

** The total gain during the financial year was transferred from the fair value other comprehensive income (FVOCI) reserve to accumulated losses.

(iii) Amounts recognised in profit or loss and other comprehensive income

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

	30 June 2020 \$	30 June 2019 \$
Gains/(losses) recognised in other comprehensive income	(33,229)	(597,921)

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 8: INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

The table below describes the movement in the FVOCI reserve the financial year ended 30 June 2020:

	Westgold Resources Ltd
Net proceeds	1,841,769
Less carrying value as at 30 June 2019	(1,875,000)
Gain/(loss) on disposal	(33,229)
Change in Fair Value Recognised in OCI	(33,229)

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

(iv) *Fair values of other financial assets at amortised cost*

Financial assets at amortised cost include the following:

	30 June 2020	30 June 2019
Current – Trade and other receivables	\$	\$
Trade and other receivables	177,555	454,872
	177,555	454,872

Due to the short term nature of the trade and other receivables and prepayments, their carrying amount is considered to be the same as their fair value.

NOTE 9. INTERESTS IN ASSOCIATES

The entity listed below have share capital consisting of ordinary shares and options of which 30.52% of the ordinary shares are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporate	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2020 \$	2019 \$			2020 \$	2019 \$
Todd River Resources Ltd	Australia	30.52%	19.99%	Associate	Equity method	1,735,627	1,241,255

The Group increased its investment in Todd River Resources Ltd (ASX:TRT) from 19.99% to 22.99% in September 2019 (11,959,700 shares at \$0.031 per share) and again to 30.62% in October 2019 (33,019,667 shares at \$0.031 per share). The investment reduced to 30.52% in December 2019 due to a share issue in relation to the acquisition of an exploration project by Todd River Resources Ltd.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 9. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information for associates

The tables below provide summarised financial information of Todd River Resources Ltd that are material to the Group. The information disclosed reflects the amounts presented in the financial statement of the relevant associates and not the Group's share of those amounts. A reconciliation has been provided to reflect the adjustments made by the Group when using the equity method, including fair value adjustment and modifications for differences in accounting policy.

	30 June 2020	30 June 2019
Summarised balance sheet		
	\$	\$
Current assets	1,608,821	1,674,154
Non current assets	4,450,318	11,544,769
Total assets	6,059,139	13,218,923
Current liabilities	209,427	642,361
Non-current liabilities	-	-
Total liabilities	209,427	642,361
NET ASSETS	5,849,712	12,576,562
Share capital	21,501,151	18,846,172
Reserves	872,622	2,521,731
Accumulated losses	(16,524,061)	(8,791,341)
Total equity	5,849,712	12,576,562
	30 June 2020	30 June 2019
Reconciliation to carrying amounts		
S2R's investment as at 1 July	\$ 1,241,255	2,743,240
Increase in Investment (1)	\$ 1,403,063	-
Loss for the period - Todd River Resources	\$ (5,083,810)	(4,580,869)
Less Group's share	\$ (1,494,961)	(915,715)
Less impairment reversal (expense) (2)	\$ 586,270	(586,270)
Carrying amount	\$ 1,735,627	1,241,255

(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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 10. EXPLORATION AND EVALUATION

	30 June 2020 \$	30 June 2019 \$
Exploration costs	966,977	1,028,199
Movement during the year		
Balance at beginning of the year	1,028,199	1,083,153
Exploration expenditure incurred during the year	3,964,516	5,093,484
Exploration expenditure incurred during the year and expensed (i)	(3,964,516)	(5,093,484)
Exploration expenditure relating to acquisitions	-	-
Exploration impairment expense (ii)	(68,172)	(60,446)
Foreign currency translation differences	6,951	5,492
Balance at end of the year	966,978	1,028,199

(i) During the year ended 30 June 2020 the exploration expenditure incurred pertains to the following:

Australian Projects

The total exploration expenditure expensed for Polar Bear and Fraser Range projects was \$893,574. The Polar Bear project was owned by the Group's subsidiary Polar Metals Pty Ltd which was sold to Westgold Resources Limited on 13 February 2018. The Group still holds nickel rights to the Polar Bear project.

Finland Projects

Exploration expenditure incurred and expensed for Finland was \$2,990,022.

US Projects

Exploration expenditure incurred and expensed for the following projects in the US were:

- Ecrú \$80,559
- South Roberts - \$175
- Pluto - \$186

(ii) During the year ended 30 June 2020, the Group made a decision to withdraw from the Ecrú Project and therefore made an impairment expense of \$68,172. This decision would result in the Group not earning into the Ecrú joint venture with Rengold.

During the year ended 30 June 2019, the Group made a decision to withdraw from the South Roberts Project and therefore made an impairment expense of \$60,446. This decision would result in the Group not earning into the South Roberts joint venture with Rengold.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 11. TRADE AND OTHER PAYABLES

	30 June 2020 \$	30 June 2019 \$
Trade and other payables (i)	286,131	660,511

- (i) These amounts generally arise from the usual operating activities of the Group and are expected to be settled within 12 months. Collateral is not normally obtained.

NOTE 12. SHARE CAPITAL

	30 June 2020 No. of Shares	30 June 2020 \$	30 June 2019 No. of Shares	30 June 2019 \$
Ordinary shares fully paid	247,915,179	52,552,523	247,915,179	52,552,523
Movement in Share Capital				
Ordinary shares fully paid				
Balance at beginning of year	247,915,179	52,552,523	247,915,179	52,552,523
Balance at year end	247,915,179	52,552,523	247,915,179	52,552,523

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.

NOTE 13. RESERVES

	30 June 2020 \$	30 June 2019 \$
Share-based payments reserve (i)	4,016,601	7,905,600
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	184,683	134,398
Revaluation reserve (iv)	-	354,998
	4,345,801	8,539,513

- (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 or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

In the year ended 30 June 2020, \$4,965,193 in relation to the fair value of options which has lapsed or expired was transferred to accumulated losses.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 13. RESERVES (CONTINUED)

- (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 revaluation reserve recognises the change in fair value of investments. Please refer to note 8 of these financials.

NOTE 14. SHARE-BASED PAYMENTS

The following share-based payments arrangements were in existence during the current reporting year:

Options

Options Series	Number Issued	Number at 30 June 2020	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(1) Issued at 14 September	29,250,000	-	14/09/2015	14/09/2019	0.31	0.13
(2) Issued at 9 October 2015	50,000	-	09/10/2015	09/10/2019	0.31	0.13
(3) Issued at 23 October 2015	400,000	-	23/10/2015	23/10/2019	0.31	0.12
(4) Issued at 29 November	400,000	-	29/11/2015	28/11/2019	0.31	0.08
(5) Issued at 18 April 2016	800,000	-	18/04/2016	17/04/2020	0.31	0.14
(6) Issued at 7 October 2016	1,000,000	1,000,000	07/10/2016	06/10/2020	0.35	0.16
(7) Issued at 7 October 2016	11,950,000	9,050,000	07/10/2016	06/10/2020	0.61	0.23
(8) Issued 17 October 2017	7,750,000	7,750,000	17/10/2017	16/10/2021	0.23	0.08
(9) Issued 17 October 2017	3,400,000	2,650,000	17/10/2017	16/10/2021	0.23	0.08
(10) Issued 28 November 2018	2,900,000	2,700,000	28/11/2018	27/11/2022	0.14	0.05
(11) Issued 5 March 2019	50,000	50,000	05/03/2019	04/03/2023	0.11	0.04
(12) Issued 12 November 2019	18,000,000	18,000,000	12/11/2019	11/11/2023	0.30	0.04
(13) Issued 3 December 2019	400,000	400,000	03/12/2019	02/12/2023	0.30	0.04
Total	76,350,000	41,600,000				

- (1) The 29,250,000 options in series 1 comprised 23,750,000 options issued to the Directors of the Group which vested immediately, 3,600,000 options issued to employees under the Employee Share Option Plan which vest one year from grant date and 1,900,000 options 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.
- (2) The 50,000 options in series 2 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (3) The 400,000 options in series 3 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (4) The 400,000 options in series 4 which vests one year from grant date was issued to employees under the Employee Share Option Plan.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 14. SHARE-BASED PAYMENTS (CONTINUED)

- (5) The 800,000 options in series 5 comprised of 400,000 options were issued to employees under the Employee Share Option Plan which vests one year from grant date, and 400,000 options issued to service providers which vests 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.
- (6) The 1,000,000 options in series 6 which vested immediately were issued to a Director of the Group.
- (7) The 11,950,000 options in series 7 comprised 6,500,000 options issued to the Directors of the Group which vested immediately, 2,700,000 options were issued to employees under the Employee Share Option Plan which vest one year from grant date and 2,750,000 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.
- (8) The 7,750,000 options in series 8 which vested immediately were issued to the Directors of the Group which vested immediately.
- (9) The 3,400,000 options in series 9 comprised 2,950,000 options issued to employees under the Employee Share Option Plan which vest one year from grant date and 450,000 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.
- (10) The 2,900,000 options in series 10 comprised 2,500,000 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.
- (11) The 50,000 options in series 11 which vests one year from grant date was issued to an employee under the Employee Share Option Plan.
- (12) The 18,000,000 options in series 12 comprised 15,500,000 options issued to the Directors of the Group which vested immediately, 2,100,000 options 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.
- (13) The 400,000 options in series 13 which vests one year from grant date were issued to employees under the Employee Share Option Plan.

The weighted average fair value of the share options granted during the year is \$0.04.

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

	30 June 2020	30 June 2019
	\$	\$
Options issued under Directors Option Plan	669,982	-
Options issued under Employee Share Plan	111,466	108,426
Options issued under Service Provider Plan	24,746	10,568
	806,194	118,994

The weighted average contractual life for options outstanding at the end of the year was 2.05 years.

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Notes to the Consolidated Financial Statements

NOTE 14. SHARE-BASED PAYMENTS (CONTINUED)

Options were priced using a Black-Scholes option pricing model using the inputs below:

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
Grant date share price	0.21	0.19	0.19	0.14	0.22	0.25	0.44
Exercise price	0.31	0.31	0.31	0.31	0.31	0.35	0.61
Expected volatility	100.00%	100.00%	100.00%	100.00%	100.00%	100%	80%
Option life	4 years						
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest rate	3.10%	3.10%	3.10%	3.35%	3.26%	3.35%	2.87%

	Series 8	Series 9	Series 10	Series 11	Series 12	Series 13
Grant date share price	0.16	0.23	0.09	0.07	0.115	0.115
Exercise price	0.23	0.23	0.14	0.11	0.30	0.30
Expected volatility	80%	80%	80%	80%	80%	80%
Option life	4 years	4 years	4 years	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest rate	2.34%	2.34%	2.29%	1.75%	0.86%	0.86%

The following reconciles the outstanding share options granted in the year ended 30 June 2020:

	30 June 2020 No. of Options	30 June 2020 Weighted average exercise price \$	30 June 2019 No. of Options	30 June 2019 Weighted average exercise price \$
Balance at the beginning of the year	50,450,000	0.35	50,750,000	0.36
Granted during the year	18,400,000	0.30	2,950,000	0.14
Exercised during the year	-		-	-
Expired during the year (i)	(27,250,000)	0.27	(500,000)	0.19
Balance at the end of the year	41,600,000	0.34	53,200,000	0.34
Un-exercisable at the end of the year	2,900,000	0.30	2,750,000	0.14
Exercisable at end of the year	38,700,000	0.34	50,450,000	0.35

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

For the year ended 30 June 2020, 27,250,000 employee, director and service provider share options were lapsed or expired.

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Notes to the Consolidated Financial Statements

NOTE 14. SHARE-BASED PAYMENTS (CONTINUED)

No amounts are unpaid on any of the shares. No person entitled to exercise an option had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

NOTE 15. DIVIDENDS

There were no dividends recommended or paid during the year ended 30 June 2020.

NOTE 16. KEY MANAGEMENT PERSONNEL DISCLOSURES

	30 June 2020 \$	30 June 2019 \$
Short term employee benefits	538,209	578,794
Post-employment benefits	43,433	44,641
Annual Leave benefits	23,390	30,341
Share-based payment	669,982	13,519
	1,275,015	667,295

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 17. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	30 June 2020 \$	30 June 2019 \$
Loss for the year	(7,475,048)	(8,288,971)
Depreciation	140,999	101,376
Equity Settled share-based payment transaction	806,194	118,994
Exploration expenditure written off	68,172	60,446
Income tax benefit/(expense)	-	70,445
Other (gain)/losses – net	(61,970)	(199,015)
Share of associate's loss	1,494,960	915,715
Associate impairment (reversal)/ expense	(586,270)	586,270
Increase/(Decrease) in trade and other payables	(374,380)	13,486
Increase/(Decrease) in provisions	(18,246)	12,529
(Increase)/Decrease in receivables	318,570	(51,112)
Net cash outflow from operating activities	(5,687,019)	(6,659,837)

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Notes to the Consolidated Financial Statements

NOTE 18. BASIC LOSS PER SHARE

	30 June 2020 \$	30 June 2019 \$
(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	(7,475,048)	(8,288,971)
(b) Weighted average number of shares used as the Denominator	Number	Number
Ordinary shares used as the denominator in calculating basic loss per share	247,915,179	247,915,179
(c) Basic loss per share	Cents	Cents
Basic loss per share	(3.02)	(3.34)

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

NOTE 19. COMMITMENTS

The Group must meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements and are:

	30 June 2020 \$	30 June 2019 \$
Not later than one year	261,962	361,920
After one year but less than two years	261,962	287,382
After two years but less than five years	175,127	702,546
After five years*	-	227,232
	699,051	1,579,080

* Per annum

NOTE 20. RELATED PARTY TRANSACTIONS

On 5 March 2019, the Company entered into a Shared Services Agreement with Todd Resources Ltd ("TRT"). The fees and costs associated with the agreement include 40% of the Company's budgeted administrative expenditure per month in lieu of the office facilities provided by the Company to TRT. The Company also provide personnel on a consulting basis for geological, GIS, financial and office administration services to TRT as part of the agreement. A total of \$102,215 for administrative expenditure and consulting services had been incurred for the financial year ended 30 June 2020. As at 30 June 2020, the Group has a receivable outstanding from TRT of \$7,357.

Other than the Directors and key management personnel salaries and options described in Note 16 and the Remuneration Report, there were no related party transactions for the year ended 30 June 2020.

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Notes to the Consolidated Financial Statements

NOTE 21. JOINT VENTURES

The Group has interests in the following joint venture operations:

Tenement Area	Activities	2020	2019
Eundynie	Nickel	80%	80%

NOTE 22. PARENT ENTITY DISCLOSURES

Financial position

Assets

Current assets

Non-current assets

Total assets

Liabilities

Current liabilities

Non-current liabilities

Total liabilities

Net assets

Equity

Issued capital

Share-based payments reserve

Fair value and other comprehensive income reserve

Accumulated losses

Total equity

	30 June 2020 \$	30 June 2019 \$
Current assets	6,513,905	11,693,967
Non-current assets	3,284,331	4,667,728
Total assets	9,798,236	16,361,695
Current liabilities	243,981	333,211
Non-current liabilities	177,568	-
Total liabilities	421,549	333,211
Net assets	9,376,687	16,028,484
Issued capital	52,552,523	52,552,523
Share-based payments reserve	4,016,601	7,905,600
Fair value and other comprehensive income reserve	-	354,998
Accumulated losses	(47,192,435)	(44,784,639)
Total equity	9,376,687	16,028,484

Financial performance

Loss for the year

Other comprehensive income

Total comprehensive income

	30 June 2020 \$	30 June 2019 \$
Loss for the year	(7,419,490)	(8,208,819)
Other comprehensive income	(33,229)	(597,921)
Total comprehensive income	(7,452,719)	(8,806,740)

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 23. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	Equity Holding	
			2020	2019
Sirius Europa Pty Ltd	Australia	Ordinary	100%	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%	100%
S2 Exploration Quebec Inc.	Canada	Ordinary	100%	100%
S2 Sverige AB	Sweden	Ordinary	100%	100%
S2RUS Pty Ltd	Australia	Ordinary	100%	100%
S2RUS LLC	United States	Ordinary	100%	100%
Nevada Star Exploration LLC	United States	Ordinary	100%	100%

NOTE 24. EVENTS OCCURRING AFTER THE REPORTING YEAR

On 28 July 2020, the Group completed its placement by issuing 61,976,000 shares to institutional and sophisticated investors at an issue price of \$0.125 resulting in the Group having additional working capital of \$7,747,000. The placement was undertaken within the Group's 25% capacity under ASX Listing Rule 7.1 and 7.1A and accordingly no shareholder approval was required in connection with the equity raising.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 25. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group:

Audit services

Total remuneration for audit services

	30 June 2020	30 June 2019
	\$	\$
Audit services	36,845	37,309
Total remuneration for audit services	36,845	37,309

NOTE 26. GROUP BENEFITS IN RELATION TO COVID

The Group was eligible for Job keeper and lodged claims in relation to their eligible employees which resulted in a benefit of \$72,000 in the year to 30 June 2020.

The Group also received a benefit of \$100,000 of Cash Boost of which \$50,000 was received in the year. The remaining \$50,000 will be received between July and September 2020 upon lodgement of the Group's BAS returns.

Directors' Declaration

The Directors of the Group declare that:

1. The financial statements and notes as set out on pages 18 to 58 are in accordance with the Corporations Act 2001, and
 - (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position of the Group as at 30 June 2020 and of its performance for the year ended on that date.
2. The financial report also complies with International Financial Reporting Standards as disclosed in note 1 to the financial statements.
3. The Director acting in the capacity of Chief Executive Officer has declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the accounting standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
4. In the opinion of the Directors there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
5. The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standards AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.

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



Mark Bennett
Executive Chairman
Perth
10 September 2020

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF S2 RESOURCES LIMITED

As lead auditor of S2 Resources Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 10 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of S2 Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of S2 Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 report, 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 2020 and of its financial performance for the year ended on that date; 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key audit matters

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

Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
<p>As the carrying value of the capitalised exploration and evaluation asset represents a significant asset of the Group at 30 June 2020, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular, whether facts and circumstances indicate that the exploration and evaluation assets should be tested for impairment</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group’s exploration budgets, ASX announcements and director’s minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Notes 10 and 1(a) to the Financial Statements.

Carrying value of investment in associate

Key audit matter	How the matter was addressed in our audit
<p>The carrying value of the equity accounted investment in associate Todd River Resources Limited ("TRT") as at 30 June 2020 is disclosed in Note 9.</p> <p>At each reporting period, the value of the equity accounted investment in TRT needs to be assessed for indicators of impairment. If indicators of impairment exist, the recoverable amount needs to be estimated.</p> <p>The assessment of the carrying value of the equity accounted investment in TRT was a key audit matter due to the judgement involved in determining the recoverable amount.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Considering the existence of any indicator of impairment of the investment under AASB 128; • Reviewing ASX announcements, Board of Directors meetings minutes to assess for potential indicators of impairment; • Reviewing management's calculation of the reversal of impairment of the investment based on the increase in the share price of TRT during the year; and • Assessing the adequacy of the related disclosures in Notes 9 and 1(a) to the Financial Statements

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, 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 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 has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 in pages 8 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of S2 Resources Limited, for the year ended 30 June 2020, 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.

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 10 September 2020