



S2 RESOURCES LTD

ABN: 18 606 128 090

HALF YEAR FINANCIAL REPORT

31 December 2018

S2 RESOURCES LTD
ABN: 18 606 128 090

HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONTENTS

Corporate Directory.....	3
Directors' Report	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity.....	8
Consolidated Statement of Cash Flows.....	10
Notes to the Consolidated Financial Statements.....	11
Directors' Declaration.....	24
Auditor's Independence Declaration.....	25
Independent Auditor's Review report to the Members.....	26

S2 Resources Ltd
Half Year Financial Report
For the half year ended 31 December 2018

Corporate Directory

Directors

Jeff Dowling	<i>Non-Executive Chairman</i>
Mark Bennett	<i>Managing Director</i>
Anna Neuling	<i>Executive Director</i>
Grey Egerton-Warburton	<i>Non-Executive Director</i>

Company Secretary

Anna Neuling

Principal and Registered Office

North Wing, Level 2
1 Manning Street
Scarborough, Western Australia 6019
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 11, 172 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 - ordinary shares

Directors' Report

The Directors of S2 Resources Ltd ("Directors") present their report on S2 Resources Ltd ("Company" or "S2") and the entities it controlled at the end of, or during, the half year ended 31 December 2018 ("Consolidated Entity" or "Group").

Directors

The names and details of the Directors in office during the half year ended 31 December 2018 and until the date of this financial report are as follows. The Directors were in office for the entire period unless otherwise stated.

Jeff Dowling
Mark Bennett
Anna Neuling
Grey Egerton- Warburton

Principal Activities

The principal continuing activity of the Group is mineral exploration.

Review of Operations

Operating Result

The loss from continuing operations for the half year ended 31 December 2018 after providing for income tax amounted to \$4,220,474 (2017: \$2,656,722).

The loss results from \$3,175,089 of exploration expenditure incurred and expensed, \$733,038 of administration costs, \$193,095 of business development costs, \$60,446 of exploration assets impaired, \$58,914 of share-based payments expenses, \$55,889 depreciation costs, \$1,860 of income tax expense and \$274,631 of other income and net gains/(losses). The exploration expenditure incurred and expensed mainly relates to the US and Scandinavian projects. Also during the half year, the Group accounted for our share of our associate's consolidated statement of loss being \$216,774.

Dividends

No dividends were paid or proposed to be paid to members during the half year ended 31 December 2018.

Significant Changes in the State of Affairs

In November 2018, the Group acquired a 19.99% strategic stake in Todd River Resources Ltd (ASX:TRT) at \$0.08987 per share for \$2,720,815.

On 30 November 2018, Dr Mark Bennett, Managing Director and CEO of S2 Resources Ltd, was appointed as Non-Executive Director of TRT.

During the half year ended 31 December 2018, the remaining GT Gold shares were disposed of and realising a total gain of as follows:

	Total Gain on disposal		
	Net proceeds \$	Original cost \$	Gain \$
Sold in the half year ended 31 December 2018	1,813,923	(320,192)	1,493,731
Sold in the half year ended 31 December 2017	2,574,078	(680,409)	1,893,669
	4,388,001	1,000,601	3,387,400

Directors' Report

After Balance Date Events

There has been no matter or circumstance that has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

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

Auditor's Independence Declaration

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

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



Mark Bennett
Director
Melbourne
14 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2018

	Notes	31 December 2018 \$	31 December 2017 \$
Other income		84,565	109,478
Salaries and wages		(263,071)	(278,420)
Travel expenditure		(89,372)	(243,033)
Consulting and legal fees		(132,665)	(313,678)
ASX, ASIC and Company registry		(69,476)	(61,859)
Office related costs		(55,139)	(83,177)
Insurance		(123,315)	(57,348)
Business development		(193,095)	(116,676)
Depreciation expense		(55,889)	(78,924)
Share based payments	8	(58,914)	(769,976)
Gain in disposal of available for sale financial assets		-	1,893,669
Other gains/(losses)		190,066	58,917
Exploration expenditure expensed as incurred	5	(3,175,089)	(2,715,695)
Exploration impairment expense	5	(60,446)	-
Share of associate's profit/(loss)	4	(216,774)	-
Loss before income tax		(4,218,614)	(2,656,722)
Income tax (expense)/benefit		(1,860)	-
Loss for the period		(4,220,474)	(2,656,722)
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	3	(2,976,936)	246,976
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations		11,457	(12,864)
Total Comprehensive loss for the period attributable to the members of S2 Resources Ltd		(7,185,953)	(2,422,610)
Loss per share for the period attributable to the Members of S2 Resources Ltd			
Basic loss per share	11	Cents (1.70)	Cents (1.08)

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

Consolidated Statement of Financial Position

as at 31 December 2018

	Notes	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		10,046,727	15,026,119
Restricted cash		371,740	348,889
Trade and other receivables	3	534,342	403,758
TOTAL CURRENT ASSETS		10,952,809	15,778,766
NON-CURRENT ASSETS			
Investments	3	3,520,000	8,310,859
Investments in associates	4	2,526,466	-
Exploration and evaluation	5	1,027,803	1,083,153
Property, plant and equipment		177,937	227,737
TOTAL NON-CURRENT ASSETS		7,252,206	9,621,749
TOTAL ASSETS		18,205,015	25,400,515
CURRENT LIABILITIES			
Trade and other payables		468,763	546,786
Provisions		70,083	60,521
TOTAL CURRENT LIABILITIES		538,846	607,307
TOTAL LIABILITIES		538,846	607,307
NET ASSETS		17,666,169	24,793,208
EQUITY			
Share capital	6	52,552,523	52,552,523
Reserves	7	5,572,717	9,973,013
Accumulated losses		(40,459,071)	(37,732,328)
TOTAL EQUITY		17,666,169	24,793,208

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2018

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 loss for the period				11,457	(2,976,936)	(4,220,474)	(7,185,953)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital	-	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-	-
Share-based payment transactions	-	58,914	-	-	-	-	58,914
Transfer gain on sale of investments to accumulated losses	-	-	-	-	(1,493,731)	1,493,731	-
Total contributions by and distributions to owners	-	58,914	-	11,457	(4,470,667)	(2,726,743)	(7,127,039)
Balance at 31 December 2018	52,552,523	7,845,520	144,517	142,680	(2,560,000)	(40,459,071)	17,666,169

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

Consolidated Statement of Changes in Equity

for the period ended 31 December 2017

Attributable to equity holders of the Group in \$ dollars	Share capital	Share based payment Reserves	Other Reserve	Acquisition Reserve	Foreign Currency Translation Reserve	Fair Value Other Comprehensive Income ("FVOCI") Reserve	Accumulated losses	Total
Balance at 1 July 2017	52,237,523	6,909,853	144,517	(15,214,601)	28,844	188,088	(20,843,824)	23,450,400
Total comprehensive loss for the period	-	-	-	-	(12,864)	246,976	(2,656,722)	(2,422,610)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Issue of share capital	-	-	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-	-	-
Share-based payment transactions	-	769,976	-	-	-	-	-	769,976
Total contributions by and distributions to owners	-	769,976	-	-	(12,864)	246,976	(2,656,722)	(1,652,634)
Balance at 31 December 2017	52,237,523	7,679,829	144,517	(15,214,601)	15,980	435,064	(23,500,546)	21,797,766

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

Consolidated Statement of Cash Flows

for the half year ended 31 December 2018

	Notes	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Cash paid to suppliers and employees for administration activities		(1,099,440)	(1,211,264)
Cash paid to suppliers and employees for exploration activities		(3,215,753)	(2,704,467)
Interest received		91,251	118,534
Interest and other finance costs paid		(3,537)	(4,713)
Income tax over payment		(1,806)	-
Net cash used in operating activities		(4,229,285)	(3,801,910)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,352)	(1,037)
Payment of exploration activities capitalised		-	(1,143)
Payment for exploration acquisition		-	(163,801)
Net proceeds from sale of investment in TSX-V listed entity		1,813,923	2,574,078
Investment in Todd River Resources Ltd		(2,743,240)	-
Net cash used in investing activities		(933,669)	2,408,097
Cash flows from financing activities			
Net receipts / (payments) for cash backed guarantees		(15,854)	(21,296)
Net cash used in financing activities		(15,854)	(21,296)
Net increase / (decrease) used in cash and cash equivalents		(5,178,808)	(1,415,109)
Effects of exchange rate changes on cash and cash equivalents		199,416	63,630
Cash and cash equivalents at 1 July		15,026,119	17,501,007
Cash and cash equivalents at 31 December		10,046,727	16,149,528

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

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2018 except for the application of *AASB 9 Financial Instruments* for the first time for the half year end commencing 1 July 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The only additional accounting policy required is:

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.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

Significant judgement – Interest in Associates

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%. 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 share 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 half year ended 31 December 2018.

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- AASB 9 Financial Instruments

The impact of the adoption of these standards and the new accounting policies are disclosed in note 1(a).

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2018 that have been applied by the Company. The 30 June 2018 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2018.

Changes in accounting policy

This note explains the changes in the entity’s accounting policies as a result of the adoption of AASB 9 Financial instruments, however the prior year financial statements did not have to be restated as a result.

(a) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. The new accounting policies are set out below.

Impact of adoption

(i) Classification and measurement of financial assets

On the date of initial application, 1 July 2018, the financial instruments of the Group were as follows, with any reclassification noted.

	Measurement category		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original \$	New \$	Difference \$
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	403,760	403,760	-
Non - current financial assets					
Equity securities	Available-for-sale assets	Investments	8,310,859	8,310,859	-

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

Changes in accounting policy (continued)

The impact of these changes on the Group's equity is as follows:

	Revaluation Reserve \$	Fair Value Other Comprehensive Income Reserve (FVOCI) \$	Effect on retained earnings \$
Opening balance 30 June 2018 – AASB 139	1,910,667	-	-
Reclassify listed available-for-sale financial assets to the Fair Value Other Comprehensive Income Reserve (FVOCI)	(1,910,667)	1,910,667	-
Opening balance 1 July 2018 – AASB 9	-	1,910,667	-

Equity investments previously classified as available-for-sale

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale. As a result, assets with a fair value of \$8,310,859 were reclassified from available-for-sale financial assets, recognised under 'Available-for-sale assets' to 'Investments' and fair value gains or losses of \$1,910,667 was reclassified from the 'Fair Value Reserve' to the 'Fair Value Other Comprehensive Income Reserve' (FVOCI) on 1 July 2018.

(ii) Impairment of financial assets

Prior to the adoption of AASB 9, in accordance with AASB 139, the Group applied an incurred credit loss model. Upon adoption of AASB 9, the Group has elected to apply the simplified approach to measuring expected credit losses, which uses the lifetime expected loss allowance for all trade and other receivables.

Due to the nature of the Group's trade and other receivables, the impact of the expected loss allowance under AASB 9 against the loss incurred under AASB 139 was not material to the Group.

(b) Revised accounting policies

Investments and other financial assets

Investments and other financial assets Investments are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss);
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

Changes in accounting policy (continued)

(i) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group subsequently measures all equity investments at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and pricing models to reflect the issuer's specific circumstances.

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

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(ii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

NOTE 2: SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

Segment Results

Statement of loss for the half year ended 31 December 2018

\$

	Finland exploration activities	Sweden exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	-	84,565	84,565
Corporate expenses	-	-	-	-	(733,038)	(733,038)
Business Development	-	-	-	-	(193,095)	(193,095)
Depreciation expense	-	-	-	-	(55,889)	(55,889)
Share-based payments	-	-	-	-	(58,914)	(58,914)
Other gain/(losses) - net	-	-	-	-	190,066	190,066
Exploration expenditure expensed as incurred	(1,525,010)	14,323	(1,611,820)	(52,582)	-	(3,175,089)
Exploration impairment expense	-	-	(60,446)	-	-	(60,446)
Share of associate's profit/(loss)	-	-	-	-	(216,774)	(216,774)
Loss before income tax	(1,525,010)	14,323	(1,672,266)	(52,582)	(983,079)	(4,218,614)
Income tax expense	-	-	-	-	(1,860)	(1,860)
Loss after income tax for the half year	(1,525,010)	14,323	(1,672,266)	(52,582)	(984,939)	(4,220,474)

Statement of loss for the half year ended 31 December 2017

\$

	Finland exploration activities	Sweden exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	-	109,478	109,478
Corporate expenses	-	-	-	-	(1,037,515)	(1,037,515)
Business Development	-	-	-	-	(116,676)	(116,676)
Depreciation expense	-	-	-	-	(78,924)	(78,924)
Share-based payments	-	-	-	-	(769,976)	(769,976)
Other gain/(losses) - net	-	-	-	-	1,952,586	1,952,586
Exploration expenditure expensed as incurred	(432,272)	(1,407,172)	(622,189)	(254,062)	-	(2,715,695)
Loss before income tax	(432,272)	(1,407,172)	(622,189)	(254,062)	58,973	(2,656,722)
Income tax expense	-	-	-	-	-	-
Loss after income tax for the half year	(432,272)	(1,407,172)	(622,189)	(254,062)	58,973	(2,656,722)

SEGMENT ASSETS AND LIABILITIES

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

NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT AMORTISED COST

(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.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

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

Equity investments at FVOCI comprise the following individual investments:

	31 December 2018 \$	30 June 2018 \$
Non-current		
Investments		
<i>Balance at beginning of the period</i>		
GT Gold	910,859	1,188,689
Westgold Resources Ltd	7,400,000	-
<i>Movement during the period</i>		
GT Gold (1)	(910,859)	(277,830)
Westgold Resources Ltd	(3,880,000)	7,400,000
Balance for the half year ended 31 December 2018 (2)	3,520,000	8,310,859

(1) GT Gold shares were acquired at cost of \$1,000,601 in the financial year ended 30 June 2017 and have been disposed as follows:

	Total Gain on disposal			Gain on disposal for the half year ended 31 Dec 2018		
	Net proceeds \$	Original cost \$	Gain \$	Net proceeds \$	Carrying value at 30 June 2018 \$	Gain \$
Sold in the half year ended 31 December 2018	1,813,923	(320,192)	1,493,731*	1,813,923	(910,859)	903,064
Sold in the half year ended 31 December 2017	2,574,078	(680,409)	1,893,669**	-	-	-
	4,388,001	1,000,601	3,387,400	1,813,923	(910,859)	903,064

* Please note that due to the change in accounting policies for financial assets, the gain of \$1,493,731 during the half year ended 31 December 2018 was transferred from the fair value other comprehensive income (FVOCI) reserve to accumulated losses.

** The gain recognised of \$1,893,669 for the half year ended 31 December 2017 was disclosed in the profit or loss or other comprehensive income as per the previous financial instruments standard AASB 139. The Group are unable to restate comparatives for a half year reporting period.

(2) The balance as at 31 December 2018 of \$3,520,000 represents the investment in Westgold Resources Ltd ("Westgold"). The Group holds 6,080,000 shares in Westgold and the share price as at 31 December 2018 was \$0.88 per share.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. In the prior financial year, the Group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

As mentioned in the Basis of Preparation of Half-year financial statements under "Changes in accounting policy", this explains the change of accounting policy and the reclassification of certain equity investments from available-for-sale to investments at fair value through other comprehensive income.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

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

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

	31 December 2018	30 June 2018
	\$	\$
Gains/(losses) recognised in other comprehensive income	(2,976,936)*	246,976

*The movement of gain/(losses) recognised in other comprehensive income for the half year ended 31 December 2018 was as follows:

Gain on sale of GT Gold shares for the half year ended 31 December 2018	903,064
Diminution in value of Westgold Resources shares	(3,880,000)
Loss recognised in other comprehensive income	<u>(2,976,936)</u>

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

Financial assets at amortised cost include the following:

	31 December 2018	30 June 2018
	\$	\$
Current – Other receivables		
Trade and other receivables	534,342	403,758
	<u>534,342</u>	<u>403,758</u>

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 4. INTERESTS IN ASSOCIATES

The entity listed below have share capital consisting of ordinary shares and options of which 19.99% of the ordinary share 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	
		2018 \$	2017 \$			2018 \$	2017 \$
Todd River Resources Ltd	Australia	19.99%	-	Associate	Equity method	2,526,466	-

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 4. INTERESTS IN ASSOCIATES (CONTINUED)

In November 2018, the Group acquired a 19.99% strategic stake in Todd River Resources Ltd (ASX:TRT) at \$0.08987 per share for \$2,720,815

Dr Mark Bennett, Managing Director and CEO of S2 Resources Ltd joined as a Non-Executive director of TRT.

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.

	31-Dec 2018
Summarised balance sheet	\$
Current assets	5,084,817
Non current assets	7,615,564
Total assets	12,700,381
Current liabilities	485,551
Non-current liabilities	-
Total liabilities	485,551
NET ASSETS	12,214,830
Share capital	18,847,422
Reserves	240,731
Accumulated losses	(6,873,323)
Total equity	12,214,830

	31-Dec 2018
Reconciliation to carrying amounts	\$
S2R's initial investment 20 November 2018	\$ 2,743,240
Loss for the period - Todd River Resources (1)	\$ (1,084,410)
Group's share	% 19.99%
Less Group's share	\$ (216,774)
Carrying amount	\$ 2,526,466

(1) The loss for the period has been modified to align TRT's accounting policies with the Group's accounting policies. TRT's accounting policy is to capitalise all exploration and evaluation expenditure where as the Group expense all ongoing exploration and evaluation expenditure until such a time where a JORC 2012 compliant resource is announced in relation to the identifiable area of interest.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 5. EXPLORATION AND EVALUATION

	31 December 2018 \$	30 June 2018 \$
Exploration costs	1,027,803	1,083,153
Movement during the period		
Balance at beginning of the period	1,083,153	4,650,820
Exploration expenditure incurred during the period	3,175,089	5,860,731
Exploration expenditure incurred during the period and expensed (i)	(3,175,089)	(5,859,587)
Exploration expenditure relating to acquisitions	-	173,473
Exploration impairment expense (ii)	(60,446)	(1,090,320)
Disposal of WA Gold Projects	-	(2,651,964)
Foreign currency translation differences	5,096	-
Balance at end of the period	1,027,803	1,083,153

(i) During the half year ended 31 December 2018 the exploration expenditure incurred pertains to the following:

Finland Project

Exploration expenditure incurred and expensed for Finland was \$1,525,010.

Sweden Project

Exploration expenditure incurred and credited for Sweden was (\$14,322).

South Roberts Project

Exploration expenditure incurred and expensed for South Roberts was \$17,506.

Pluto Project

Exploration expenditure incurred and expensed for South Roberts was \$17,567.

Ecu Project

Exploration expenditure incurred and expensed for Ecu was \$1,576,748.

(ii) The Group also made a decision to withdraw from the South Roberts Project and therefore made an impairment expense of \$60,446.

NOTE 6. SHARE CAPITAL

	31 December 2018 No of Shares	31 December 2018 \$
Ordinary shares fully paid	247,915,179	52,552,523
Ordinary shares fully paid		
Balance at beginning of period	247,915,179	52,552,523
Balance at period end	247,915,179	52,552,523

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 6. SHARE CAPITAL (CONTINUED)

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 7. RESERVES

	31 December 2018 \$	30 June 2018 \$
Share-based payments reserve (i)	7,845,520	7,786,606
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	142,680	131,223
Fair value other comprehensive income (FVOCI) reserve (iv)	(2,560,000)	1,910,667
	5,572,717	9,973,013

(i) The share-based payments reserve recognises the fair value of the options issued to Directors, employees and service providers.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

(ii) The other reserve recognises the remaining non-controlling interest (33%) that was purchased from the Sakumpu vendors on 30 November 2015. Sakumpu Exploration Oy is a registered entity in Finland.

(iii) Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iv) The FVOCI reserve recognises the change in fair value of the Group's equity instruments or investments. The prior year balance was recognised as the "Revaluation reserve". Please refer to note 1(a) of these financials for more detail.

NOTE 8. SHARE BASED PAYMENTS

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

Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(10) Issued 28 November 2018	2,900,000	28/11/2018	27/11/2022	0.14	0.05

(1) 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.

The weighted average fair value of the share options granted during the period is \$0.05.

The weighted average contractual life for options outstanding at the end of the period was 1.69 years.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 8. SHARE BASED PAYMENTS (CONTINUED)

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

	31 December 2018 \$
Options issued under Directors Option Plan	-
Options issued under Employee Share Plan	57,284
Options issued under Service Provider Plan	1,630
	<u>58,914</u>

Options granted during the half year ended 31 December 2018, were priced using a Black-Scholes option pricing model using the inputs below:

	Series 10
Grant date share price	0.09
Exercise price	0.14
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	2.29%

The following reconciles the outstanding share options granted in the half year ended 31 December 2018:

	31 December 2018 Number of Options	31 December 2018 Weighted average exercise price \$	31 December 2017 Number of Options	31 December 2017 Weighted average exercise price \$
Balance at the beginning of the period	50,750,000	0.35	40,350,000	0.38
Granted during the period	2,900,000	0.14	11,150,000	0.23
Exercised during the period	-	-	-	-
Expired/cancelled during the period (i)	(300,000)	0.23	500,000	0.40
Balance at the end of the period	53,350,000	0.28	51,000,000	0.36
Un-exercisable at the end of the period	2,900,000	0.14	3,400,000	0.23
Exercisable at end of the period	50,450,000	0.35	47,600,000	0.36

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

For the half year ended 31 December 2018, 300,000 employee share options were cancelled due to staff redundancies.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 9. RELATED PARTIES

During the half year ended 31 December 2018, options were issued to the following Directors and Key Management Personnel:

	Grant Date	Number of Options	Share Based Payments \$
Management			
Su-Mei Sain	28 November 18	300,000	13,518
		300,000	13,518

Other than the Key Management Personnel stated above, there were no new related party transactions for the half year ended 31 December 2018.

NOTE 10. EVENTS OCCURRING AFTER THE REPORTING DATE

There has been no matter or circumstance that has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

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

NOTE 11. LOSS PER SHARE

	31 December 2018 \$	31 December 2017 \$
(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	(4,220,474)	(2,656,722)
(b) Weighted average number of shares used as the Denominator		
	31 December 2018 Number	31 December 2017 Number
Ordinary shares used as the denominator in calculating basic loss per share	247,915,179	246,052,452
(c) Loss per share		
Basic loss per share	31 December 2018 Cents (1.70)	31 December 2017 Cents (1.08)

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

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2018

NOTE 12. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes to the Group's commitments since 30 June 2018.

Contingencies

For the half year ended 31 December 2018, there were no contingencies to disclose for the Group.

NOTE 13. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	2018	2017
Polar Metals Pty Ltd	Australia	Ordinary	-	100%
Southern Star Exploration Pty Ltd	Australia	Ordinary	100%	-
Sirius Europa Pty Ltd	Australia	Ordinary	100%	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%	100%
Sakumpu Exploration Filial	Sweden	Ordinary	100%	100%
S2 Sverige AB	Sweden	Ordinary	100%	100%
S2RUS LLC	USA	Ordinary	100%	100%
Nevada Star Exploration LLC	USA	Ordinary	100%	100%
S2 Exploration Quebec Inc.	Canada	Ordinary	100%	100%

Directors' Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes set out on pages 6 to 23 are in accordance with the Corporations Act 2001 and other professional reporting requirements including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the period then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mark Bennett
Director
Melbourne
14 March 2019

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

As lead auditor for the review of S2 Resources Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of S2 Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of S2 Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'J Prue', is written below the printed name.

Jarrad Prue

Director

Perth, 14 March 2019