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**S2 RESOURCES LTD**

**ABN: 18 606 128 090**

**HALF YEAR FINANCIAL REPORT**

**31 December 2021**

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

**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

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**S2 Resources Ltd**  
**Half Year Financial Report**  
**For the half year ended 31 December 2021**

## Corporate Directory

<b>Directors</b>	Mark Bennett	Executive Chairman
	Jeff Dowling	Non-Executive Director
	Anna Neuling	Executive Director
<b>Company Secretary</b>	Anna Neuling	
<b>Principal and Registered Office</b>	4/24 Parkland Road Osborne Park, Western Australia 6017 Telephone: +61 8 6166 0240 Facsimile: +61 8 6270 5410 Website: <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>	
<b>Auditor</b>	BDO Audit (WA) Pty Ltd Level 9 Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000 Telephone: (08) 6382 4600	
<b>Share Registry</b>	Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth, Western Australia 6000 Telephone: 1300 787 575	
<b>Stock Exchange Listing</b>	S2 Resources Ltd shares are listed on the Australian Securities Exchange.	
<b>ASX Code</b>	S2R	

## Directors' Report

The Directors of S2 Resources Ltd ("Directors") present their report on S2 Resources Ltd ("Company" or "S2") and the entities it controlled at the end of, or during, the half year ended 31 December 2021 ("Consolidated Entity" or "Group").

### Directors

The names and details of the Directors in office during the half year ended 31 December 2021 and until the date of this financial report are as follows. The Directors were in office for the entire period unless otherwise stated.

Mark Bennett  
Jeff Dowling  
Anna Neuling

### Principal Activities

The principal continuing activity of the Group is mineral exploration.

## Review of Operations

### Operating Result

The loss from continuing operations for the half year ended 31 December 2021 after providing for income tax amounted to \$4,551,809 (2020: \$3,312,246).

The loss results from \$2,845,458 of exploration expenditure incurred and expensed, \$554,403 of administration costs, \$98,603 of business development costs, \$1,130,065 of share-based payments expenses, \$69,372 depreciation costs and \$146,092 of other income and net gains/(losses) including finance costs. The exploration expenditure incurred and expensed mainly relates to the Company's Finnish and Australian projects.

### Dividends

No dividends were paid or proposed to be paid to members during the half year ended 31 December 2021.

### Significant Changes in the State of Affairs

- On 16 August 2021, the Group through its wholly owned Finnish subsidiary Sakumpu Exploration Oy entered into a binding farm-in agreement with Rupert Resources on two exploration licence applications covering an area of 37 square kilometres in the Central Lapland Greenstone Belt in northern Finland. Under the agreement, Rupert can spend up to 3.4 million Euro's to earn a 70% interest in the Sikavaara East and Sikavaara West licences, with an initial expenditure requirement of 1.2 million Euro's over the first three years.
- On 30 August 2021, the Group completed its placement by issuing 41,483,676 shares to institutional and sophisticated investors at an issue price of \$0.12 resulting in the Group having additional working capital of \$4,978,041. 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.

## Directors' Report (continued)

### COVID 19

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

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future operating results. Management has actively managed the global situation and its impact on the Group's financial condition, operations, and workforce. During the half year ended 31 December 2021, there have been no impacts from COVID-19 on the Group's exploration activities.

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

### After Balance Date Events

There has been no matter or circumstance that has arisen since 31 December 2021 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 21 of the interim financial report.

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



Mark Bennett  
Executive Chairman  
Perth  
8 March 2022

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Other income		160,941	27,728
Salaries and wages		(310,783)	(190,857)
Travel expenditure		(13,627)	(24,149)
Consulting and legal fees		(68,202)	(74,674)
Share & Company registry		(53,073)	(81,652)
Listing fees		(44,112)	(23,120)
Rent, insurance & variable outgoings		(64,606)	(98,881)
Business development		(98,603)	(227,527)
Depreciation expense		(69,372)	(68,259)
Share based payments	6	(1,130,065)	(734,549)
Other gains/(losses)		(9,984)	(261,912)
Finance costs		(4,865)	(5,978)
Exploration expenditure expensed as incurred	3	(2,845,458)	(2,521,928)
Share of associate's profit/(loss)		-	(159,042)
Fair value adjustment for reclassification of investment		-	1,132,554
<b>Loss before income tax</b>		<b>(4,551,809)</b>	<b>(3,312,246)</b>
Income tax (expense)/benefit		-	-
<b>Loss for the period</b>		<b>(4,551,809)</b>	<b>(3,312,246)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be classified to profit or loss</i>			
Changes in the fair value of Investments at fair value through other comprehensive income		(150,508)	1,204,062
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations		(16,272)	178,497
<b>Total Comprehensive loss for the period attributable to the members of S2 Resources Ltd</b>		<b>(4,718,589)</b>	<b>(1,929,687)</b>
<b>Loss per share for the period attributable to the Members of S2 Resources Ltd</b>			
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	9	<b>(1.33)</b>	<b>(1.09)</b>

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

## Consolidated Statement of Financial Position

as at 31 December 2021

	Notes	31 December 2021 \$	30 June 2021 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		8,132,464	7,316,846
Restricted cash		318,419	322,790
Trade and other receivables		200,316	101,161
Financial assets held at fair value through other comprehensive income	12	6,095,563	6,246,071
<b>TOTAL CURRENT ASSETS</b>		<b>14,746,762</b>	<b>13,986,868</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation	3	2,366,972	2,366,972
Property, plant and equipment		140,943	150,538
Right-of-use assets		145,946	156,892
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,653,861</b>	<b>2,674,402</b>
<b>TOTAL ASSETS</b>		<b>17,400,623</b>	<b>16,661,270</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		433,888	756,903
Provisions		109,517	92,188
Lease Liabilities		85,486	74,715
<b>TOTAL CURRENT LIABILITIES</b>		<b>628,891</b>	<b>923,806</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liabilities		78,042	102,205
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>78,042</b>	<b>102,205</b>
<b>TOTAL LIABILITIES</b>		<b>706,933</b>	<b>1,026,011</b>
<b>NET ASSETS</b>		<b>16,693,690</b>	<b>15,635,259</b>
<b>EQUITY</b>			
Share capital	4	65,831,625	61,184,670
Reserves	5	7,022,008	6,896,328
Accumulated losses		(56,159,943)	(52,445,739)
<b>TOTAL EQUITY</b>		<b>16,693,690</b>	<b>15,635,259</b>

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

## Consolidated Statement of Changes in Equity

for the half year ended 31 December 2021

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 2021	61,184,670	2,862,214	144,517	352,665	3,536,932	(52,445,739)	15,635,259
Loss for the half year	-	-	-	-	-	(4,551,809)	(4,551,809)
Other comprehensive income	-	-	-	(16,272)	(150,508)	-	(166,780)
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(16,272)</b>	<b>(150,508)</b>	<b>(4,551,809)</b>	<b>(4,718,589)</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of share capital net of capital raising costs	4,646,955	-	-	-	-	-	4,646,955
Share-based payment transactions		1,130,065	-	-	-	-	1,130,065
Transfer of lapsed and expired options value to accumulated losses	-	(837,605)	-	-	-	837,605	-
Total contributions by and distributions to owners	4,646,955	292,460	-	-	-	837,605	5,777,020
<b>Balance at 31 December 2021</b>	<b>65,831,625</b>	<b>3,154,674</b>	<b>144,517</b>	<b>336,393</b>	<b>3,386,424</b>	<b>(56,159,943)</b>	<b>16,693,690</b>

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



## Consolidated Statement of Changes in Equity

for the half year ended 31 December 2020

Attributable to equity holders of the Group in \$ dollars	Share capital	Share based payment Reserves	Other Reserve	Foreign Currency Translation Reserve	Fair Value Other Comprehensive Income ("FVOCI") Reserve	Accumulated losses	Total
Balance at 1 July 2020	52,552,523	4,016,601	144,517	184,683	-	(47,521,637)	9,376,687
Loss for the half year	-	-	-	-	-	(3,312,246)	(3,312,246)
Other comprehensive income	-	-	-	178,497	1,204,062	-	1,382,559
<b>Total comprehensive loss for the period</b>	-	-	-	<b>178,497</b>	<b>1,204,062</b>	<b>(3,312,246)</b>	<b>(1,929,687)</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of share capital net of capital raising costs	8,632,147	-	-	-	-	-	8,632,147
Share-based payment transactions	-	734,549	-	-	-	-	734,549
Transfer of lapsed and expired options value to accumulated losses	-	(2,310,305)	-	-	-	2,310,305	-
Total contributions by and distributions to owners	8,632,147	(1,575,756)	-	-	-	2,310,305	9,366,696
<b>Balance at 31 December 2020</b>	<b>61,184,670</b>	<b>2,440,845</b>	<b>144,517</b>	<b>363,180</b>	<b>1,204,062</b>	<b>(48,523,578)</b>	<b>16,813,696</b>

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

## Consolidated Statement of Cash Flows

for the half year ended 31 December 2021

Notes	31 December 2021 \$	31 December 2020 \$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees for administration activities	(759,121)	(764,794)
Cash paid to suppliers and employees for exploration activities	(3,161,837)	(1,916,468)
Interest received	6,440	20,513
Interest and other finance costs paid	(7,103)	(8,126)
Income tax refund/(payment)	-	-
<b>Net cash used in operating activities</b>	<b>(3,921,621)</b>	<b>(2,668,875)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(16,270)	(57,562)
Net proceeds from sale of data	155,409	-
<b>Net cash provided by/(used in) investing activities</b>	<b>139,139</b>	<b>(57,562)</b>
<b>Cash flows from financing activities</b>		
Net receipts / (payments) for cash backed guarantees	5,266	-
Proceeds from issue of shares & other equity securities	4,978,041	7,747,000
Share issue transaction costs	(331,086)	(514,853)
Principal elements of lease payments	(46,375)	(38,395)
<b>Net cash provided by financing activities</b>	<b>4,605,846</b>	<b>7,193,752</b>
Net increase / (decrease) used in cash and cash equivalents	823,364	4,467,315
Effects of exchange rate changes on cash and cash equivalents	(7,746)	(259,765)
Cash and cash equivalents at 1 July	7,316,846	6,419,891
<b>Cash and cash equivalents at 31 December</b>	<b>8,132,464</b>	<b>10,627,441</b>

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

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# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

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

### Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2021. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Standards and Interpretations applicable to 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. None of which have a material impact on the Group.

### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

### Use of estimates and judgements

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

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

## NOTE 2: SEGMENT INFORMATION

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

- Finland exploration activities, which includes exploration and evaluation of mineral tenements in Central Lapland.
- Australia exploration activities, which includes exploration and evaluation of mineral tenements in Western Australia, New South Wales and Victoria.
- 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, any costs incurred relate to the storage of exploration equipment.
- Unallocated, which includes all other expenses that cannot be directly attributed to any of the segments above.

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

### Segment Results

#### Statement of loss for the half year ended 31 December 2021

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	160,941	160,941
Corporate expenses	-	-	(540,776)	(540,776)
Business Development	-	-	(98,603)	(98,603)
Travel	-	-	(13,627)	(13,627)
Depreciation expense	-	-	(69,372)	(69,372)
Share-based payments	-	-	(1,130,065)	(1,130,065)
Other gain/(losses) - net	-	-	(9,984)	(9,984)
Finance cost	-	-	(4,865)	(4,865)
Exploration expenditure expensed as incurred	(1,413,209)	(1,431,027)	(1,222)	(2,845,458)
Loss before income tax	(1,413,209)	(1,431,027)	(1,707,573)	(4,551,809)
Income tax expense	-	-	-	-
Loss after income tax for the half year	(1,413,209)	(1,431,027)	(1,707,573)	(4,551,809)

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

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

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	27,728	27,728
Corporate expenses	-	-	(469,184)	(469,184)
Business Development	-	-	(227,527)	(227,527)
Travel	-	-	(24,149)	(24,149)
Depreciation expense	-	-	(68,259)	(68,259)
Share-based payments	-	-	(734,549)	(734,549)
Other gain/(losses) - net	-	-	(261,912)	(261,912)
Finance cost	-	-	(5,978)	(5,978)
Exploration expenditure expensed as incurred	(1,350,641)	(1,166,482)	(4,805)	(2,521,928)
Exploration impairment expense	-	-	-	-
Share of associate's profit/(loss)	-	-	(159,042)	(159,042)
Fair value adjustment for reclassification of investment	-	-	1,132,554	1,132,554
Associate impairment expense	-	-	-	-
Loss before income tax	(1,350,641)	(1,166,482)	(795,123)	(3,312,246)
Income tax expense	-	-	-	-
Loss after income tax for the half year	(1,350,641)	(1,166,482)	(795,123)	(3,312,246)

## SEGMENT ASSETS AND LIABILITIES

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

31 Dec 2021	Finland exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Exploration and evaluation assets	966,972	-	1,400,000	-	2,366,972

  

30 June 2021	Finland exploration activities	Nevada exploration activities	Australia exploration activities	Unallocated	Total
Exploration and evaluation assets	966,972	-	1,400,000	-	2,366,972

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

## NOTE 3. EXPLORATION AND EVALUATION

	31 December 2021 \$	30 June 2021 \$
Exploration costs	2,366,972	2,366,972
<b>Movement during the period</b>		
Balance at beginning of the period	2,366,972	966,972
Exploration expenditure incurred during the period (i)	2,845,458	5,294,837
Exploration expenditure incurred during the period and expensed	(2,845,458)	(5,294,837)
Exploration expenditure relating to acquisitions	-	1,400,000
Exploration impairment expense	-	-
Foreign currency translation differences	-	-
<b>Balance at end of the period</b>	<b>2,366,972</b>	<b>2,366,972</b>

- (i) During the half year ended 31 December 2021 the exploration expenditure incurred pertains to the following:

### Australian Projects

Exploration expenditure incurred and expensed for Australian Projects was \$1,431,027.

### Finland Projects

Exploration expenditure incurred and expensed for Finland was \$1,413,209.

### US Projects

Exploration expenditure incurred and expensed for the US was \$1,222 this relates to the storage of exploration equipment

## NOTE 4. SHARE CAPITAL

	31 December 2021 No of Shares	31 December 2021 \$
Ordinary shares fully paid	356,374,855	65,831,625
<b>Ordinary shares fully paid</b>		
Balance at beginning of period	314,891,179	61,184,670
Placement shares issued at 12 cents per share net of costs	41,483,676	4,646,955
<b>Balance at period end</b>	<b>356,374,855</b>	<b>65,831,625</b>

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

## Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

### NOTE 5. RESERVES

	31 December 2021 \$	30 June 2021 \$
Share-based payments reserve (i)	3,154,674	2,862,214
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	336,393	352,665
Revaluation Reserve (iv)	3,386,424	3,536,932
	<b>7,022,008</b>	<b>6,896,328</b>

- (i) The share-based payments reserve recognises the fair value of the options issued to Directors, employees and service providers.  
Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.  
In the period ended 31 December 2021, \$837,604 in relation to the fair value of options which has lapsed or expired was transferred to accumulated losses.
- (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 12 of these financials.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

## NOTE 6. SHARE BASED PAYMENTS

The following share-based payments arrangements were issued during the current and prior reporting period.

### Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(14) Issued 27 August 2020	200,000	27/08/2020	26/08/2024	0.30	0.10
(15) Issued 5 October 2020	2,000,000	05/10/2020	04/10/2024	0.39	0.14
(16) Issued 17 November 2020	7,350,000	17/22/2020	16/11/2024	0.38	0.14
(17) Issued 12 November 2021	11,050,000	12/11/2021	11/11/2025	0.29	0.13

(14) The 200,000 options in series 14 which vests one year from grant date were issued to a service provider under the Service Provider Option Plan. 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.

(15) The 2,000,000 options in series 15 which vests one year from grant date was issued to an employee under the Employee Share Option Plan.

(16) The 7,350,000 options in series 16 comprised 4,500,000 options issued to the Directors of the Group which vested immediately, 2,450,000 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.

(17) The 11,050,000 options in series 17 comprised 6,500,000 were issued to Directors under the Directors Share Option Plan which vest immediately, 4,450,000 were issued to employees under the Employee Share Option Plan which vest one year from grant date and 100,000 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 \$0.13.

The weighted average contractual life for options outstanding at the end of the period was 2.59 years.

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

	<b>31 December 2021</b>
	<b>\$</b>
Options issued under Directors Option Plan	817,584
Options issued under Employee Share Plan	285,625
Options issued under Service Provider Plan	26,856
	<u><b>1,130,065</b></u>

Options granted during the half year ended 31 December 2021, were priced using a Black-Scholes option pricing model using the inputs below:

	Series 17
Grant date share price	0.20
Exercise price	0.29
Expected volatility	100%
Option life	4 years
Dividend yield	0.00%
Interest rate	1.1%



## Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

The following reconciles the outstanding share options granted in the half year ended 31 December 2021:

	31 December 2021 Number of Options	31 December 2021 Weighted average exercise price \$	31 December 2020 Number of Options	31 December 2020 Weighted average exercise price \$
Balance at the beginning of the period	40,300,000	0.29	41,600,000	0.34
Granted during the period	11,050,000	0.29	9,550,000	0.38
Exercised during the period	-	-	-	-
Expired/cancelled during the period (i)	(10,100,000)	0.23	(10,850,000)	0.56
<b>Balance at the end of the period</b>	<b>41,250,000</b>	<b>0.31</b>	<b>40,300,000</b>	<b>0.29</b>
Un-exercisable at the end of the period	4,550,000	0.29	5,050,000	0.38
<b>Exercisable at end of the period</b>	<b>36,700,000</b>	<b>0.31</b>	<b>35,250,000</b>	<b>0.28</b>

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

For the half year ended 31 December 2021, 450,000 service provider options had expired, 1,900,000 employee share options had expired and 7,750,000 Director options had expired.

### NOTE 7. RELATED PARTIES

During the half year ended 31 December 2021, options were issued to the following Directors and Key Management Personnel:

	Grant Date	Number of Options	Total value of share based payment \$	Share based payment expensed in current period \$
<b>Management</b>				
Mark Bennett	12 Nov 2021	4,000,000	503,129	503,129
Anna Neuling	12 Nov 2021	1,250,000	157,228	157,228
Jeff Dowling	12 Nov 2021	1,250,000	157,228	157,228
Matthew Keane	12 Nov 2021	1,750,000	220,119	105,051
		<b>8,250,000</b>	<b>1,037,704</b>	<b>922,636</b>

Other than the Key Management Personnel stated above, there were no new related party transactions for the half year ended 31 December 2021.

### NOTE 8. EVENTS OCCURRING AFTER THE REPORTING DATE

There has been no matter or circumstance that has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

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

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

## NOTE 9. LOSS PER SHARE

	31 December 2021 \$	31 December 2020 \$
<b>(a) Reconciliation of loss used in calculating Loss Per Share</b>		
<i>Basic loss per share</i>		
Loss attributable to the ordinary equity holders used in calculating basic loss per share	(4,551,809)	(3,312,246)
<b>(b) Weighted average number of shares used as the Denominator</b>		
Ordinary shares used as the denominator in calculating basic loss per share	342,546,963	303,462,895
<b>(c) Loss per share</b>		
Basic loss per share	(1.33)	(1.09)

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

## NOTE 10. COMMITMENTS AND CONTINGENCIES

### Commitments

There were no material changes to the Group's commitments since 30 June 2021.

### Contingencies

For the half year ended 31 December 2021, there were no contingencies to disclose for the Group.

## NOTE 11. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	2021	2020
Third Eye Pty Ltd	Australia	Ordinary	100%	100%
Southern Star Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sirius Europa Pty Ltd	Australia	Ordinary	100%	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%	100%
S2 Sverige AB *	Sweden	Ordinary	-	100%
S2RUS LLC	USA	Ordinary	100%	100%
Nevada Star Exploration LLC	USA	Ordinary	100%	100%
S2 Exploration Quebec Inc.	Canada	Ordinary	100%	100%

- S2 Sverige AB a dormant subsidiary was disposed of during June 2021.

# Notes to the Consolidated Financial Statements

for the half year ended 31 December 2021

## NOTE 12. FAIR VALUE MEASUREMENT

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

### Fair Value Hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value.

	Level 1	Level 2	Level 3	Total \$
<b>As at 31 December 2021</b>	\$	\$	\$	
Financial assets as FVOCI – Equity Securities	6,095,563	-	-	6,095,563
<b>As at 30 June 2021</b>	\$	\$	\$	
Financial assets as FVOCI – Equity Securities	6,246,071	-	-	6,246,071

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

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

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

### Valuation techniques used to determine fair values

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

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

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

## Directors' Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes set out on pages 6 to 19 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 2021 and of its performance for the period then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mark Bennett  
Executive Chairman  
Perth  
8 March 2022

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

As lead auditor for the review of S2 Resources Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



Ashleigh Woodley  
Director

BDO Audit (WA) Pty Ltd  
Perth, 8 March 2022

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## 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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

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

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

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

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 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*.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The signature starts with the letters 'BDO' in a stylized, blocky font. Below this, there is a cursive signature that appears to read 'Ashleigh Woodley'.

Ashleigh Woodley  
Director

Perth, 8 March 2022

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