S2 RESOURCES LTD

ABN 18 606 128 090

Financial Report

for the

Year Ended 30 June 2022

Contents

Corporate Directory

Directors	Mark Bennett	Executive Chairman
	Jeff Dowling	Non-Executive Director
	Anna Neuling	Non-Executive Director
Company Secretary	Andrea Betti	
Principal Office	Level 8, 350 Collins Street, Melbourne, Victoria 3000 Telephone: +61 8 6166 0240 Website: www.s2resources.com.au	
Registered Office	Level 2, 22 Mount Street, Perth, Western Australia 6000	
Auditor	BDO Audit (WA) Pty Ltd Level 9 Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000 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 2022 (“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.

Mark Bennett
Jeff Dowling
Anna Neuling

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 2022 after providing for income tax amounted to $7,365,625.

The loss results from $4,720,963 of exploration expenditure incurred and expensed, $1,364,243 of share-based payments expenses, $1,060,327 of administration costs, $361,810 of business development costs including travel, $139,029 of depreciation costs, $155,409 from the sale of data, $161,738 of gain on sale of exploration permit, $11,503 interest income and $47,903 of other losses including finance costs. The exploration expenditure incurred and expensed mainly relates to the Company’s Australian and Finnish projects.

Dividends

No dividends were paid or proposed to be paid to members during the year ended 30 June 2022.

Directors Report (cont)

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 EUR to earn a 70% interest in the Sikavaara East and Sikavaara West licences, with an initial expenditure requirement of 1.2 million EUR 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.

- On 20 May 2022, the Group through its wholly owned Finnish subsidiary Sakumpu Exploration Oy entered into an agreement to sell the Keulakkopää exploration permit in Central Lapland Greenstone Belt in northern Finland. Pursuant to the Agreement, on completion, Aurion Resources Ltd issued 200,000 common shares (the "Consideration Shares") to S2. The Consideration Shares are subject to a statutory four month and one day hold period from completion, and subject to a voluntary escrow agreement which provided that the Consideration Shares be released to S2 when the Finnish mining authorities approved the extension of the permit.

Directors Report (cont)

After Balance Date Events

On 1 August 2022 Executive Director Anna Neuling moved to a Non-Executive Director role.

As part of this role change, Anna relinquished her Company Secretary responsibilities effective 26 July 2022 and Andrea Betti was appointed Company Secretary to the Company and its subsidiaries.

Ms Betti is an accounting and corporate professional with over 20 years' experience in accounting, corporate governance, finance and corporate banking. She has acted as Chief Financial Officer and Company Secretary for a number of companies in the private and publicly listed sectors. Ms Betti is currently a Director of a corporate advisory company based in Perth that provides corporate and other advisory services to public listed companies.

On 12 August 2022 S2 Resources Ltd advised changes to key roles, its registered office, and its principal place of business.

Principal place of business was changed from Perth to Melbourne. The address of the new office is Level 8, 350 Collins Street, Melbourne, VIC 3000.

This reflects the Company's commitment to planned exploration at its flagship Greater Fosterville project in central Victoria. Mark Bennett S2's Melbourne based Executive Chairman will manage the Company's activities and Victoria based personnel from the new Melbourne office.

As a result of this change, the Perth based position of Chief Executive Officer has become redundant, and consequently, Mr Matthew Keane ceased his role as CEO.

There has been no other matter or circumstance that has arisen since 30 June 2022 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.

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, Victoria, and New South Wales. The Board of Directors ("Board") is of the view that all relevant environmental regulation requirements have been met.

Directors Report (cont)

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.

Chairman of Falcon Metals since September 2021.

Former Directorships in the Last Three Years

Dr Bennett 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	12,000,000
Shares	5,560,784

Directors Report (cont)

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 (moved to Non-Executive role 1 August 2022)

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

Non-Executive Director of MLG OZ Ltd since 23 March 2021.

Non-Executive Chair of Tombador Iron Resources Ltd since 25 September 2020.

Former Directorships in the Last Three Years

Non-Executive Director of CZR Resources Ltd from 2 November 2020 to 10 September 2021.

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

Options	7,250,000
Shares	799,875

Meetings of Directors

The number of meetings of the Board and of each Board Committee held during the year ended 30 June 2022 and the number of meetings attended by each Director were:

	Directors' Meetings		Audit & Risk Committee		(i) Remuneration & Nomination Committee	
Name						
	Meeting Held	Meetings attended	Meeting Held	Meetings attended	Meeting Held	Meetings attended
Mark Bennett (ii)	9	9	3	3	-	-
Anna Neuling	9	9	3	3	-	-
Jeff Dowling	9	9	3	3	-	-

(i) During the reporting period to 30 June 2022 there were no Remuneration & Nomination Committee meetings held as there was a meeting held in June 2021 which was earlier than normal due to scheduling and the meeting that was scheduled for June 2022 was rescheduled to October 2022.

(ii) Mark Bennett attended the Audit & Risk Committee meetings by invitation he is not a member of the committee.

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.

Directors Report (cont)

Options & Rights

Unissued ordinary shares of the Company under options or rights at 30 June 2022 are as follows:

Options

Number	Grant Date	Expiry Date	Exercise Price $
2,400,000	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
200,000	03/12/2019	02/12/2023	0.30
200,000	27/08/2020	26/08/2024	0.30
2,000,000	05/10/2020	04/10/2024	0.39
7,350,000	17/11/2020	16/11/2024	0.38
10,300,000	12/11/2021	11/11/2025	0.29
300,000	19/04/2022	18/04/2026	0.25
200,000	28/04/2022	27/04/2026	0.23

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
- Matthew Keane – Chief Executive Officer (CEO)

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, it 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 2021 to 30 June 2022, exclusive of superannuation guarantee the annual cash remuneration for the Non-Executive Director was $78,750 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 2022. The company's approach with regard 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.

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.

	2022	2021	2020	2019	2018
Net loss	(7,365,625)	(7,234,407)	(7,475,048)	(8,288,971)	(1,673,903)
Share price at year end (cents)	14	13	9.3	12	16
Loss per share (cents)	(2.11)	(2.34)	(3.02)	(3.34)	(0.68)

2.DETAILS OF REMUNERATION

Year Ended 30 June 2022

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

CASH REMUNERATION AND ENTITLEMENTS

	Cash remuneration			
2022	**Salary** **$**	**Post–employment benefits (superannuation)** **$**	**Movement in annual leave entitlement owing** **$**	**Total cash payments and entitlements** **$**
Directors				
M Bennett (1)	267,916	23,568	(3,142)	288,342
A Neuling	120,366	12,037	(117)	132,286
Non Executive Director				
J Dowling	78,750	3,750	-	82,500
Other Key Management Personnel				
M Keane	280,000	23,568	11,845	315,413
	747,032	**62,923**	**8,586**	**818,541**

(1) Dr Bennett has taken unpaid leave in the financial year. His remuneration package is still as per the summary of his service agreement provided below.

Directors Report (cont)

Remuneration Report (audited) (cont)

2.DETAILS OF REMUNERATION (CONTINUED)

Year Ended 30 June 2021

CASH REMUNERATION AND ENTITLEMENTS

	Cash remuneration			
2021	**Salary** **$**	**Post–employment benefits (superannuation)** **$**	**Movement in annual leave entitlement owing** **$**	**Total cash payments and entitlements** **$**
Directors				
M Bennett (1)	276,249	20,902	9,998	307,149
A Neuling	130,117	12,361	271	142,749
J Dowling	75,000	7,125	-	82,125
Other Key Management Personnel				
M Keane (2)	184,513	15,076	8,808	208,397
	665,879	**55,464**	**19,077**	**740,420**

1) As a result of Covid 19 travel restrictions and in order to minimise costs to the Company, Dr Bennett took 1 day a week of unpaid leave from 1 January 2021 to 31 March 2021 and 2 days a week of unpaid leave from 1 April 2021 to 30 June 2021 resulting a reduction of cash remuneration received in comparison to prior year. His remuneration package is still as per the summary of his service agreement provided below.
2) Commenced 4 November 2020

2022 TOTAL REMUNERATION

	Total cash payments and entitlements	**Options issued**	**Total**	**LTI % of remuneration**
	$	**$**	**$**	
Directors				
M Bennett	288,342	503,129	791,471	64%
A Neuling	132,286	157,228	289,514	54%
J Dowling	82,500	157,228	239,728	66%
Other Key Management Personnel				
M Keane	315,413	138,705	454,118	31%
	818,541	**956,289**	**1,774,831**	

Directors Report (cont)

Remuneration Report (audited) (cont)

2.DETAILS OF REMUNERATION (CONTINUED)

2021 TOTAL REMUNERATION

	Total cash payments and entitlements	Options issued	Total	LTI % of remuneration
	$	**$**	**$**	
Directors				
M Bennett	307,149	287,280	594,429	48%
A Neuling	142,749	215,460	358,209	60%
J Dowling	82,125	143,640	225,765	64%
Other Key Management Personnel				
M Keane	208,397	208,599	416,996	50%
	740,420	**854,979**	**1,595,399**	

There were no non-monetary benefits other than options paid to the Directors or KMP for the year ended 30 June 2022.

3. SERVICE AGREEMENTS

For the year ended 30 June 2022, the following service agreements were in place with the Directors and KMP of S2:

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 4 November 2020, the Company entered into an employment contract with Matthew Keane. Under the terms of the Agreement:

Mr Keane was appointed as CEO and paid a renumeration package of $280,000 per annum base salary plus statutory superannuation for work on a full-time basis.

- Under the general termination of employment provision, the Company may terminate the Agreement by giving Mr Keane twelve months' notice or payment in lieu of notice.
- Under the general termination of employment provision, Mr Keane may terminate the Agreement by giving the Company three months' notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, Mr Keane is not entitled to any payment.

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:

2022	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	12,000,000	4,000,000	4,000,000	-	12,000,000
A Neuling	7,250,000	1,250,000	1,250,000	-	7,250,000
J Dowling	5,250,000	1,250,000	1,250,000	-	5,250,000
	24,500,000	**6,500,000**	**6,500,000**	**-**	**24,500,000**
Other Key Management Personnel					
M Keane	2,000,000	1,750,000	-	-	3,750,000
	2,000,000	**1,750,000**	**-**	**-**	**3,750,000**

As at 30 June 2022, the number of options that have vested and exercisable were 26,500,000. 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	Series	Grant Date	Expiry date	Exercise price $	Fair value per option $	Vested %
Directors Option Plan	12	12 Nov 2019	11 Nov 2023	0.30	0.04	100%
Directors Option Plan	16	17 Nov 2020	16 Nov 2024	0.38	0.14	100%
Directors Option Plan	17	12 Nov 2021	11 Nov 2025	0.29	0.13	100%

Options issued	Series	Grant Date	Expiry date	Exercise price $	Fair value per option $	Vested %
Employee Share Option Plan	15	05 Oct 2020	4 Oct 2024	0.39	0.14	100%
Employee Share Option Plan	17	12 Nov 2021	11 Nov 2025	0.29	0.13	*

*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:

	Series 17
Grant date share price	0.20
Exercise price	0.29
Expected volatility	100%
Option life	4 years
Dividend yield	0.00%
Fair Value	0.12578
Interest rate	1.11%

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:

2022	Balance at the start of the year	Other changes during the year	Balance for the year ended
Directors			
M Bennett	5,035,868	524,916	**5,560,784**
A Neuling	675,000	124,875	**799,875**
J Dowling	700,000	-	**700,000**
Other Key Management Personnel			
M Keane	-	51,613	**51,613**
	6,410,868	**701,404**	**7,112,272**

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

Use of remuneration consultants

No remuneration consultants were engaged or used for the Group during the year ended 30 June 2022.

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

At the 2021 Annual General Meeting, the resolution to adopt the Remuneration Report for the year ended 30 June 2021 was passed on a poll with 98.75% 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 2022, $44,000 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 59 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.

Mark Bennett

Mark Bennett
Executive Chairman
Melbourne
20 September 2022

Annual Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Notes	30 June 2022 $	30 June 2021 $
Other income		166,912	56,314
Corporate salaries and wages		(674,231)	(508,227)
Consulting and legal fees		(159,119)	(188,163)
Share and company registry		(134,189)	(159,726)
Rent, insurance and variable outgoings		(92,788)	(125,408)
Business development		(258,343)	(356,763)
Travel expenditure		(103,467)	(44,217)
Depreciation expense		(139,029)	(151,849)
Share-based payments	12	(1,364,243)	(1,155,918)
Gain on disposal of subsidiary		-	46,855
Gain on sale of exploration permit		161,738	-
Foreign exchange (losses)/gains and bank charges		(39,682)	(315,243)
Finance cost of Lease Liability		(8,221)	(10,737)
Exploration expenditure expensed as incurred		(4,720,963)	(5,294,837)
Share of associate's loss	7	-	(159,042)
Fair value adjustment for reclassification of investment	7	-	1,132,554
Loss before income tax		**(7,365,625)**	**(7,234,407)**
Income tax benefit/(expense)	4	-	-
Loss after income tax for the year		**(7,365,625)**	**(7,234,407)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of Investments at fair value through other comprehensive income	6	(4,311,355)	3,536,932
Items that may be classified to profit or loss			
Exchange differences on translation of foreign operations		(30,963)	167,982
Total comprehensive (loss) for the year attributable to the members of S2 Resources Ltd		**(11,707,943)**	**(3,529,493)**
Loss per share for loss attributable to the members of S2 Resources Ltd			
Basic loss per share (cents)	16	(2.11)	(2.34)

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 2022

	Notes	30 June 2022 $	30 June 2021 $
CURRENT ASSETS			
Cash and cash equivalents	5	5,411,615	7,316,846
Restricted cash	5	310,729	322,790
Trade and other receivables		86,870	101,161
Financial assets held at fair value through other comprehensive income	6	2,107,417	6,246,071
TOTAL CURRENT ASSETS		**7,916,631**	**13,986,868**
NON-CURRENT ASSETS			
Exploration and evaluation	8	2,366,972	2,366,972
Property, plant and equipment		120,855	150,538
Right-of-Use Assets		106,406	156,892
TOTAL NON-CURRENT ASSETS		**2,594,233**	**2,674,402**
TOTAL ASSETS		**10,510,864**	**16,661,270**
CURRENT LIABILITIES			
Trade and other payables	9	281,915	756,903
Lease Liabilities		87,795	74,715
Provisions		107,203	92,188
TOTAL CURRENT LIABILITIES		**476,913**	**923,806**
NON CURRENT LIABILITIES			
Lease Liabilities		33,593	102,205
Provision for Long Service Leave		61,844	-
TOTAL NON CURRENT LIABILITIES		**95,437**	**102,205**
TOTAL LIABILITIES		**572,350**	**1,026,011**
NET ASSETS		**9,938,514**	**15,635,259**
EQUITY			
Share capital	10	65,831,625	61,184,670
Reserves	11	3,080,648	6,896,328
Accumulated losses		(58,973,759)	(52,445,739)
TOTAL EQUITY		**9,938,514**	**15,635,259**

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 2022

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 year	-	-	-	(30,963)	(4,311,355)	(7,365,625)	(11,707,943)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(30,963)**	**(4,311,355)**	**(7,365,625)**	**(11,707,943)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of share capital	4,978,041	-	-	-	-	-	**4,978,041**
Capital raising costs	(331,086)	-	-	-	-	-	**(331,086)**
Share-based payment transactions	-	1,364,243	-	-	-	-	**1,364,243**
Transfer of lapsed and expired options value to accumulated losses	-	(837,605)	-	-	-	837,605	**-**
Total contributions by and distributions to owners	**4,646,955**	**526,638**	**-**	**-**	**-**	**837,605**	**6,011,198**
Balance at 30 June 2022	**65,831,625**	**3,388,852**	**144,517**	**321,702**	**(774,423)**	**(58,973,759)**	**9,938,514**

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 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 2020	**52,552,523**	**4,016,601**	**144,517**	**184,683**	**-**	**(47,521,637)**	**9,376,687**
Loss for the year	-	-	-	-	-	(7,234,407)	(7,234,407)
Other comprehensive income	-	-	-	167,982	3,536,932		3,704,914
Total comprehensive loss for the period	**-**	**-**	**-**	**167,982**	**3,536,932**	**(7,234,407)**	**(3,529,493)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of share capital	9,147,000	-	-	-	-	-	**9,147,000**
Capital raising costs	(514,853)	-	-	-	-	-	**(514,853)**
Share-based payment transactions	-	1,155,918	-	-	-	-	**1,155,918**
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**	**(1,154,387)**	**-**	**-**	**-**	**2,310,305**	**9,788,065**
Balance at 30 June 2021	**61,184,670**	**2,862,214**	**144,517**	**352,665**	**3,536,932**	**(52,445,739)**	**15,635,259**

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 2022

	Notes	30 June 2022 $	30 June 2021 $
Cash flows from operating activities			
Cash paid to suppliers and employees for corporate activities		(1,379,747)	(1,352,586)
Cash paid to suppliers and employees for exploration activities		(5,163,376)	(4,503,659)
Interest received		12,412	45,070
Interest and other finance costs paid		(13,524)	(15,374)
Income taxes refund/(paid)			-
Net cash used in operating activities	15	**(6,544,235)**	**(5,826,549)**
Cash flows from investing activities			
Payment of property, plant and equipment		(34,770)	(103,939)
Proceeds from sale of data		155,409	-
Net loss from sale of subsidiary		-	(2,044)
Transaction costs on sale of exploration permit		(10,962)	-
Net cash (used in)/derived from investing activities		**109,677**	**(105,983)**
Cash flows from financing activities			
Proceeds from issue of shares		4,978,041	7,747,000
Share issue transaction costs		(331,086)	(514,853)
Repayment of Borrowings		(88,515)	(85,742)
Receipts/(Payments) for cash backed guarantees		5,266	(6,700)
Cash from financing activities		**4,563,706**	**7,139,705**
Net increase in cash and cash equivalents		(1,870,852)	1,207,173
Effects of exchange rate changes on cash and cash equivalents		(34,378)	(310,218)
Cash and cash equivalents at 1 July		7,316,846	6,419,891
Cash and cash equivalents at 30 June	5	**5,411,615**	**7,316,846**

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2022

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 2022 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 20.

The financial statements were authorised for issue on 20 September 2022 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 OCI.

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.

(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, 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.

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 12.

Exploration and evaluation costs

Exploration and evaluation costs for each area of interest in the early stages of the project life are expensed as they are incurred except for acquisition costs, until they satisfy the requirements that are stated below.

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.

Classification of investment in Todd River Resources as Investment

The Group have reclassified the investment in Todd River Resources ("TRT") from being an associate to an investment in October 2020. Since 30 June 2020, the Group has not taken part in any of the TRT capital raisings, and as a result it is holding less than 20%.

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

The date at which significant influence was judged to be no longer held was 26 October 2020.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 21 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.

(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 exchanges 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:

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

(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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

(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:

- 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 S2 Resources Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. 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.

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 received due to COVID-19 during the year which has been net off with the associated salaries.

(s) Investments and other financial assets

Investments and other financial assets 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); or
- 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.

(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.

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Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(t) 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 2022. 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

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.

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Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Group 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.

2022 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	3,484,984	-	-	1,926,631	5,411,615	0.88
Restricted cash	-	195,000	-	115,729	310,729	0.35
Total financial assets	3,484,984	195,000	-	2,042,360	5,722,344	
(ii) Financial liabilities						
Trade and other payables	-	-	-	281,915	281,915	
Lease liabilities – current	-	87,795	-	-	87,795	
Lease liabilities – non current	-	-	33,593	-	33,593	
Total financial liabilities	-	87,795	33,593	281,915	403,303	

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Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

2021 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	4,312,273	-	-	3,004,573	7,316,846	0.34
Restricted cash	-	195,000	-	127,790	322,790	0.61
Total financial assets	4,312,273	195,000	-	3,132,363	7,639,636	
(ii) Financial liabilities						
Trade and other payables	-	-	-	756,903	756,903	
Lease liabilities – current	-	74,715	-	-	74,715	
Lease liabilities – non current	-	-	102,205	-	102,205	
Total financial liabilities	-	74,715	102,205	756,903	933,823	

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 2022	30 June 2021
	$	$
Change in loss:		
Increase by 1%	(34,850)	(43,123)
Decrease by 1%	34,850	43,123
Change in equity:		
Increase by 1%	(34,850)	(43,123)
Decrease by 1%	34,850	43,123

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Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

Year ended 30 June 2022	EUR $	USD $	Total $
Cash on hand	1,762,765	163,674	1,926,439
Restricted cash	63,492	45,037	108,529
Other receivables	8,543	-	8,543
Trade and other payables	(20,500)	(4,355)	(24,855)
	1,814,300	**204,356**	**2,018,656**

Year ended 30 June 2021	EUR $	USD $	Total $
Cash on hand	2,860,296	144,081	3,004,377
Restricted cash	66,136	49,188	115,324
Other receivables	15,317	-	15,317
Trade and other payables	(140,905)	(3,990)	(144,895)
	2,800,844	**189,279**	**2,990,123**

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:

	2022 $	2021 $
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses	(34,378)	310,218
Total net foreign exchange (losses) recognised in loss before income tax for the year	**(34,738)**	**310,218**
Net gains/(losses) recognised in other comprehensive income		
Translation of foreign operations	(30,963)	167,982

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%*	(172,876)	(22,661)
EUR/$ exchange rate – decrease (10%)*	172,876	22,661
USD/$ exchange rate – increase 10%*	(202)	(5,409)
USD/$ exchange rate – decrease (10%)*	202	5,409

*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.

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 7). 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 2022 $	**Impact on post tax loss 2021 $**	**Impact on other components of equity 2022 $**	**Impact on other components of equity 2021 $**
ASX index – increase 10%	-	-	(195,660)	(624,607)
ASX index – decrease (10%)	-	-	195,660	624,607

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 7.

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Notes to the Consolidated Financial Statements

NOTE 3. SEGMENT INFORMATION

For management purposes, the Group has three 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.
- Unallocated, which includes all other expenses that cannot be directly attributed to any of the segments above, this includes the cost of storage of exploration equipment in the US.

Segment information that is evaluated by the Chief Operating Decision Marker (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 profit or loss for the year ended 30 June 2022	**Finland exploration activities**	**Australia exploration activities**	**Unallocated**	**Total**
Other income	-	-	166,912	166,912
Corporate expenses	-	-	(1,06,327)	(1,060,327)
Business Development	-	-	(258,343)	(258,343()
Travel	-	-	(103,467)	(103,467)
Depreciation expense	-	-	(139,029)	(139,029)
Share-based payments	-	-	(1,364,243)	(1,364,243)
Other gain/(losses) - net	-	-	(39,682)	(39,682)
Finance Cost of Right of Use asset	-	-	(8,221)	(8,221)
Exploration expenditure expensed as incurred	(1,728,763)	(2,990,176)	(2,024)	(4,720,963)
Loss before income tax	(1,728,763)	(2,990,176)	(2,646,686)	7,365,625)
Income tax expense	-	-	-	-
Loss after income tax for the year	(1,728,763)	(2,990,176)	(2,646,686)	(7,365,625)

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 2021	Finland exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	56,314	56,314
Corporate expenses	-	-	(981,524)	(981,524)
Business Development	-	-	(356,763)	(356,763)
Travel	-	-	(44,217)	(44,217)
Depreciation expense	-	-	(151,849)	(151,849)
Share-based payments	-	-	(1,155,918)	(1,155,918)
Other gain/(losses) - net	-	-	(315,243)	(315,243)
Finance Cost of Right of Use asset	-	-	(10,737)	(10,737)
Exploration expenditure expensed as incurred	(2,269,676)	(3,019,153)	(6,008)	(5,294,837)
Gain on disposal of subsidiary			46,855	46,855
Share of associate's loss	-	-	(159,042)	(159,042)
Fair value adjustment for reclassification of investment			1,132,554	1,132,554
Loss before income tax	(2,269,676)	(3,019,153)	(1,945,578)	(7,234,407)
Income tax expense	-	-	-	-
Loss after income tax for the year	(2,269,676)	(3,019,153)	(1,945,578)	(7,234,407)

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Exploration assets 2022	966,972	1,400,000	-	2,366,972
Exploration assets 2021	966,972	1,400,000	-	2,366,972

SEGMENT ASSETS AND LIABILITIES

The Group’s other assets (excluding exploration assets) are mostly attributable to the unallocated segment therefore assets attributable to exploration in Finland and Australia is immaterial for disclosure.

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Notes to the Consolidated Financial Statements

NOTE 4. INCOME TAX

	30 June 2022 $	30 June 2021 $
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	-	-
Numerical reconciliation between tax expense and pre-tax net loss		
Net loss before tax	(7,365,625)	(7,234,407)
Income tax benefit at 25% (2021: 26%)	(1,406,724)	(3,536,834)
Income tax expense / (benefit) for overseas entities (at various rates)	(347,770)	1,446,803
Increase in income tax due to:		
Non-deductible expenses	341,342	392,063
Current year tax losses not recognised	1,432,411	1,618,407
Decrease in income tax due to:		
Movement in unrecognised temporary differences	(19,259)	79,561
Capital losses recognised during the year	-	-
Capital losses utilised during the year	-	-
Tax losses utilised during the year		
	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following:		
Previous year tax losses brought forward	8,450,662	6,767,436
Tax revenue losses (1)	1,445,361	1,683,226
	9,896,023	8,450,662

(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.

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Notes to the Consolidated Financial Statements

NOTE 5. CASH AND CASH EQUIVALENTS

	30 June 2022 $	30 June 2021 $
Current		
Cash at bank and in hand	5,411,615	7,316,846
Restricted cash	310,729	322,790
	5,722,344	**7,639,636**

NOTE 6. 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 2022 $	30 June 2021 $
Investments		
Balance at beginning of the year		
Todd River Resources Ltd	6,246,071	-
Movement during the year		
Todd River Resources Ltd transfer from investment in associate balance (Note 7)	-	2,709,139
Aurion Resources Ltd issued for sale of Keulakkopää exploration permit (i)	172,700	
Todd River Resources change in fair value of investment	(4,289,471)	3,536,932
Aurion Resources Ltd change in fair value of investment	(21,884)	
Balance as at 30 June	**2,107,417**	**6,246,071**

(i) Valuation based on share price as at 08.06.22

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Notes to the Consolidated Financial Statements

NOTE 6: INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

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

Financial assets at amortised cost include the following:

Current – Trade and other receivables	**30 June 2022**	**30 June 2021**
	$	$
Trade and other receivables	86,870	101,161
	86,870	101,161

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 7. EQUITY INVESTMENT AND INTERESTS IN ASSOCIATES

The Groups investment in Todd River Resources Ltd (ASX:TRT) was reduced from 30.62% to 24.50% in August 2020 due to a capital raising share issue by TRT that the Group did not participate in, to 18.48% in September 2020 due to a share issue by TRT in relation to a project acquisition and to 15.57% in October 2020 due to a capital raising share issue by TRT that the Group did not participate in.

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

Investment in associate reconciliation		**30 June 2021**
		$
S2R's investment as at 1 July 2020 (1)		1,735,627
Less Group's share to October 2020	$	(159,042)
Fair value adjustment of interest retained (2)(3)	$	1,132,554
Transfer to financial asset		(2,709,139)
Carrying amount		-

(1) This includes $8,703 of transaction costs.
(2) The share price as at 26 October 2020 which was the date of reclassification was 0.036 cents.
(3) This was taken through the profit or loss statement.

Todd River Resources Ltd have share capital consisting of ordinary shares and options of which 13.17% of the ordinary shares are held directly by the Group as at 30 June 2022.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 7. EQUITY INVESTMENT AND INTERESTS IN ASSOCIATES (CONTINUED)

Amounts recognised in profit or loss

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

	30 Jun 2022 $	30 Jun 2021 $
Fair value adjustment for reclassification of investment	-	1,132,554

NOTE 8. EXPLORATION AND EVALUATION

	30 June 2022 $	30 June 2021 $
Exploration costs	**2,366,972**	**2,366,972**
Movement during the year		
Balance at beginning of the year	2,366,972	966,972
Exploration expenditure incurred during the year	4,720,963	5,294,837
Exploration expenditure incurred during the year and expensed (i)	(4,720,963)	(5,294,837)
Exploration expenditure relating to acquisitions (ii)		1,400,000
Foreign currency translation differences		-
Balance at end of the year	**2,366,972**	**2,366,972**

(i) During the year ended 30 June 2022 the exploration expenditure incurred pertains to the following:

Australian Projects

Exploration expenditure incurred and expensed for Australia was $2,990,176.

Finland Projects

Exploration expenditure incurred and expensed for Finland was $1,728,763.

US Projects

Exploration expenditure incurred and expensed for the in the US was $2,024 this relates to the storage of exploration equipment.

(ii) Expenditure incurred but not expensed for Australia was $1,400,000. In October 2020, S2 entered into a binding agreement with private company Black Raven Mining Pty Ltd ("BRM") to earn a majority interest in a group of tenements known as the Jillewarra project (see S2 ASX announcement dated 5 October 2020). The farm-in comprised an up-front non-cash consideration, an earn-in phase, and a potential free carry, as summarised below:

- Issue of 5 million S2 shares to BRM at A$0.28, representing a consideration of A$1.4m (issued 5 October 2020)
- Minimum expenditure of A$2m within 2 years
- Cumulative expenditure of A$5m within 5 years to earn a 51% interest

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 8. EXPLORATION AND EVALUATION (CONTINUED)

- Completion of a study on Inferred Mineral Resources of at least 250,000 ounces of gold (or base metal equivalent) within 7 years to earn a 70% interest
- On completion of this study by S2, BRM can elect to contribute, dilute, or revert to a free carried interest ("FCI") to commencement of commercial production
- In the event of BRM opting for a FCI, BRM's interest reduces to 25% and S2's interest increases to 75%, and BRM repays its free carry from 100% of its share of future revenue

In the event of S2 not completing a study within 7 years, S2's interest decreases to 49%

There is no reduction in the exploration asset for the Finnish tenement that was sold during the year as the acquisition costs originally capitalised were for the Finland area of interest which includes a collection of tenements which S2 is continuing to explore.

NOTE 9. TRADE AND OTHER PAYABLES

	30 June 2022 $	30 June 2021 $
Trade and other payables (i)	281,915	756,903

(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 10. SHARE CAPITAL

	30 June 2022 No. of Shares	30 June 2022 $	30 June 2021 No. of Shares	30 June 2021 $
Ordinary shares fully paid	356,374,85	65,831,625	314,891,179	61,184,670
Movement in Share Capital				
Share Placement	41,483,67	4,646,955	61,976,000	7,238,790
Share issue to BRM for Jillewarra Project - See Note 8 ii.			5,000,000	1,393,357
Ordinary shares fully paid				
Balance at beginning of year	314,891,17	61,184,670	247,915,179	52,552,523
Balance at year end	**356,374,85**	**65,831,625**	**314,891,179**	**61,184,670**

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 11. RESERVES

	30 June 2022 $	30 June 2021 $
Share-based payments reserve (i)	3,388,852	2,862,214
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	321,702	352,665
Revaluation reserve (iv)	(774,423)	3,536,932
	3,080,648	**6,896,328**

(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 2022, $837,605 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 6 of these financials.

NOTE 12. 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 2022	Grant Date	Expiry Date	Exercise Price $	Fair value at Grant Date $
(10) Issued 28 November 2018	2,900,000	2,400,000	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	200,000	03/12/2019	02/12/2023	0.30	0.04
(14) Issued 27 August 2020	200,000	200,000	27/08/2020	26/08/2024	0.30	0.10
(15) Issued 5 October 2020	2,000,000	2,000,000	05/10/2020	04/10/2024	0.39	0.14
(16) Issued 17 November 2020	7,350,000	7,350,000	17/11/2020	16/11/2024	0.38	0.14
(17) Issued 12 November 2021	11,050,000	10,300,000	12/11/2021	11/11/2025	0.29	0.13
(18) Issued 19 April 2022	300,000	300,000	19/04/2022	18/04/2026	0.25	0.11
(19) Issued 28 April 2022	200,000	200,000	28/04/2022	27/04/2026	0.23	0.10
Total	**42,450,000**	**41,000,000**				

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 12. SHARE-BASED PAYMENTS (CONTINUED)

(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.

(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 form 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 options issued to the Directors of the Group which vested immediately, 4,450,000 options were issued to employees under the Employee Share Option Plan which vest one year form 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.

(18) The 300,000 options in series 18 which vests one year from grant date was issued to an employee under the Employee Share Option Plan.

(19) The 200,000 options in series 19 which vests one year from grant date was issued to an employee under the Employee Share Option Plan. The weighted average fair value of the share options granted during the year is $0.14.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 12. SHARE-BASED PAYMENTS (CONTINUED)

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

	30 June 2022 $	30 June 2021 $
Options issued under Directors Option Plan	817,584	646,380
Options issued under Employee Share Plan	513,565	457,557
Options issued under Service Provider Plan	33,093	51,981
	1,364,243	**1,155,918**

The weighted average contractual life for options outstanding at the end of the year was 2.15 years.

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

	Series 10	Series 11	Series 12	Series 13	Series 14	Series 15
Grant date share price	0.09	0.07	0.115	0.115	0.20	0.28
Exercise price	0.14	0.11	0.30	0.30	0.30	0.39
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	2.29%	1.75%	0.86%	0.86%	0.43%	0.29%

	Series 16	Series 17	Series 18	Series 19
Grant date share price	0.28	0.20	0.17	0.155
Exercise price	0.38	0.29	0.25	0.23
Expected volatility	80%	100%	100%	100%
Option life	4 years	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%	0.00%
Interest rate	0.29%	1.11%	2.77%	2.77%

The following reconciles the outstanding share options granted in the year ended 30 June 2022:

	30 June 2022 No. of Options	30 June 2022 Weighted average exercise price $	30 June 2021 No. of Options	30 June 2021 Weighted average exercise price $
Balance at the beginning of the year	**40,300,000**	**0.29**	**41,600,000**	**0.34**
Granted during the year	11,550,000	0.38	9,550,000	0.38
Exercised during the year	-	-	-	-
Expired during the year (i)	(10,850,000)	0.26	(10,850,000)	0.56
Balance at the end of the year	**41,000,000**	**0.31**	**40,300,000**	**0.29**
Un-exercisable at the end of the year	4,300,000	0.28	5,050,000	0.38
Exercisable at end of the year	**36,700,000**	**0.31**	**35,250,000**	**0.28**

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 12. SHARE-BASED PAYMENTS (CONTINUED)

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

For the year ended 30 June 2022, 10,850,000 employee, director and service provider share options were lapsed or expired.

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 13. DIVIDENDS

There were no dividends recommended or paid during the year ended 30 June 2022.

NOTE 14. KEY MANAGEMENT PERSONNEL DISCLOSURES

	30 June 2022 $	30 June 2021 $
Short term employee benefits	747,032	665,879
Post-employment benefits	62,923	55,464
Annual Leave benefits	51,054	42,468
Share-based payment	956,289	854,979
	1,817,298	**1,618,790**

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 15. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	30 June 2022 $	30 June 2021 $
Loss for the year	**(7,365,625)**	**(7,234,407)**
Depreciation	139,029	151,849
Equity Settled share-based payment transaction	1,364,243	1,155,918
Income tax benefit/(expense)	-	-
Other (gain)/losses – net	39,682	310,218
Gain on disposal of subsidiary	-	(46,855)
Gain on disposal of asset	(155,409)	
Share of associate's loss	-	159,042
Gain on disposal of exploration permit	(161,738)	-
Fair Value adjustment for reclassification of investment	-	(1,132,554)
Increase/(Decrease) in trade and other payables	(474,988)	687,652
Increase/(Decrease) in provisions	76,859	37,385
(Increase)/Decrease in receivables	(6,288)	85,203
Net cash outflow from operating activities	**(6,544,235)**	**(5,826,549)**

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 16. BASIC LOSS PER SHARE

	30 June 2022 $	30 June 2021 $
(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	(7,365,625)	(7,234,407)
(b) Weighted average number of shares used as the Denominator	**Number**	**Number**
Ordinary shares used as the denominator in calculating basic loss per share	349,422,920	309,145,641
(c) Basic loss per share	**Cents**	**Cents**
Basic loss per share	(2.11)	(2.34)

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

NOTE 17. 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 2022 $	30 June 2021 $
Not later than one year	1,037,844	1,096,345
After one year but less than two years	975,278	982,189
After two years but less than five years	722,346	1,452,591
After five years*	217,561	190,749
	2,953,029	**3,721,874**

* Per annum

NOTE 18. RELATED PARTY TRANSACTIONS

Other than the Directors and key management personnel salaries and options described in Note 14 and the Remuneration Report, there were no related party transactions for the year ended 30 June 2022.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 19. JOINT VENTURES

The Group has interests in the following joint venture operations:

Tenement Area	Activities	2022	2021
Eundynie	Nickel	80%	80%

NOTE 20. PARENT ENTITY DISCLOSURES

Financial position

	30 June 2022 $	30 June 2021 $
Assets		
Current assets	5,342,322	7,171,975
Non-current assets	4,871,585	8,667,169
Total assets	**10,213,907**	**15,839,144**
Liabilities		
Current liabilities	325,958	297,562
Non-current liabilities	95,437	102,203
Total liabilities	**421,395**	**399,765**
Net assets	**9,792,512**	**15,439,379**
Equity		
Issued capital	65,831,625	61,184,670
Share-based payments reserve	3,388,852	2,862,214
Fair value and other comprehensive income reserve	(21,884)	-
Accumulated losses	(59,406,081)	(48,607,505)
Total equity	**9,792,512**	**15,439,379**

Financial performance

	30 June 2022 $	30 June 2021 $
Loss for the year	(11,636,181)	(3,725,375)
Other comprehensive income	-	-
Total comprehensive income	**11,636,181**	**(3,725,375)**

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 21. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	Equity Holding	
			2022	2021
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 Exploration Quebec Inc.	Canada	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 22. EVENTS OCCURRING AFTER THE REPORTING YEAR

On 1 August 2022 Executive Director Anna Neuling moved to a Non-Executive Director role.

As part of this role change, Anna relinquished her Company Secretary responsibilities effective 26 July 2022 and Andrea Betti was appointed Company Secretary to the Company and its subsidiaries.

Ms Betti is an accounting and corporate professional with over 20 years' experience in accounting, corporate governance, finance and corporate banking. She has acted as Chief Financial Officer and Company Secretary for a number of companies in the private and publicly listed sectors. Ms Betti is currently a Director of a corporate advisory company based in Perth that provides corporate and other advisory services to public listed companies.

On 12 August 2022 S2 Resources Ltd advised changes to key roles, its registered office, and its principal place of business.

Principal place of business was changed from Perth to Melbourne. The address of the new office is Level 8, 350 Collins Street, Melbourne, VIC 3000.

This reflects the Company's commitment to planned exploration at its flagship Greater Fosterville project in central Victoria. Mark Bennett S2's Melbourne based Executive Chairman will manage the Company's activities and Victoria based personnel from the new Melbourne office.

As a result of this change, the Perth based position of Chief Executive Officer has become redundant, and consequently, Mr Matthew Keane ceased his role as CEO

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 23. REMUNERATION OF AUDITORS

	30 June 2022 $	30 June 2021 $
During the year the following fees were paid or payable for services provided by the auditor of the Group:		
Audit services	44,000	40,905
Total remuneration for audit services	**44,000**	**40,905**

NOTE 24. 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 an 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
As at 30 June 2022	**$**	**$**	**$**	**$**
Financial assets as FVOCI – Equity Securities	2,107,417	-	-	2,107,417

	Level 1	Level 2	Level 3	Total
As at 30 June 2021	**$**	**$**	**$**	**$**
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).

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 24. FAIR VALUE MEASUREMENT (CONTINUED)

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 and TSXV companies are based on the quoted market prices from the ASX and TSXV on the last trading day prior to the period end.

Directors' Declaration

The Directors of the Group declare that:

1. The financial statements and notes as set out on pages 19 to 57 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 2022 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

Mark Bennett
Executive Chairman
Melbourne
20 September 2022

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

As lead auditor of S2 Resources Limited for the year ended 30 June 2022, 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.

Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth

20 September 2022

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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 2022, 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 2022 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*
As the carrying value of the capitalised exploration and evaluation asset represents a significant asset of the Group at 30 June 2022, 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. 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.	Our procedures included, but were not limited to: • 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.

Other information

The directors are responsible for the other information. The other information comprises the information contained in directors report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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 the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of S2 Resources Limited, for the year ended 30 June 2022, 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

Ashleigh Woodley

Director

Perth

20 September 2022