



S2 RESOURCES LTD

ABN 18 606 128 090

Financial Report

for the

Year Ended 30 June 2023

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Corporate Directory

Directors

Mark Bennett

Executive Chairman

Jeff Dowling

Non-Executive Director

Anna Neuling

Non-Executive Director

Company Secretary

Andrea Betti

Principal Office

Level 14, 333 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 17, 221 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 2023 ("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 2023 after providing for income tax amounted to \$6,755,677.

The loss results from \$4,604,786 of exploration expenditure incurred and expensed, \$779,847 of share-based payments expenses, \$1,314,163 of administration costs, \$263,427 of business development costs including travel, \$147,734 of depreciation costs, \$179,421 of gain on sale of exploration permits, gain on sale of fixed assets \$31,482, \$98,071 interest income and \$45,305 of other gains including finance costs. The exploration expenditure incurred and expensed mainly relates to the Company's Australian projects.

Dividends

No dividends were paid or proposed to be paid to members during the year ended 30 June 2023.

Material Business Risks

The Group's exploration operations will be subject to the normal risks of mineral exploration, and any revenues will be subject to factors beyond the Group's control. The material business risks that may affect the Group are summarised below.

Key Personnel

In formulating its exploration programs, feasibility studies and development strategies, the Group relies to a significant extent upon the experience and expertise of the directors and management. A number of key personnel are important to attaining the business goals of the Group. One or more of these key employees could leave their employment, and this may adversely affect the ability of the Group to conduct its business and, accordingly, affect the financial performance of the Group and its share price. Recruiting and retaining qualified personnel is important to the Group's success.

Directors Report (cont)

Future Capital Raisings

The Group's ongoing activities may require substantial further financing in the future. Any additional equity financing may be dilutive to shareholders and may be undertaken at lower prices than the current market price. Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on the Group's activities and could affect the Group's ability to continue as a going concern.

Exploration Risk

The success of the Group depends on the delineation of potentially economic mineral resources, securing and maintaining title to the Group's exploration and mining tenements, meeting joint venture earn-in commitments and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration on the Group's existing tenements may be unsuccessful, resulting in a reduction in the value of those tenements, diminution in the cash reserves of the Group and possible relinquishment of the tenements. The exploration costs of the Group are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions.

Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Group's viability. If the level of operating expenditure required is higher than expected, the financial position of the Group may be adversely affected. The Group may also experience unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Feasibility and Development Risks

It may not always be possible for the Group to exploit successful discoveries which may be made in areas in which the Group has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as the Group's. In the event of the discovery of potentially economic mineral resources, there is a risk that a feasibility study and associated technical works will not achieve the results expected. There is also a risk that, even if a positive feasibility study is produced, the project may not be successfully developed for commercial or financial reasons.

Regulatory Risk

The Group's operations are subject to various Commonwealth, State and Territory and local laws and plans, including those relating to mining, prospecting, development permit and licence requirements, industrial relations, environment, land use, land access, royalties, water, native title and cultural heritage, mine safety and occupational health. Approvals, licences and permits required to comply with such rules are subject to the discretion of the applicable government officials. No assurance can be given that the Group will be successful in maintaining such authorisations in full force and effect without modification or revocation.

To the extent such approvals are required and not retained or obtained in a timely manner or at all, the Group may be curtailed or prohibited from continuing or proceeding with exploration. The Group's business and results of operations could be adversely affected if applications lodged for exploration licences are not granted. Mining and exploration tenements are subject to periodic renewal. The renewal of the term of a granted tenement may also be subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Group's projects. The imposition of new

Directors Report (cont)

conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group.

Environmental Risk

The operations and activities of the Group are subject to the environmental laws and regulations of Australia and Finland. As with most exploration projects and mining operations, there is potential for the Group's operations and activities to have an impact on the environment, particularly if mine development proceeds. The Group attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments which could have a material adverse effect on the Group's business, financial condition and performance.

Climate Change Risk

We are an exploration company however we acknowledge that the operations and activities of the Group are subject to changes to local or international compliance regulations related to climate change mitigation efforts, specific taxation or penalties for carbon emissions or environmental damage, and other possible restraints on industry that may further impact the Group and its profitability. While the Group will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Group will not be impacted by these occurrences. Climate change may also cause certain physical and environmental risks that cannot be predicted by the Group, including events such as increased severity of weather patterns, incidence of extreme weather events and longer-term physical risks such as shifting climate pattern.

Macro-Economic Risk

The operations and activities of the Group are exposed to a number of global external factors, including macro-economic risks affecting profitability and business continuity, increasing interest rates, significant fluctuations in foreign exchange, and ability to raise equity funding. While the Group has limited direct controls over these issues, continued oversight is essential to ensuring the ongoing operations and activities of the Group.

Foreign Currency Risk

Foreign exchange risks arise when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The Group is primarily exposed to the fluctuations in the Euro, as the Group holds Euro bank deposits however most of the Group's exploration costs and contracts are denominated in Australian dollars. The Group aims to reduce and manage its foreign exchange risk by holding funds in a Euro account so that the exchange rate is crystallised early and future fluctuations in rates for settlement of Euro denominated payables are avoided. The same applies to potential future expenditures in other currencies such as the American and Canadian dollar. The Group does not currently undertake any hedging of foreign currency items.

Directors Report (cont)

Significant Changes in the State of Affairs

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

On 10 March 2023 S2 Resources Ltd advised a change to its principal place of business. The address of the new office is Level 14, 333 Collins Street, Melbourne, VIC 3000.

On 5 June 2023 S2 Resources Ltd advised that it signed a binding agreement with KG Finland Exploration Oy, a subsidiary of Kinross Gold Corporation to buy two Exploration Licence Applications (ELA's) from S2's wholly owned Finnish subsidiary Sakumpu Exploration Oy. The two ELA's are part of a series of tenements over which Kinross has a Right of First Refusal (ROFR) under the terms of its farm-in agreement with S2.

Kinross elected to exercise its ROFR following receipt by S2 of an offer from a third party. Under the terms of the agreement, S2 received a cash consideration of USD150,000 on completion, when the Finnish Mining Authority (TUKES) transferred the ELA's. A further USD25,000 consideration is payable on the ELA's being granted by TUKES.

After Balance Date Events

On 7 August S2 Resources Ltd advised that it signed a binding agreement with Pacific State Metals (Holdings) Ltd to vend its West Murchison and Fraser Range tenements into Pacific State. Pacific State is an unlisted Australian-incorporated public company that has indicated to S2 that it has an intention to list on the Australian Securities Exchange ("ASX") by 30 June 2024.

In return for the sale of its West Murchison and Fraser Range tenements to Pacific State, S2 will receive 7,000,000 ordinary fully paid shares in the issued capital of Pacific State, representing approximately 28.6% of Pacific State's issued capital (on a post-transaction basis). Based on the agreed proforma capital structure post the planned initial public offering (IPO) on ASX, it is expected that S2 will hold approximately 13% of the issued capital in Pacific State post-completion of the IPO.

As part of the sale agreement, Pacific State has undertaken to use its reasonable endeavours to seek to list on ASX as soon as practicable. In the meantime, Pacific State is required to keep the tenements in good standing. Should Pacific State not complete an ASX listing by 30 June 2024 (or such later date as the parties may otherwise agree), then each of S2 and Pacific State must do all things necessary to unwind the transaction (such that the West Murchison and Fraser Range tenements will be transferred back to S2 and S2 will surrender the shares it holds in Pacific State).

There has been no other matter or circumstance that has arisen since 30 June 2023 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.

Directors Report (cont)

Likely Developments and Expected Results of Operations

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

Environmental Regulation

The Group's operations are subject to environmental regulation under the laws of Finland, the Australian Commonwealth and the States 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.

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

Chairman of Falcon Metals since September 2021.

Former Directorships in the Last Three Years

Non-Executive Director of Todd River Resources Ltd November 2018 to 22 September 2022

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

Options	15,000,000
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.

Former Directorships in the Last Three Years

Non-Executive Director of Battery Minerals since 21 June 2019 to 4 September 2023.

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

Options	6,250,000
Shares	700,000

Anna Neuling – Non-Executive Director (moved from Executive Director 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.

Other Directorships

Non-Executive Director of MLG OZ Ltd since 23 March 2021, Interim Chair since 21 April 2023.

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	8,250,000
Shares	799,875

Directors Report (cont)

Meetings of Directors

The number of meetings of the Board and of each Board Committee held during the year ended 30 June 2023 and the number of meetings attended by each Director were:

Director	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Meeting Held	Meetings attended	Meeting Held	Meetings attended	Meeting Held	Meetings attended
Mark Bennett (i)	7	7	2	2	2	2
Anna Neuling	7	7	2	2	2	2
Jeff Dowling	7	7	2	2	2	2

- (i) Mark Bennett attended the Audit & Risk Committee meetings and the Remuneration & Nomination Committee Meetings by invitation he is not a member of either 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.

Options & Rights

Unissued ordinary shares of the Company under options or rights at 30 June 2023 are as follows:

Options

Number	Grant Date	Expiry Date	Exercise Price \$
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
8,100,000	21/10/2023	20/10/2026	0.20

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 & Company Secretary to 31 July 2022
– Non-Executive Director 1 August 2022 to present
- Jeff Dowling – Non-Executive Director
- Matthew Keane – Chief Executive Officer (CEO) to 12 August 2022

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.

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

Directors Report (cont)

Remuneration Report (audited) (cont)

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

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 annual cash 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 2022 to 30 June 2023, exclusive of superannuation guarantee the annual cash remuneration for the Non-Executive Directors was \$142,858 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 2023. 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.

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

	2023	2022	2021	2020	2019
Net loss	(6,755,677)	(7,365,625)	(7,234,407)	(7,475,048)	(8,288,971)
Share price at year end (cents)	13	14	13	9.3	12
Loss per share (cents)	(1.81)	(2.11)	(2.34)	(3.02)	(3.34)

Directors Report (cont)

Remuneration Report (audited) (cont)

2. DETAILS OF REMUNERATION

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

Year Ended 30 June 2023

CASH REMUNERATION AND ENTITLEMENTS

Cash remuneration						
2023	Salary	Termination payment	Post-employment benefits (superannuation)	Movement in annual leave entitlement owing	Movement in long service leave entitlement	Total cash payments and entitlements
	\$	\$	\$	\$	\$	\$
Directors						
M Bennett (i)	318,125		25,292	(18,030)	33,255	358,642
A Neuling	69,229		7,226	(4,175)	-	72,280
J Dowling (ii)	82,875		-	-	-	82,875
Other Key Management Personnel						
M Keane (iii)	33,478	324,767	6,323	(20,653)	-	343,915
	503,707	324,767	38,841	(42,858)	33,255	857,712

(i) 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.

(ii) Salary paid in lieu of superannuation as employer shortfall exception certificate in place.

(iii) Redundant 12 August 2022 with 12 months payment in lieu of notice as per service agreement below.

Year Ended 30 June 2022

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 (i)	267,916	23,568	(3,142)	288,342
A Neuling	120,366	12,037	(117)	132,286
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

(i) 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)

2023 TOTAL REMUNERATION

	Total cash payments and entitlements	Options issued	Total	LTI % of remuneration
Directors	\$	\$	\$	
M Bennett	325,387	219,136	544,523	40%
A Neuling	72,279	73,045	145,324	50%
J Dowling	82,875	73,045	155,920	47%
Other Key Management Personnel				
M Keane	343,916	-	343,916	-
	824,457	365,226	1,189,683	

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	956,290	1,774,831	

There were no non-monetary benefits other than options paid to the Directors or KMP for the year ended 30 June 2023.

3. SERVICE AGREEMENTS

For the year ended 30 June 2023, 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.

Ms Neuling resigned in line with the terms of the Agreement on 31 July 2022.

On 1 August 2022, a letter of appointment was entered into between the Company and Non-Executive Director Anna Neuling. Under the terms of the Agreement:

- Ms Neuling was paid a remuneration package of \$65,000 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 4 November 2020, the Company entered an employment contract with Matthew Keane. Under the terms of the Agreement:

- Mr Keane was appointed as CEO and paid a remuneration 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.

Mr Keane's position as CEO was made redundant in line with the terms of the Agreement on 12 August 2022.

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:

2023	Balance at the start of the year	Granted during the year	Expired during the year	Balance at year end vested & exercisable	Balance at the year ended unvested	Total balance at the year end
Director						
M Bennett	12,000,000	3,000,000	-	12,000,000	3,000,000	15,000,000
A Neuling	7,250,000	1,000,000	-	7,250,000	1,000,000	8,250,000
J Dowling	5,250,000	1,000,000	-	5,250,000	1,000,000	6,250,000
	24,500,000	5,000,000	-	24,500,000	5,000,000	29,500,000
Other Key Management Personnel						
M Keane	3,750,000	-	-	3,750,000	-	3,750,000
	3,750,000	-	-	3,750,000	-	3,750,000

As at 30 June 2023, the number of options that have vested and exercisable were 28,250,000.

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:

Series	Grant Date	Expiry date	Exercise price \$	Fair value per option \$	Vested %
15	05 Oct 2020	4 Oct 2024	0.39	0.14	100%
16	17 Nov 2020	16 Nov 2024	0.38	0.14	100%
17	12 Nov 2021	11 Nov 2025	0.29	0.13	100%
21	16 Nov 2022	20 Oct 2026	0.20	0.11	*

*Options vest a year after grant date.

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

	Series 21
Grant date share price	0.16
Exercise price	0.20
Expected volatility	100%
Option life	4 years
Dividend yield	0.00%
Fair Value	0.1058
Interest rate	3.25%

Directors Report (cont)

Remuneration Report (audited) (cont)

5. SHARE-BASED COMPENSATION (CONTINUED)

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:

2023	Balance at the start of the year	Other changes during the year	Balance for the year ended
Directors			
M Bennett	5,560,784	-	5,560,784
A Neuling	799,875	-	799,875
J Dowling	700,000	-	700,000
Other Key Management Personnel			
M Keane	51,613	(51,613)	-
	7,112,272	(51,613)	7,060,659

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 2023.

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

At the 2022 Annual General Meeting, the resolution to adopt the Remuneration Report for the year ended 30 June 2022 was passed on a poll with 98.76% 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.

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 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 2023, \$48,000 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 48 of the financial report.

Corporate Governance

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

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

A handwritten signature in black ink, appearing to read 'Mark Bennett'.

Mark Bennett

Executive Chairman

Melbourne

20 September 2023

Annual Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Other income		129,554	166,912
Corporate salaries and wages		(836,092)	(674,231)
Consulting and legal fees		(254,791)	(159,119)
Share and company registry		(129,889)	(134,189)
Rent, insurance and variable outgoings		(93,391)	(92,788)
Business development		(182,075)	(258,343)
Travel expenditure		(81,352)	(103,467)
Depreciation expense		(147,734)	(139,029)
Share-based payments	11	(779,847)	(1,364,243)
Gain on sale of exploration permit		179,421	161,738
Foreign exchange (losses)/gains and bank charges		51,089	(39,682)
Finance cost of Lease Liability		(5,784)	(8,221)
Exploration expenditure expensed as incurred		(4,604,786)	(4,720,963)
Loss before income tax		(6,755,677)	(7,365,625)
Income tax benefit/(expense)	4	-	-
Loss after income tax for the year		(6,755,677)	(7,365,625)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of Investments at fair value through other comprehensive income	6	(1,182,178)	(4,311,355)
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations		20,090	(30,963)
Total comprehensive (loss) for the year attributable to the members of S2 Resources Ltd		(7,917,765)	(11,707,943)
Loss per share for loss attributable to the members of S2 Resources Ltd			
Basic loss per share (cents)	15	(1.81)	(2.11)

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 2023

	Notes	30 June 2023 \$	30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalents	5	5,767,312	5,411,615
Restricted cash	5	340,389	310,729
Trade and other receivables		129,685	86,870
Financial assets held at fair value through other comprehensive income	6	752,539	2,107,417
TOTAL CURRENT ASSETS		6,989,925	7,916,631
NON-CURRENT ASSETS			
Exploration and evaluation	7	2,426,570	2,366,972
Property, plant and equipment		119,743	120,855
Right-of-use assets		148,840	106,406
TOTAL NON-CURRENT ASSETS		2,695,153	2,594,233
TOTAL ASSETS		9,685,078	10,510,864
CURRENT LIABILITIES			
Trade and other payables	8	503,482	281,915
Lease liabilities		74,672	87,795
Provisions		68,013	107,203
TOTAL CURRENT LIABILITIES		646,167	476,913
NON CURRENT LIABILITIES			
Lease liabilities		85,139	33,593
Provision for long service leave		73,437	61,844
TOTAL NON CURRENT LIABILITIES		158,576	95,437
TOTAL LIABILITIES		804,743	572,350
NET ASSETS		8,880,335	9,938,514
EQUITY			
Share capital	9	71,911,364	65,831,625
Reserves	10	2,599,278	3,080,648
Accumulated losses		(65,630,307)	(58,973,759)
TOTAL EQUITY		8,880,335	9,938,514

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 2023

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 2022	65,831,625	3,388,852	144,517	321,702	(774,423)	(58,973,759)	9,938,514
Loss for the year	-	-	-	-	-	(6,755,677)	(6,755,677)
Other comprehensive income	-	-	-	20,090	(1,182,178)	-	(1,162,088)
Total comprehensive loss for the period	-	-	-	20,090	(1,182,178)	(6,755,677)	(7,917,765)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital	6,455,500	-	-	-	-	-	6,455,500
Capital raising costs	(375,761)	-	-	-	-	-	(375,761)
Share-based payment transactions	-	779,847	-	-	-	-	779,847
Transfer of lapsed and expired options value to accumulated losses	-	(99,129)	-	-	-	99,129	-
Total contributions by and distributions to owners	6,079,739	680,718	-	-	-	99,129	6,859,586
Balance at 30 June 2023	71,911,364	4,069,570	144,517	341,792	(1,956,601)	(65,630,307)	8,880,335

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 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	-	-	-	-	-	(7,365,625)	(7,365,625)
Other comprehensive income	-	-	-	(30,963)	(4,311,355)	-	(4,342,318)
Total comprehensive loss for the period	-	-	-	(30,963)	(4,311,355)	(7,365,625)	(11,707,943)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
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 Cash Flows

For the year ended 30 June 2023

	Notes	30 June 2023 \$	30 June 2022 \$
Cash flows from operating activities			
Cash paid to suppliers and employees for corporate activities		(1,602,026)	(1,379,747)
Cash paid to suppliers and employees for exploration activities		(4,404,447)	(5,163,376)
Interest received		80,704	12,412
Interest and other finance costs paid		(10,063)	(13,524)
Income taxes refund/(paid)			
Net cash used in operating activities	14	(5,935,832)	(6,544,235)
Cash flows from investing activities			
Payment of property, plant and equipment		(74,491)	(34,770)
Proceeds from sale of data		-	155,409
Proceeds from sale of assets		51,932	-
Proceeds from sale of tenement		179,421	
Proceeds from sale of investments		172,700	(10,962)
Net cash (used in)/derived from investing activities		329,562	109,677
Cash flows from financing activities			
Proceeds from issue of shares		6,413,500	4,978,041
Share issue transaction costs		(375,761)	(331,086)
Repayment of Borrowings		(95,572)	(88,515)
Receipts/(Payments) for cash backed guarantees		(33,546)	5,266
Cash from financing activities		5,908,621	4,563,706
Net increase in cash and cash equivalents		302,351	(1,870,852)
Effects of exchange rate changes on cash and cash equivalents		53,346	(34,378)
Cash and cash equivalents at 1 July		5,411,615	7,316,846
Cash and cash equivalents at 30 June	5	5,767,312	5,411,615

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

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 2023 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 19.

The financial statements were authorised for issue on 19 September 2023 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

(iii) Adoption of new and revised Accounting Standards (continued)

not have any material impact on the financial performance or position of the consolidated entity.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(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 11.

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.

(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 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 20 to the financial statements.

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

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

(c) Revenue Recognition

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax

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

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

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

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

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

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

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

(e) Impairment of Assets

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

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

(f) Cash and Cash Equivalents

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade and Other Receivables

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

(h) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Exploration and Evaluation

(i) 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.

(ii) Exploration and evaluation expenditure

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

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

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

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Exploration and Evaluation (continued)

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.

(j) 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.

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

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.

(l) 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(o) 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.

(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.

(p) 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.

(q) 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

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.

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

The Group has adopted all standards which became effective for the first time for the year ended 30 June 2023. The adoption of any new accounting standards applicable to the Group has not had a material impact on the financial statements.

The Group has chosen not to early-adopt any accounting standards that have been issued but are not yet effective. The impact of accounting standards that have been issued, but are not yet effective, is not material to these financial statements.

Annual Financial Report (cont)

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.

2023	Floating interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing between 1 and 2 years	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	\$	\$	%
(i) Financial assets						
Available cash on hand	1,805,758	3,000,000	-	961,554	5,767,312	4.18
Restricted cash	-	195,000	-	145,389	340,389	4.38
Total financial assets	1,805,758	3,195,000	-	1,106,943	6,107,701	
(ii) Financial liabilities						
Trade and other payables	-	-	-	503,482	503,482	
Lease liabilities – current	-	74,672	-	-	74,672	
Lease liabilities – non current	-	-	85,139	-	85,139	
Total financial liabilities	-	74,672	85,139	503,482	663,293	
2022	Floating interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing between 1 and 2 years	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	\$	\$	%
(i) Financial assets						
Available cash on hand	3,484,984	-	-	1,926,631	5,411,615	0.86
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 & 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	

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2023	30 June 2022
	\$	\$
Change in loss:		
Increase by 1%	(18,058)	(34,850)
Decrease by 1%	18,058	34,850
Change in equity:		
Increase by 1%	(18,058)	(34,850)
Decrease by 1%	18,058	34,850

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 2023	EUR	USD	Total
	\$	\$	\$
Cash on hand	510,665	450,817	961,482
Restricted cash	68,593	46,796	115,389
Other receivables	10,596	-	10,596
Trade and other payables	(78,391)	(6,700)	(85,091)
	511,463	490,913	1,002,376

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

Amounts recognised in profit or loss and other comprehensive income

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2023 \$	2022 \$
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss) included in other income/other expenses	(55,368)	(34,378)
Total net foreign exchange (losses) recognised in loss before income tax for the year	(55,368)	(34,378)
<i>Net gains/(losses) recognised in other comprehensive income</i>		
Translation of foreign operations	(20,090)	(30,963)

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%*	(53,827)	(24,442)
EUR/\$ exchange rate – decrease (10%)*	53,827	24,442
USD/\$ exchange rate – increase 10%*	(1,161)	(5,638)
USD/\$ exchange rate – decrease (10%)*	1,161	5,638

*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 Finland. 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 6). The Group's investment is publicly traded on the Australian Stock Exchange ("ASX").

The Group is not currently exposed to commodity price risk.

Sensitivity

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

	Impact on post tax loss	Impact on post tax loss	Impact on other components of equity	Impact on other components of equity
	2023	2022	2023	2022
	\$	\$	\$	\$
ASX index – increase 10%	-	-	(75,254)	(195,660)
ASX index – decrease (10%)	-	-	75,254	195,660

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 6.

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 3. SEGMENT INFORMATION (CONTINUED)

SEGMENT RESULTS

Statement of profit or loss for the year ended 30 June 2023				
	Finland exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	129,554	129,554
Corporate expenses	-	-	(1,314,163)	(1,314,163)
Business Development	-	-	(182,075)	(182,075)
Travel	-	-	(81,352)	(81,352)
Depreciation expense	-	-	(147,734)	(147,734)
Share-based payments	-	-	(779,847)	(779,847)
Other gain/(losses) - net	-	-	51,089	51,089
Gain on disposal of tenement	-	-	179,421	179,421
Finance Cost of Right of Use asset	-	-	(5,784)	(5,784)
Exploration expenditure expensed as incurred	(538,268)	(4,054,911)	(11,608)	(4,604,787)
Loss before income tax	(538,268)	(4,054,911)	(2,162,499)	(6,755,678)
Income tax expense	-	-	-	-
Loss after income tax for the year	(538,268)	(4,054,911)	(2,162,499)	(6,755,678)

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	-	-	(1,060,327)	(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)
Gain on disposal of tenement	-	-	161,738	161,738
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)

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Exploration assets 2023	966,972	1,459,598	-	2,426,570
Exploration assets 2022	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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 4. INCOME TAX

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	(6,755,677)	(7,365,625)
Income tax benefit at 30% (2022: 25%)	(1,971,740)	(1,406,724)
Income tax expense / (benefit) for overseas entities (at various rates)	125,509	(347,770)
<i>Increase in income tax due to:</i>		
Non-deductible expenses	238,916	341,342
Current year tax losses not recognised	1,670,070	1,432,411
<i>Decrease in income tax due to:</i>		
Movement in unrecognised temporary differences	(62,754)	(19,259)
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 (1)	9,909,266	8,450,662
Tax revenue losses (2)	1,705,607	1,458,604
	11,614,873	9,909,266

- (1) Tax losses have been adjusted to reflect 2022 actual tax return.
(2) 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.

NOTE 5. CASH AND CASH EQUIVALENTS

	30 June 2023 \$	30 June 2022 \$
Current		
Cash at bank and in hand	5,767,312	5,411,615
Restricted cash	340,389	310,729
	6,107,701	5,722,344

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

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 2023 \$	30 June 2022 \$
Investments		
<i>Balance at beginning of the year</i>		
Todd River Resources Ltd	1,956,601	6,246,071
Aurion Resources Ltd	150,816	-
<i>Movement during the year</i>		
Aurion Resources Ltd issued for sale of Keulakkopää exploration permit (i)	-	172,700
Todd River Resources change in fair value of investment	(1,204,062)	(4,289,471)
Aurion Resources Ltd change in fair value of investment	-	(21,884)
Aurion shares disposal of shares	(150,816)	-
Balance as at 30 June	752,539	2,107,417

(i) Valuation based on share price as at 8 June 2022.

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

Financial assets at amortised cost include the following:

	30 June 2023 \$	30 June 2022 \$
Current – Trade and other receivables		
Trade and other receivables	129,685	86,870
	129,685	86,870

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 7. EXPLORATION AND EVALUATION

	30 June 2023 \$	30 June 2022 \$
Exploration costs	2,366,972	2,366,972
Movement during the year		
Balance at beginning of the year	2,366,972	2,366,972
Exploration expenditure incurred during the year	4,604,786	4,720,963
Exploration expenditure incurred during the year and expensed (i)	(4,604,786)	(4,720,963)
Exploration expenditure relating to acquisitions (ii)	59,598	-
Balance at end of the year	2,426,570	2,366,972

(i) During the year ended 30 June 2023 the exploration expenditure incurred pertains to the following:

Australian Projects

Exploration expenditure incurred and expensed for Australia was \$4,054,911.

Finland Projects

Exploration expenditure incurred and expensed for Finland was \$538,268.

US Projects

Exploration expenditure incurred and expensed for the in the US was \$11,608

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.

(ii) Stamp duty in relation to Jillewarra farm in agreement October 2020.

NOTE 8. TRADE AND OTHER PAYABLES

	30 June 2023 \$	30 June 2022 \$
Trade and other payables (i)	503,482	281,915

(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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 9. SHARE CAPITAL

	30 June 2023 No. of Shares	30 June 2023 \$	30 June 2022 No. of Shares	30 June 2022 \$
Ordinary shares fully paid	410,091,522	71,911,364	356,374,855	65,831,625
Movement in Share Capital				
Share Placement	53,166,667	6,007,989	41,483,676	4,646,955
Share issue for consulting services	300,000	40,750		
Options exercised	250,000	31,000		
Ordinary shares fully paid				
Balance at beginning of year	356,374,855	65,831,625	314,891,179	61,184,670
Balance at year end	410,091,522	71,911,364	356,374,855	65,831,625

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

NOTE 10. RESERVES

	30 June 2023 \$	30 June 2022 \$
Share-based payments reserve (i)	4,069,570	3,388,852
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	341,792	321,702
Revaluation reserve (iv)	(1,956,601)	(774,423)
	2,599,278	3,080,648

- (i) The share-based payments reserve recognises the fair value of the options issued to Directors, employees, and service providers.
- (ii) 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 right 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 2023, \$99,128 in relation to the fair value of options which has lapsed or expired was transferred to accumulated losses.
- (iii) 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.
- (iv) 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.
- (v) The revaluation reserve recognises the change in fair value of investments. Please refer to Note 6 of these financials.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 11. 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 2023	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(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
(20) Issued 21 October 2022	3,100,000	3,100,000	21/10/2022	20/10/2026	0.20	0.09
(21) Issued 16 November 2022	5,000,000	5,000,000	16/11/2022	20/10/2026	0.20	0.11
Total	47,600,000	46,650,000				

(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 from grant date and 400,000 options were issued to service providers which vest one year from grant date. For the service provider options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued.

(17) The 11,050,000 options in series 17 comprised 6,500,000 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 from grant date and 100,000 options were issued to service providers which vest one year from grant date. For the service provider options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued.

(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.

(20) The 3,100,000 options in series 20 which vest one year from grant date comprised 2,900,000 issued to employees under the Employee Share Option Plan and 200,000 issued to service providers. 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.

(21) The 5,000,000 options in series 21 which vest one year from proposed date were issued to directors.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 11. SHARE-BASED PAYMENTS (CONTINUED)

The weighted average fair value of the share options granted during the year is \$0.10.

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

	30 June 2023 \$	30 June 2022 \$
Options issued to Directors	365,226	817,584
Options issued under Employee Share Plan	397,361	513,565
Options issued under Service Provider Plan	17,259	33,093
	779,846	1,364,243

The weighted average contractual life for options outstanding at the end of the year was 2.1 years.

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

	Series 12	Series 13	Series 14	Series 15	Series 16
Grant date share price	0.115	0.115	0.20	0.28	0.28
Exercise price	0.30	0.30	0.30	0.39	0.38
Expected volatility	80%	80%	80%	80%	80%
Option life	4 years	4 years	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Interest rate	0.86%	0.86%	0.43%	0.29%	0.29%

	Series 17	Series 18	Series 19	Series 20	Series 21
Grant date share price	0.20	0.17	0.155	0.14	0.16
Exercise price	0.29	0.25	0.23	0.20	0.20
Expected volatility	100%	100%	100%	100%	100%
Option life	4 years	4 years	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Interest rate	1.11%	2.77%	2.77%	3.75%	3.20%

The following reconciles the outstanding share options granted in the year ended 30 June 2023:

	30 June 2023 No. of Options	30 June 2023 Weighted average exercise price \$	30 June 2022 No. of Options	30 June 2022 Weighted average exercise price \$
Balance at the beginning of the year	41,000,000	0.31	40,300,000	0.29
Granted during the year	8,100,000	0.20	11,550,000	0.38
Exercised during the year	(250,000)	0.13	-	-
Expired during the year (i)	(2,200,000)	0.14	(10,850,000)	0.26
Balance at the end of the year	46,650,000	0.30	41,000,000	0.31
Un-exercisable at the end of the year	8,100,000	0.20	4,300,000	0.28
Exercisable at end of the year	38,550,000	0.31	36,700,000	0.31

(i) Options expired or cancelled during the year

For the year ended 30 June 2023, 2,200,000 employee 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 12. DIVIDENDS

There were no dividends recommended or paid during the year ended 30 June 2023.

NOTE 13. KEY MANAGEMENT PERSONNEL DISCLOSURES

Short term employee benefits
Post-employment benefits
Annual Leave benefits
Share-based payment (i)

30 June 2023	30 June 2022
\$	\$
828,474	747,032
38,841	62,923
(43,962)	51,054
365,226	956,289
1,188,579	1,817,298

(i) Share payment payments expensed in the period.

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 14. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

Loss for the year

Depreciation
Equity Settled share-based payment transaction
Income tax benefit/(expense)
Other (gain)/losses – net
Gain on disposal of asset
Gain on disposal of exploration permit
Increase/(Decrease) in trade and other payables
Increase/(Decrease) in provisions
(Increase)/Decrease in receivables

Net cash outflow from operating activities

30 June 2023	30 June 2022
\$	\$
(6,755,677)	(7,365,625)
147,734	139,029
779,847	1,364,243
-	-
(55,368)	39,682
(51,932)	(155,409)
(179,421)	(161,738)
221,567	(474,988)
(27,597)	76,859
(14,985)	(6,288)
(5,935,832)	(6,544,235)

NOTE 15. BASIC LOSS PER SHARE

(a) Reconciliation of loss used in calculating loss per share

Basic loss per share

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

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

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

(c) Basic loss per share

Basic loss per share

30 June 2023	30 June 2022
\$	\$
(6,755,677)	(7,365,625)
Number	Number
373,655,991	349,422,920
Cents	Cents
(1.81)	(2.11)

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 16. 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 2023 \$	30 June 2022 \$
Not later than one year	1,727,196	1,037,844
After one year but less than two years	2,065,360	975,278
After two years but less than five years	2,080,054	722,346
After five years*	1,003,318	217,561
	6,875,928	2,953,029

* Per annum

NOTE 17. RELATED PARTY TRANSACTIONS

Other than the Directors and key management personnel salaries and options described in Note 13 and the Remuneration Report, there were no related party transactions for the year ended 30 June 2023.

NOTE 18. JOINT VENTURES

The Group has interests in the following joint venture operations:

Tenement Area	Activities	2023	2022
Eundynie	Nickel	80%	80%

NOTE 19. PARENT ENTITY DISCLOSURES

Financial position

	30 June 2023 \$	30 June 2022 \$
Assets		
Current assets	5,762,862	5,342,322
Non-current assets	3,404,398	4,871,585
Total assets	9,167,260	10,213,907
Liabilities		
Current liabilities	365,634	325,958
Non-current liabilities	158,576	95,437
Total liabilities	524,210	421,395
Net assets	8,643,050	9,792,512
Equity		
Issued capital	71,911,365	65,831,625
Share-based payments reserve	4,069,570	3,388,852
Fair value and other comprehensive income reserve	-	(21,884)
Accumulated losses	(67,337,885)	(59,406,081)
Total equity	8,643,050	9,792,512

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 19. PARENT ENTITY DISCLOSURES (CONTINUED)

Financial performance

	30 June 2023 \$	30 June 2022 \$
Loss for the year	(8,019,340)	(11,636,181)
Other comprehensive income	-	-
Total comprehensive income	(8,019,340)	(11,636,181)

NOTE 20. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	Equity Holding	
			2023	2022
Third Eye Pty Ltd	Australia	Ordinary	100%	100%
Dark Star Exploration Pty Ltd	Australia	Ordinary	100%	-
Southern Star Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sirius Europa Pty Ltd	Australia	Ordinary	100%	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%	100%
S2 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 21. EVENTS OCCURRING AFTER THE REPORTING YEAR

On 07 August S2 Resources Ltd advised that it signed a binding agreement with Pacific State Metals (Holdings) Ltd to vend its West Murchison and Fraser Range tenements into Pacific State. Pacific State is an unlisted Australian-incorporated public company that has indicated to S2 that it has an intention to list on the Australian Securities Exchange ("ASX") by 30 June 2024.

In return for the sale of its West Murchison and Fraser Range tenements to Pacific State, S2 will receive 7,000,000 ordinary fully paid shares in the issued capital of Pacific State, representing approximately 28.6% of Pacific State's issued capital (on a post-transaction basis). Based on the agreed proforma capital structure post the planned initial public offering (IPO) on ASX, it is expected that S2 will hold approximately 13% of the issued capital in Pacific State post-completion of the IPO.

As part of the sale agreement, Pacific State has undertaken to use its reasonable endeavours to seek to list on ASX as soon as practicable. In the meantime, Pacific State is required to keep the tenements in good standing. Should Pacific State not complete an ASX listing by 30 June 2024 (or such later date as the parties may otherwise agree), then each of S2 and Pacific State must do all things necessary to unwind the transaction (such that the West Murchison and Fraser Range tenements will be transferred back to S2 and S2 will surrender the shares it holds in Pacific State).

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 22. REMUNERATION OF AUDITORS

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

Audit services

Total remuneration for audit services

30 June 2023 \$	30 June 2022 \$
48,000	44,000
48,000	44,000

NOTE 23. 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 2023				
Financial assets as FVOCI – Equity Securities	752,539	-	-	752,539
As at 30 June 2022				
Financial assets as FVOCI – Equity Securities	2,107,417	-	-	2,107,417

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

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

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

Valuation techniques used to determine fair values

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

Financial assets at fair value through other comprehensive income – equity securities

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

Directors' Declaration

The Directors of the Group declare that:

1. The financial statements and notes as set out on pages 17 to 46 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 2023 and of its performance for the year ended on that date.
2. The financial report also complies with International Financial Reporting Standards as disclosed in note 1 to the financial statements.
3. The Director acting in the capacity of Chief Executive Officer has declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the accounting standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
4. In the opinion of the Directors there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
5. The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standards AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.

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



Mark Bennett
Executive Chairman
Melbourne
20 September 2023

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

As lead auditor of S2 Resources Limited for the year ended 30 June 2023, 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, WA

20 September 2023

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 2023, 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 2023 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

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As the carrying value of the capitalised exploration and evaluation asset represents a significant asset of the Group at 30 June 2023, 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 <i>Exploration for and Evaluation of Mineral Resources</i>. 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 7 and 1(i) to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of S2 Resources Limited, for the year ended 30 June 2023, 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

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

Ashleigh Woodley

Director

Perth,

20 September 2023