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S2 RESOURCES LTD

ABN: 18 606 128 090

HALF YEAR FINANCIAL REPORT

31 December 2023

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HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2023

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S2 Resources Ltd
Half Year Financial Report
For the half year ended 31 December 2023

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 S2 Resources Ltd ("Company" or "S2") and the entities it controlled at the end of, or during, the half year ended 31 December 2023 ("Consolidated Entity" or "Group").

Directors

The names and details of the Directors in office during the half year ended 31 December 2023 and until the date of this financial report are as follows. The Directors were in office for the entire period unless otherwise stated.

Jeff Dowling
Mark Bennett
Anna Neuling

Principal Activities

The principal continuing activity of the Group is mineral exploration.

Review of Operations

Operating Result

The loss from continuing operations for the half year ended 31 December 2023 after providing for income tax amounted to \$3,768,863 (2022: Loss of \$3,396,690).

The loss results from \$2,490,896 of exploration expenditure incurred and expensed, \$611,406 of administration costs, \$200,209 of business development costs, \$504,185 of share-based payments expenses, \$82,680 depreciation costs, \$35,728 gain on the sale of a tenement and \$84,870 of other income and net gains/(losses) including finance costs. The exploration expenditure incurred and expensed mainly relates to the Company's Finnish and Australian projects.

Dividends

No dividends were paid or proposed to be paid to members during the half year ended 31 December 2023.

Significant Changes in the State of Affairs

On 7 August 2023 S2 Resources Ltd advised that it signed a binding agreement with Pacific State Metals (Holdings) Ltd (Pacific State) 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).

Directors' Report (continued)

On 4 December 2023 the Group reached an agreement with Oxley Resources Limited to earn a 70% interest in the Warraweena project, which comprises Exploration Licence EL9269, covering an area of 932 square kilometres extending 75 kilometres northeast from Bourke in northern New South Wales. The Group issued Oxley with 590,000 fully paid ordinary shares upon signing, representing a consideration of A\$100,300 at an issue price of A\$0.17 per share. The Group will be required to spend A\$2.7 million by 31 July 2027 to earn a 70% participating interest. This spend will include minimum expenditure of A\$350,000 by 31 December 2024 (before withdrawal), which will include minimum expenditure of A\$270,000 by 31 July 2024. As part of the agreement, at least A\$750,000 of the overall earn-in to be spent on drilling.

On 20 December 2023, the Group completed a placement to institutional and sophisticated investors by issuing 41,176,471 shares at an issue price of \$0.17, providing funds raised of \$7,000,000 (less costs). Funds raised to be used for ongoing exploration, other emerging opportunities and working capital. The placement was completed within the Group's 15% capacity pursuant to ASX Listing Rule 7.1 and accordingly no shareholder approval was required in connection with the equity raising.

After Balance Date Events

New earn in agreement

On 29 January 2024 the Group announced it had reached an agreement with ASX-listed company Legacy Minerals Holdings Ltd (Legacy) to earn a 70% interest in the Glenlogan project, which comprises Exploration Licence EL9614, covering an area of 85 square kilometres in the Lachlan Fold Belt of central New South Wales.

The Group issued Legacy with 1 million fully paid ordinary shares upon signing, representing consideration of approximately A\$150,000 at a deemed issue price of A\$0.15 per share. The Group's minimum commitment in the agreement is to drill the Shellback magnetic anomaly within 12 months and to undertake 1,200 metres of diamond drilling. As part of this agreement, the Group can spend A\$2 million within 2 years of signing to earn a 51% participating interest in the project, and following this the Group can elect to spend a further A\$4 million within a further 3 year period to earn an additional 19% interest for a total 70% participating interest. This will include a minimum of 8,000 metres of diamond drilling.

Signed Letter of Intent to sell Finnish subsidiary

On 4 March 2024 the Group announced it had signed a letter of intent in which Outback Goldfields, a Vancouver based TSX.V listed company, would purchase Sakumpu Exploration Oy, the Group's wholly owned Finnish subsidiary for a total consideration of C\$7 million, comprising C\$1.5 million in cash and C\$5.5 million in shares in Outback.

The transaction is subject to a number of terms and conditions with the key terms set out in the LOI summarised below.

- Outback to buy S2's wholly owned subsidiary, Sakumpu Exploration Oy, which is the holder of S2's Finnish exploration assets, including the Aarnivalkea gold prospect, and interests in two current exploration earn in deals with Kinross Gold Corporation and Rupert Resources
- As consideration, S2 will receive C\$1.5 million (approximately A\$1.7 million) cash and C\$5.5 million (approximately A\$6.2 million) worth of Outback shares at a deemed issuance price equal to shares issued pursuant to the Offering (see below)
- Outback will undertake a concurrent financing to raise a minimum C\$5 million gross via a non-brokered private placement (the "Offering") to continue exploring S2's Finnish tenure.
- S2 will own a significant portion (possibly 35-45%) of Outback post-financing.

The parties are now committed to proceeding with the transaction subject to the terms and conditions of the LOI, which include:

- Negotiation and execution of a Definitive Agreement, on or around 6th April 2024
- Completion of the Offering
- Approval of shareholders of Outback
- Preparation of a NI43-101 compliant technical report(s) acceptable to the TSXV and Outback

There has been no other matter or circumstance that has arisen since 31 December 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.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of *the Corporations Act 2001* is set out on page 23 of the interim financial report.

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



Mark Bennett
Executive Chairman
Melbourne
11 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2023

	Notes	31 December 2023 \$	31 December 2022 \$
Other income		97,435	58,274
Salaries and wages		(303,139)	(603,440)
Travel expenditure		(49,711)	(41,303)
Consulting and legal fees		(102,705)	(116,458)
Share & Company registry		(36,141)	(37,255)
Listing fees		(43,900)	(45,422)
Rent, insurance & variable outgoings		(75,810)	(83,117)
Business development		(200,294)	(64,456)
Depreciation expense		(82,680)	(66,106)
Share based payments	6	(504,185)	(360,650)
Gain on sale of exploration permit		35,728	-
Other gains/(losses)		(9,323)	36,200
Finance costs		(3,242)	(2,925)
Exploration expenditure expensed as incurred	3	(2,490,896)	(2,070,032)
Loss before income tax		(3,768,863)	(3,396,690)
Income tax (expense)/benefit		-	-
Loss for the period		(3,768,863)	(3,396,690)
Other comprehensive income			
<i>Items that will not be classified to profit or loss</i>			
Changes in the fair value of Investments at fair value through other comprehensive income		(150,507)	(621,311)
<i>Items that may be classified to profit or loss</i>			
Exchange differences on translation of foreign operations		(6,149)	12,653
Total Comprehensive loss for the period attributable to the members of S2 Resources Ltd		(3,925,519)	(4,005,348)
Loss per share for the period attributable to the Members of S2 Resources Ltd			
		Cents	Cents
Basic loss per share	9	(0.91)	(0.95)

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

Consolidated Statement of Financial Position

as at 31 December 2023

	Notes	31 December 2023 \$	30 June 2023 \$
CURRENT ASSETS			
Cash and cash equivalents		9,017,648	5,767,312
Restricted cash		388,042	340,389
Trade and other receivables		286,879	129,685
Financial assets held at fair value through other comprehensive income	11	602,031	752,539
TOTAL CURRENT ASSETS		10,294,600	6,989,925
NON-CURRENT ASSETS			
Exploration and evaluation	3	2,526,870	2,426,570
Property, plant and equipment		134,864	119,743
Right-of-use assets		99,440	148,840
TOTAL NON-CURRENT ASSETS		2,761,174	2,695,153
TOTAL ASSETS		13,055,774	9,685,078
CURRENT LIABILITIES			
Trade and other payables		654,714	503,482
Provisions		93,024	74,672
Lease Liabilities		46,495	68,013
TOTAL CURRENT LIABILITIES		794,233	646,167
NON-CURRENT LIABILITIES			
Lease Liabilities		62,258	85,139
Provision for long service leave		74,006	73,437
TOTAL NON-CURRENT LIABILITIES		136,264	158,576
TOTAL LIABILITIES		930,497	804,743
NET ASSETS		12,125,277	8,880,335
EQUITY			
Share capital	4	78,577,640	71,911,364
Reserves	5	2,145,222	2,599,278
Accumulated losses		(68,597,585)	(65,630,307)
TOTAL EQUITY		12,125,277	8,880,335

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December 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 2023	71,911,364	4,069,570	144,517	341,792	(1,956,601)	(65,630,307)	8,880,335
Loss for the half year	-	-	-	-	-	(3,768,863)	(3,768,863)
Other comprehensive income	-	-	-	(6,149)	(150,507)	-	(156,656)
Total comprehensive loss for the period	-	-	-	(6,149)	(150,507)	(3,768,863)	(3,925,519)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital	7,100,300	-	-	-	-	-	7,100,300
Capital raising costs	(434,024)	-	-	-	-	-	(434,024)
Options converted (net of costs)	-	-	-	-	-	-	-
Share-based payment transactions	-	504,185	-	-	-	-	504,185
Transfer of lapsed and expired options value to accumulated losses	-	(801,585)	-	-	-	801,585	-
Total contributions by and distributions to owners	6,666,276	297,400	-	-	-	801,585	7,170,461
Balance at 31 December 2023	78,577,640	3,772,170	144,517	335,643	(2,107,108)	(68,597,585)	12,125,277

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December 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 2022	65,831,625	3,388,852	144,517	321,702	(774,423)	(58,973,759)	9,938,514
Loss for the half year	-	-	-	-	-	(3,396,690)	(3,396,690)
Other comprehensive income	-	-	-	12,653	(621,311)	-	(608,658)
Total comprehensive loss for the period	-	-	-	12,653	(621,311)	(3,396,690)	(4,005,348)
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Options converted (net of costs)	26,750	-	-	-	-	-	26,750
Share-based payment transactions	40,750	360,650	-	-	-	-	401,400
Transfer of lapsed and expired options value to accumulated losses	-	(99,129)	-	-	-	99,129	-
Total contributions by and distributions to owners	67,500	261,521	-	-	-	99,129	428,150
Balance at 31 December 2022	65,899,125	3,650,373	144,517	334,355	(1,395,734)	(62,271,320)	6,361,316

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

Consolidated Statement of Cash Flows

for the half year ended 31 December 2023

	Notes	31 December 2023 \$	31 December 2022 \$
Cash flows from operating activities			
Cash paid to suppliers and employees for administration activities		(868,436)	(1,113,534)
Cash paid to suppliers and employees for exploration activities		(2,370,456)	(1,705,924)
Interest received		104,882	24,585
Interest and other finance costs paid		(5,894)	(5,069)
Net cash used in operating activities		(3,139,904)	(2,799,942)
Cash flows from investing activities			
Payments for property, plant and equipment		(52,035)	(53,006)
Payment of exploration activities capitalised		(159,898)	-
Net proceeds from sale of assets		1,199	47,232
Net proceeds from sale of tenement		35,728	-
Net cash provided by/(used in) investing activities		(175,006)	(5,774)
Cash flows from financing activities			
Net receipts / (payments) for cash backed guarantees		(43,300)	(296)
Proceeds from issue of shares & other equity securities		7,100,300	28,000
Share issue transaction costs		(434,024)	(2,500)
Principal elements of lease payments		(51,059)	(43,488)
Net cash provided by financing activities		6,571,917	(18,284)
Net increase / (decrease) used in cash and cash equivalents		3,257,007	(2,824,000)
Effects of exchange rate changes on cash and cash equivalents		(6,671)	38,345
Cash and cash equivalents at 1 July		5,767,312	5,411,615
Cash and cash equivalents at 31 December		9,017,648	2,625,960

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

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical costs, except for financial assets held at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2023. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Standards and Interpretations applicable to 31 December 2023

In the period ended 31 December 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. None of which have a material impact on the Group.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2023. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

Use of estimates and judgements

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

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 6.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

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.

NOTE 2: 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.

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

Segment Results

Statement of loss for the half year ended 31 December 2023

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	97,435	97,435
Admin expenses	-	-	(811,700)	(811,700)
Depreciation expense	-	-	(82,680)	(82,680)
Share-based payments	-	-	(504,185)	(504,185)
Other gain/(losses) - net	-	-	(9,323)	(9,323)
Finance cost	-	-	(3,242)	(3,242)
Gain on disposal of tenement	-	-	35,728	35,728
Exploration expenditure expensed as incurred	(101,308)	(2,387,455)	(2,133)	(2,490,896)
Loss before income tax	(101,308)	(2,387,455)	(1,280,100)	(3,768,863)
Income tax expense	-	-	-	-
Loss after income tax for the half year	(101,308)	(2,387,455)	(1,280,100)	(3,768,863)

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

Statement of loss for the half year ended 31 December 2022

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	58,274	58,274
Admin expenses	-	-	(991,451)	(991,451)
Depreciation expense	-	-	(66,106)	(66,106)
Share-based payments	-	-	(360,650)	(360,650)
Other gain/(losses) - net	-	-	36,200	36,200
Finance cost	-	-	(2,925)	(2,925)
Exploration expenditure expensed as incurred	(272,184)	(1,786,420)	(11,428)	(2,070,032)
Loss before income tax	(272,184)	(1,786,420)	(1,338,086)	(3,396,690)
Income tax expense	-	-	-	-
Loss after income tax for the half year	(272,184)	(1,786,420)	(1,338,086)	(3,396,690)

	Finland exploration activities	Australia exploration activities	Unallocated	Total
Exploration assets 31 Dec 23	966,972	1,559,898	-	2,526,870
Exploration assets 30 Jun 23	966,972	1,459,598	-	2,426,570

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.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

NOTE 3. EXPLORATION AND EVALUATION

	31 December 2023 \$	30 June 2023 \$
Exploration costs	2,526,870	2,426,570
Movement during the period		
Balance at beginning of the period	2,426,570	2,366,972
Exploration expenditure incurred during the period (i)	2,490,896	4,604,786
Exploration expenditure incurred during the period and expensed	(2,490,896)	(4,604,786)
Exploration expenditure relating to acquisitions (ii)	100,300	59,598
Balance at end of the period	2,526,870	2,426,570

- (i) During the half year ended 31 December 2023 the exploration expenditure incurred pertains to the following:

Australian Projects

Exploration expenditure incurred and expensed for Australian Projects was \$2,387,455.

Finland Projects

Exploration expenditure incurred and expensed for Finland was \$101,308.

US Projects

Exploration expenditure incurred and expensed for the US was \$2,133.

- (ii) On 4 December 2023 the Group reached an agreement with Oxley Resources Limited to earn a 70% interest in the Warraweena project, which comprises Exploration Licence EL9269, covering an area of 932 square kilometres extending 75 kilometres northeast from Bourke in northern New South Wales. The Group issued Oxley with 590,000 fully paid ordinary shares upon signing, representing a consideration of A\$100,300 at an issue price of A\$0.17 per share. The Group will be required to spend A\$2.7 million by 31 July 2027 to earn a 70% participating interest. This spend will include minimum expenditure of A\$350,000 by 31 December 2024 (before withdrawal), which will include minimum expenditure of A\$270,000 by 31 July 2024. As part of the agreement, at least A\$750,000 of the overall earn-in to be spent on drilling.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

NOTE 4. SHARE CAPITAL

	31 December 2023 No of Shares	31 December 2023 \$
Ordinary shares fully paid		
Balance at beginning of period	410,091,522	71,911,364
Movement in Share Capital		
Share Placement	41,176,471	7,000,000
Share issue for Farm in agreement - see Note 3 (ii)	590,000	100,300
Share issue costs		(434,024)
Balance at period end	451,857,993	78,577,640

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 5. RESERVES

	31 December 2023 \$	30 June 2023 \$
Share-based payments reserve (i)	3,772,170	4,069,570
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	335,643	341,792
Revaluation Reserve (iv)	(2,107,108)	(1,956,601)
	2,145,222	2,599,278

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

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

In the period ended 31 December 2023, \$801,585 in relation to the fair value of options which has lapsed or expired was transferred to accumulated losses.

- (ii) The other reserve recognises the remaining non-controlling interest (33%) that was purchased from the Sakumpu vendors on 30 November 2015. Sakumpu Exploration Oy is a registered entity in Finland.
- (iii) Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.
- (iv) The revaluation reserve recognises the change in fair value of investments. Please refer to note 11 of these financials.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

NOTE 6. SHARE BASED PAYMENTS

The following share-based payments arrangements were issued during the current.

Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(22) Issued 11 September 2023	3,350,000	11/09/2023	08/09/2027	0.25	0.108
(23) Issued 15 November 2023	10,000,000	15/11/2023	08/09/2027	0.25	0.111

(22) The 3,350,000 options in series 22 which vest one year from grant date comprised 2,850,000 issued to employees under the Employee Share Option Plan and 500,000 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.

(23) The 10,000,000 options in series 23 which vest one year from proposed date were approved at the AGM and issued to directors under the Employee Share Option Plan

The weighted average exercise price of the share options granted during the period is \$0.25.

The weighted average contractual life for options outstanding at the end of the period was 2.44 years.

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

	31 December 2023 \$
Options issued under Employee Share Option Plan	504,185
	<u>504,185</u>

Options granted during the half year ended 31 December 2023, were priced using a Black-Scholes option pricing model using the inputs below:

	Series 22	Series 23
Grant date share price	0.17	0.18
Exercise price	0.25	0.25
Expected volatility	94%	95%
Option life	4 years	4 years
Dividend yield	0.00%	0.00%
Interest rate	3.78%	4.17%

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

The following reconciles the outstanding share options granted in the half year ended 31 December 2023:

	31 December 2023 Number of Options	31 December 2023 Weighted average exercise price \$	31 December 2022 Number of Options	31 December 2022 Weighted average exercise price \$
Balance at the beginning of the period	46,650,000	0.31	41,000,000	0.31
Granted during the period	13,350,000	0.25	8,100,000	0.20
Exercised during the period	-	-	(200,000)	0.14
Expired during the period (i)	(18,200,000)	0.30	(2,200,000)	0.14
Balance at the end of the period	41,800,000	0.28	46,700,000	0.18
Un-exercisable at the end of the period	13,350,000	0.25	8,600,000	0.20
Exercisable at end of the period	28,450,000	0.29	38,100,000	0.32

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

During the half year ended 31 December 2023, 400,000 service provider options expired, 2,300,000 employee share options and 15,500,000 director share options expired.

NOTE 7. RELATED PARTIES

During the half year ended 31 December 2023, options were approved at the AGM were issued to the following Directors and Key Management Personnel:

	Grant Date	Number of Options	Total value of share based payment \$	Share based payment expensed in current period \$
Management				
Mark Bennett	15/11/23	5,000,000	1,250,000	168,239
Anna Neuling	15/11/23	2,500,000	625,000	67,742
Jeff Dowling	15/11/23	2,500,000	625,000	67,742
		10,000,000	2,500,000	303,723

Other than the Key Management Personnel stated above, there were no new related party transactions for the half year ended 31 December 2023.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

NOTE 8. EVENTS OCCURRING AFTER THE REPORTING DATE

New earn in agreement

On 29 January 2024 the Group reached an agreement with ASX-listed company Legacy Minerals to earn a 70% interest in the Glenlogan project, which comprises Exploration Licence EL9614, covering an area of 85 square kilometres in the Lachlan Fold Belt of central New South Wales.

The Group issued Legacy with 1 million ordinary shares on signing, representing a consideration of approximately A\$150,000 at a deemed price of A\$0.15 per share. The Group's minimum commitment is to drill the Shellback magnetic anomaly within 12 months and to undertake 1,200 metres of diamond drilling, the Group can spend A\$2 million within 2 years of signing to earn a 51% participating interest, following this, the Group can elect to spend a further A\$4 million within a further 3 years to earn an additional 19% interest for a 70% participating interest, including a minimum of 8,000 metres of diamond drilling.

Signed Letter of Intent to sell Finnish subsidiary

On 4 March 2024 the Group announced it had signed a letter of intent in which Outback Goldfields, a Vancouver based TSX.V listed company, would purchase Sakumpu Exploration Oy, the Group's wholly owned Finnish subsidiary, for a total consideration of C\$7 million, comprising C\$1.5 million in cash and C\$5.5 million in shares in Outback.

The transaction is subject to a number of terms and conditions with the key terms set out in the LOI summarised below.

- Outback to buy S2's wholly owned subsidiary, Sakumpu Exploration Oy, which is the holder of S2's Finnish exploration assets, including the Aarnivalkea gold prospect, and interests in two current exploration earn in deals with Kinross Gold Corporation and Rupert Resources
- As consideration, S2 will receive C\$1.5 million (approximately A\$1.7 million) cash and C\$5.5 million (approximately A\$6.2 million) worth of Outback shares at a deemed issuance price equal to shares issued pursuant to the Offering (see below)
- Outback will undertake a concurrent financing to raise a minimum C\$5 million gross via a non-brokered private placement (the "Offering") to continue exploring S2's Finnish tenure.
- S2 will own a significant portion (possibly 35-45%) of Outback post-financing, which may constitute a "Reverse Takeover" in accordance with Policy 5.2 – Changes of Business and Reverse Takeovers of the TSX Venture Exchange

The parties are now committed to proceeding with the transaction subject to the terms and conditions of the LOI, which include:

- Negotiation and execution of a Definitive Agreement, on or around 6th April 2024
- Completion of the Offering
- Approval of shareholders of Outback
- Preparation of a NI43-101 compliant technical report(s) acceptable to the TSXV and Outback

There has been no other matter or circumstance that has arisen since 31 December 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.

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

NOTE 9. LOSS PER SHARE

(a) Reconciliation of loss used in calculating Loss Per Share

Basic loss per share

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

31 December 2023 \$	31 December 2022 \$
(3,768,863)	(3,396,690)

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

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

31 December 2023 Number	31 December 2022 Number
412,653,660	356,521,303

(c) Loss per share

Basic loss per share

31 December 2023 Cents	31 December 2022 Cents
(0.91)	(0.95)

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

There were no material changes to the Group's commitments since 30 June 2023.

Contingencies

For the half year ended 31 December 2023, there were no contingencies to disclose for the Group.

NOTE 11. FAIR VALUE MEASUREMENT

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

Fair Value Hierarchy

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 31 December 2023				
Financial assets as FVOCI – Equity Securities	602,031	-	-	602,031
As at 30 June 2023				
Financial assets as FVOCI – Equity Securities	752,539	-	-	752,539

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2023

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

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

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

Valuation techniques used to determine fair values

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

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

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

Directors' Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes set out on pages 6 to 21 are in accordance with the Corporations Act 2001 and other professional reporting requirements including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the period then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mark Bennett
Executive Chairman
Melbourne
11 March 2024



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

As lead auditor for the review of S2 Resources Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Ashleigh Woodley

Director

BDO Audit (WA) Pty Ltd

Perth

11 March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of S2 Resources Limited

Report on the Half-Year Financial Report

Conclusion

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

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Ashleigh Woodley', is written over a faint, larger 'BDO' logo.

Ashleigh Woodley

Director

Perth, 11 March 2024