



S2 RESOURCES LTD

ABN 18 606 128 090

Financial Report

for the

Year Ended 30 June 2017

Contents

Corporate Directory.....	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position.....	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Consolidated Financial Statements	23
Directors' Declaration.....	57
Auditor's Independence Declaration	58
Independent Auditor's Declaration.....	59

Corporate Directory

Directors	Jeff Dowling Mark Bennett Anna Neuling Grey Egerton-Warburton	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director
Company Secretary	Tony Walsh	
Principal and Registered Office	North Wing, Level 2 1 Manning Street Scarborough, Western Australia 6019 Telephone: +61 8 6166 0240 Facsimile: +61 8 6270 5410 Website: www.s2resources.com.au	
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco, Western Australia 6008 Telephone: (08) 6382 4600	
Share Registry	Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth, Western Australia 6000 Telephone: 1300 787 575	
Stock Exchange Listing	S2 Resources Ltd shares are listed on the Australian Securities Exchange.	
ASX Code	S2R	

Directors Report

The Directors of S2 Resources Ltd ("Directors") present their report on the consolidated entity consisting of S2 Resources Ltd ("the Company" or "S2") and the entities it controlled at the end of, or during, the year ended 30 June 2017 ("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.

Jeff Dowling
Mark Bennett
Anna Neuling
Grey Egerton-Warburton

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 2017 after providing for income tax amounted to \$10,020,602.

The loss results from \$4,978,990 of exploration expenditure incurred and expensed; \$2,870,328 of share-based payments expenses; \$1,772,618 of administration costs; \$316,669 of business development costs; \$154,050 of depreciation costs; \$343,626 of net income and other net gains; and income tax expense of \$271,573. The exploration expenditure incurred and expensed mainly relates to the Company's Scandinavian projects and Polar Bear project.

Significant Changes in the State of Affairs

On 26 July 2016, the Group announced a capital raising of \$9.08 million via the placement of 22.7 million shares at 40 cents per share ("Issue Price"). This was completed on 2 August 2016. Also announced on the same day was a Share Purchase Plan ("SPP") where eligible S2 shareholders were invited to subscribe for new ordinary shares in S2 at the Issue Price up to a maximum of \$15,000 per shareholder. The SPP, to raise up to \$3 million, closed on 15 August 2016 and was heavily oversubscribed. The shares issued under the SPP were allotted on Monday 22 August 2016 and quoted on the ASX on Tuesday 23 August 2016.

On 3 January 2017, Anna Neuling resigned as Company Secretary. She is taking parental leave from her executive role but Ms Neuling will remain with the Company as Non-Executive Director of the Group. On the same day, Tony Walsh was appointed Company Secretary for the Group.

On 31 January 2017, the Company received a payroll tax refund of \$398,898 from the Office of State Revenue as a result of an audit undertaken in December 2016. The refund has been received during the financial year ended 30 June 2017.

On 26 April 2017, the Group invested C\$1 million in TSXV listed gold explorer GT Gold (TSXV: GTT) via a placement of 3.125 million shares at C\$0.32 cents per share. GTT announced a high grade gold discovery at its Saddle property, situated

Directors Report (cont)

Significant Changes in the State of Affairs (continued)

in an area of British Columbia known as the Golden Triangle, on 25th of July 2017.

After Balance Date Events

On 1 August 2017, the Group entered into an agreement with Renaissance Gold Inc (“RenGold”), a TSXV listed company to earn in to three of RenGold’s properties located on some of the major known gold mineralized trends in Nevada, USA. The transaction provides the Group with earn-in rights over three separate properties, each on similar terms. The key terms are as follows:

- One off payment of US\$75,000 on signing (ie US\$25,000 per property).
- Minimum spend of US\$200,000 within 2 years on each property, and ability to earn a 70% interest for expenditure of US\$3 million within 5 years on each property.
- If/when the Group earns in, RenGold can participate in exploration programs or dilute its interest, and if Rengold dilutes its interest below 10%, it reverts to a net smelter return royalty.
- If still participating (ie. above 10%) at the time of a decision to mine, RenGold can participate at its future interest level or revert to a net smelter return royalty.

The transaction is subject to customary and largely confirmatory conditions precedent, to be satisfied within 30 business days from date of signing the agreement.

Other than the after balance date events stated above, there has been no matter or circumstance that has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

Likely Developments and Expected Results of Operations

The Group will recommence drilling activities on its targets in Sweden when the winter season begins in October/November 2017. Exploration on the new Nevada projects is planned to commence in October 2017.

Environmental Regulation

The Group’s operations are subject to environmental regulation under the laws of Sweden, Finland, the State of Nevada, the Australian Commonwealth and the State of Western Australia. The Board of Directors (“Board”) is of the view that all relevant environmental regulation requirements have been met.

Directors Report (cont)

Information on Directors

Mark Bennett – Chief Executive Officer and Managing Director

Experience and Expertise

Mark was the managing director and CEO of Sirius from its inception to its merger with Independence Group, and was non-executive director of Independence Group following the merger until June 2016.

He is a geologist with 28 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 Resources and 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 Managing Director, Chief Executive Officer, Executive Director, Non-executive director, Exploration Manager and Chief Geologist.

Mark 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, Mark is very experienced in corporate affairs, equity capital markets, investor relations and community engagement and has led Sirius from prior to the discovery of Nova all the way through feasibility, financing, permitting and construction, and latterly through the schemes of arrangement to merge with Independence and to demerge S2.

Other Directorships

Dr Bennett has no directorships of other public listed companies.

Former Directorships in the Last Three Years

CEO and Managing Director of Sirius Resources NL from 31 August 2009 to 21 September 2015.

Non-Executive Director of Independence Group from 21 September 2015 to 1 June 2016.

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

Options	15,500,000
Shares	4,595,001

Jeff Dowling – Non-Executive Chairman

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.

Directors Report (cont)

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 a member 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 Atlas Iron Ltd from 8 November 2011 to 6 May 2016.

Non-Executive Chairman of Sirius Resources NL from 28 February 2013 to 22 September 2015.

Non-Executive Chairman of Pura Vida Energy from 13 January 2014 to 17 May 2016.

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

Options	3,500,000
Shares	500,000

Anna Neuling – Non Executive Director

Experience and Expertise

Ms Neuling was the Company Secretary and CFO 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 recent 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 resigned as S2's Company Secretary on 3 January 2017. She also commenced parental leave from her executive responsibilities but Ms Neuling has remained with the Company as Non-Executive Director of the Group.

Other Directorships

Ms Neuling has no directorships of other public listed companies.

Former Directorships in the Last Three Years

Ms Neuling was a Non-Executive Director (28 September 2012 to 22 September 2013) and Executive Director (23 September 2013 to 21 September 2015) of Sirius.

Directors Report (cont)

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

Options	10,250,000
Shares	350,000

Grey Egerton-Warburton – Non-Executive Director

Experience and Expertise

Mr Egerton-Warburton is a very experienced corporate financier, with a strong background in natural resources, having spent 16 years with Hartleys Limited, including most recently as head of corporate finance. He has extensive experience in equity capital markets, acquisitions, divestments and domestic and international change of control transactions, having led a substantial number of capital raisings, takeovers and mergers for many ASX listed companies, across many sectors. Prior to a career in corporate finance, Mr Egerton-Warburton practiced at a tier one national law firm.

Grey currently serves as Deputy Chair of the Womens and Infants Research Foundation (WIRF), the charitable arm of King Edward Memorial Hospital in Perth, Western Australia.

While at Hartleys, Grey worked closely with Sirius Resources NL as its corporate advisor from mid-2012 until the completion of the merger between Sirius and Independence Group.

Mr Egerton-Warburton is the Chairman of the Group's Audit & Risk Committee and a member of the Remuneration & Nomination Committee which was formed on 19 July 2016.

Other Directorships

Mr Egerton-Warburton has no directorships of other public listed companies.

Former Directorships in the Last Three Years

Mr Egerton-Warburton has had no directorships of any other public listed company in the last three years.

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

Options	2,000,000
Shares	550,400

Tony Walsh – Company Secretary

Experience and Expertise

Mr Walsh was Company Secretary and General Manager Corporate of ASX listed diversified mining producer, Independence Group NL, from July 2013 to October 2015. Mr Walsh has over 30 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC Committee and 4 years as Chairman of an ASX listed mining explorer and director of a London AIM listed mining explorer.

Mr Walsh was until recently a member of the West Australian State Council of Governance Institute of Australia (formerly Chartered Secretaries Australia) and a member of Newman College school council. Prior to his role at ASX, Mr Walsh worked with Ernst & Young for over 5 years in an audit and compliance capacity. Mr Walsh is a member of the Australian Institute of Company Directors, is Fellow of the Governance Institute of Australia, the Institute of Charter Secretaries and the Institute of Chartered Accountants in Australia. Mr Walsh is currently a director of Women and Infants Research Foundation.

Mr Walsh was appointed as Company Secretary on 3 January 2017.

Directors Report (cont)

Other Directorships and offices

Company Secretary of Legend Mining Ltd from 12 December 2016.
Company Secretary of Battery Minerals Limited from 17 February 2017.
Director of Entek Resources Ltd from 26 July 2017.

Former Directorships and offices in the Last Three Years

Executive Director of Atlas Iron Ltd from 5 August 2016 to 23 January 2017.
Company Secretary of Atlas Iron Ltd from 12 October 2015 to 29 August 2017.

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

Options	300,000
Shares	50,000

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 2017 and the number of meetings attended by each Director were:

Name	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Mark Bennett	19	19	-	-	-	-
Anna Neuling	19	19	3	3	2	2
Jeff Dowling	19	19	3	3	2	2
Grey Egerton-Warburton	19	19	3	3	2	2

A Number of meetings attended (including circular resolutions)

B Number of meetings held during the time the Director held office during the period and that he/she was able to attend (including circular resolutions)

- Not a member of the relevant 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 the date of this Report are as follows:

Options

Number	Grant Date	Expiry Date	Exercise Price \$
28,450,000	14/09/2015	14/09/2019	0.31
50,000	09/10/2015	09/10/2019	0.31
400,000	23/10/2015	23/10/2019	0.31
400,000	28/11/2015	28/11/2019	0.31
600,000	18/04/2016	17/04/2020	0.31
1,000,000	29/04/2016	28/04/2020	0.35
9,450,000	07/10/2016	06/10/2020	0.61

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 Corporations Act 2001 and its Regulations.

The KMP covered in this remuneration report are:

- Mark Bennett – CEO and Managing Director
- Anna Neuling – Non Executive Director and was Executive Director (including Company Secretary) from 1 July 2016 until 2 January 2017 when Ms Neuling went on parental leave.
- Jeff Dowling – Non-Executive Chairman
- Grey Egerton-Warburton – Non-Executive Director
- Su-Mei Chan – Chief Financial Officer
- Tony Walsh – Company Secretary

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, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- (i) competitiveness and reasonableness;
- (ii) aligns shareholders and executive interests;
- (iii) performance based and aligned to the successful achievement of strategic and tactical business objectives;
and
- (iv) transparency.

Executive Directors

Remuneration to Executive Directors reflects the demands which are made on, and the responsibilities of, the Executive Directors. Executive Directors’ remuneration is reviewed annually to ensure it is appropriate and in line with the market. There are no retirement allowances or other benefits paid to Executive Directors other than superannuation guarantee amounts as required.

The executive remuneration and reward framework has three components:

- (i) base pay;
- (ii) share-based payments; and
- (iii) other remuneration such as superannuation and long service leave.

Directors Report (cont)

Remuneration Report (audited) (cont)

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

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

Fixed remuneration, consisting of base salary and superannuation will be reviewed annually by the Remuneration & Nomination Committee, based on individual contribution to corporate performance and the overall relative position of the Group to its market peers.

Non - Executive Directors

Remuneration to Non-Executive Directors reflects the demands which are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' remuneration is reviewed annually. For the year ended 30 June 2017, exclusive of superannuation guarantee the annual cash remuneration for the Non-Executive Director was \$45,000 per annum with the Chairman receiving \$75,000 per annum. The Non-Executive Directors were also issued options under the Directors Share Option Plan in October 2016 that was approved by Company's shareholders at the 2016 Annual General Meeting.

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 2017. The company's approach in regards 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 and the Directors Option Plan as approved in September 2015.

The quantum offered under the LTI is determined by the Remuneration & Nomination Committee using a comparison to a peer group of companies similar to S2 Resources Ltd in terms of market capitalisation and sector. The peer group were companies in the Materials sector of the ASX with a market capitalisation of \$25-\$150 million that issued options in relation to the FY 2016 and FY 2017.

Directors Report (cont)

Remuneration Report (audited) (cont)

2. DETAILS OF REMUNERATION

Year Ended 30 June 2017

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

2017	CASH REMUNERATION			Total cash payments
	Fixed Remuneration	Annual and Long service leave	Post –employment benefits (superannuation)	
	\$	\$	\$	\$
Directors				
M Bennett	307,500	27,304	19,539	354,343
A Neuling	67,789	6,241	6,440	80,470
J Dowling	75,000	-	7,125	82,125
G Egerton-Warburton	45,000	-	4,275	49,275
Other Key Management Personnel				
S Chan	115,195	9,767	10,450	135,412
T Walsh (1)	41,330	-	-	41,330
	651,814	43,312	47,829	742,955

(1) Mr Walsh's short term payments are fees incurred as per his consultancy agreement with the Company. He was appointed on 3 January 2017 as Company Secretary for the Group.

Period Ended 30 June 2016

2016	CASH REMUNERATION			Total cash payments
	Fixed Remuneration	Annual leave	Post –employment benefits (superannuation)	
	\$	\$	\$	\$
Directors				
M Bennett	245,000	18,845	15,193	279,038
A Neuling	67,497	5,192	6,412	79,101
J Dowling	57,981	-	5,508	63,489
G Egerton-Warburton	7,673	-	729	8,402
Other Key Management Personnel				
S Chan	71,347	5,488	6,778	83,613
	449,498	29,525	34,620	513,643

Directors Report (cont)

Remuneration Report (audited) (cont)

2. DETAILS OF REMUNERATION (CONTINUED)

	Total cash payments	2017 TOTAL REMUNERATION		LTI % of remuneration
		Options issued	Total	
	\$	\$	\$	
Directors				
M Bennett	354,343	700,632	1,054,975	66%
A Neuling	80,470	350,316	430,786	81%
J Dowling	82,125	233,544	315,669	74%
G Egerton-Warburton	49,275	233,544	282,819	83%
Other Key Management Personnel				
S Chan	135,412	70,063	205,475	34%
T Walsh	41,330	70,063	111,393	63%
	742,955	1,658,162	2,401,117	

	Total cash payments	2016 TOTAL REMUNERATION		LTI % of remuneration
		Appointment Options	Total	
	\$	\$	\$	
Directors				
M Bennett	279,038	1,678,275	1,957,313	86%
A Neuling	79,101	1,174,792	1,253,893	94%
J Dowling	63,489	335,655	399,144	84%
G Egerton-Warburton	8,402	162,455	170,857	95%
Other Key Management Personnel				
S Chan	83,613	107,410	191,023	56%
	513,643	3,458,587	3,972,230	

There were no non-monetary benefits paid to the Directors or KMP for the year ended 30 June 2017.

Other than those disclosed above, there were no transactions with related parties to the KMP for the year ended 30 June 2017.

Directors Report (cont)

Remuneration Report (audited) (cont)

3. SERVICE AGREEMENTS

For the year ended 30 June 2017, the following service agreements were in place with the Directors and key management personnel 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.
- 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 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 4 September 2015, an Executive Services Agreement was entered into between the Company and Executive Director Anna Neuling. On 3 January 2017, a letter of appointment was entered into between the Company and Ms Neuling for the role as Non-Executive Director during her parental leave. 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.
- 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.

Under the terms of the Agreement as Non-Executive Director:

- Ms Neuling was paid a remuneration package of \$45,000 per annum base salary plus statutory superannuation.
- The same terms will apply under Ms Neuling's Executive Director Agreement in regards to general termination of employment provision between herself and the Company and in relation to serious misconduct.

On 29 April 2016, a letter of appointment was entered into between the Company and Non-Executive Director Grey Egerton-Warburton. Under the terms of the Agreement:

- Mr Egerton-Warburton was paid a remuneration package of \$45,000 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.

Directors Report (cont)

Remuneration Report (audited) (cont)

3. SERVICE AGREEMENTS (CONTINUED)

On 8 September 2015, the Company entered into an employment contract with Su-Mei Chan. Under the terms of the Agreement:

- Ms Chan was appointed in the capacity of Chief Financial Officer and paid a remuneration package of \$120,000 per annum base salary plus statutory superannuation for work on a part time basis (based on \$150,000 full time equivalent).
- The Company or Ms Chan may terminate the contract at any time by giving the other party 12 weeks' notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, Ms Chan is not entitled to any payment.

On 6 October 2016, a consulting agreement was entered into between the Company and Company Secretary, Tony Walsh. Under the terms of the Agreement:

- Mr Walsh's commencement date was 12 December 2016.
- Mr Walsh's fees are paid to Tony Walsh Corporate Services Pty Ltd.
- Mr Walsh is paid a monthly fee of \$5,000 per month (plus GST) for an average of one business day per week or \$10,000 per month (plus GST) for an average two business days per week.
- The Company or Mr Walsh can terminate this agreement by giving one month's written notice.

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:

2017	Balance at the start of the year	Granted during the year	Expired during the year	Other changes	Balance for the year ended
Director					
M Bennett	12,500,000	3,000,000	-	-	15,500,000
A Neuling	8,750,000	1,500,000	-	-	10,250,000
J Dowling	2,500,000	1,000,000	-	-	3,500,000
G Egerton-Warburton	1,000,000	1,000,000	-	-	2,000,000
	24,750,000	6,500,000	-	-	31,250,000
Other Key Management Personnel					
S Chan	800,000	300,000	-	-	1,100,000
T Walsh	-	300,000	-	-	300,000
	25,550,000	7,100,000	-	-	32,650,000

Directors Report (cont)

Remuneration Report (audited) (cont)

4. SHARE-BASED COMPENSATION (CONTINUED)

As at 30 June 2017, the number of options that have vested and exercisable were 32,050,000 and the number of options yet to vest and un-exercisable were 600,000.

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:

Options issued	Grant Date	Expiry date	Exercise price \$	Fair value per option \$	Vested \$
Directors Option Plan	14 Sep 2015	14 Sep 2019	0.31	0.13	100%
	29 Apr 2016	28 Apr 2020	0.35	0.16	100%
	7 Oct 2016	6 Oct 2020	0.61	0.23	100%
Employee Share Option Plan	14 Sep 2015	14 Sep 2019	0.31	0.13	100%
	7 Oct 2016	6 Oct 2020	0.61	0.23	0%*

*Options vest a year after grant date. Please refer to note 16 for more information.

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:

2017	Balance at the start of the year	Other changes during the year	Balance for the year ended
Directors			
M Bennett	4,595,001	-	4,595,001
A Neuling	350,000	-	350,000
J Dowling	500,000	-	500,000
G Egerton-Warburton	200,400	350,000	550,400
Other Key Management Personnel			
S Chan	30,000	20,000	50,000
T Walsh	-	50,000	50,000
	5,675,401	420,000	6,095,401

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 2017.

Directors Report (cont)

Remuneration Report (audited) (cont)

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

At the 2016 Annual General Meeting, the resolution to adopt the Remuneration Report for the year ended 30 June 2016 was passed on a poll with 98.37% 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 unvested options under the Group's employee option plan. The Group would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

This concludes the Remuneration Report, which has been audited.

Directors Report (cont)

Proceedings on behalf of the Group

No person had applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. No proceedings had been brought or intervened in on behalf of the Group with leave of the court under section 237 of the Corporations Act 2001.

Auditor

BDO Audit (WA) Pty Ltd was appointed as auditors for the Group in office in accordance with section 327 of the Corporations Act 2001.

Audit Services

During the year ended \$36,970 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 58 of the financial report.

Corporate Governance

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

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



Mark Bennett
Director
Perth
6 September 2017

Annual Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Notes	30 June 2017 \$	30 June 2016 \$
Other income		428,459	386,173
Corporate salaries and wages		(493,851)	(776,502)
Travel expenditure		(329,247)	(328,171)
Consulting and legal fees		(408,516)	(129,088)
Share and company registry		(140,596)	(77,534)
Listing fees		(52,008)	(158,536)
Office rental and variable outgoings		(219,842)	(215,452)
Insurance		(95,509)	(44,637)
Other office related costs		(33,049)	(61,166)
Business development		(316,669)	(331,105)
Depreciation expense	11	(154,050)	(114,308)
Share-based payments	16	(2,870,328)	(4,039,525)
Other gain/(losses) - net		(84,833)	(15,403)
Exploration expenditure expensed as incurred	10	(4,978,990)	(4,917,968)
Loss before income tax		(9,749,029)	(10,823,222)
Income tax expense	5	(271,573)	-
Loss after income tax for the year		(10,020,602)	(10,823,222)
Other comprehensive income			
<i>Items that may be classified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	8	188,088	-
Exchange differences on translation of foreign operations		9,499	14,421
Total comprehensive loss for the year attributable to the members of S2 Resources Ltd		(9,823,015)	(10,808,801)
Loss per share for loss attributable to the members of S2 Resources Ltd			
Basic loss per share	20(c)	(4.12)	(7.12)

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 2017

	Notes	30 June 2017 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	6	17,501,007	15,891,260
Restricted cash	6	306,061	244,270
Trade and other receivables	7	227,465	194,630
TOTAL CURRENT ASSETS		18,034,533	16,330,160
NON-CURRENT ASSETS			
Available-for-sale financial assets	8	1,188,689	-
Exploration and evaluation	10	4,650,820	3,335,880
Property, plant and equipment	11	391,590	405,318
TOTAL NON-CURRENT ASSETS		6,231,099	3,741,198
TOTAL ASSETS		24,265,632	20,071,358
CURRENT LIABILITIES			
Trade and other payables	12	476,819	1,129,154
Provisions	13	338,413	47,952
TOTAL CURRENT LIABILITIES		815,232	1,177,106
TOTAL LIABILITIES		815,232	1,177,106
NET ASSETS		23,450,400	18,894,252
EQUITY			
Share capital	14	52,237,523	40,728,688
Reserves	15	(7,943,299)	(11,011,214)
Accumulated losses		(20,843,824)	(10,823,222)
TOTAL EQUITY		23,450,400	18,894,252

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 2017

Attributable to equity holders of the Group in \$ dollars	Share capital	Share based payment Reserves	Other Reserve	Acquisition Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	Accumulated losses	Total	Non- controlling interest	Total
Balance at 1 July 2016	40,728,688	4,039,525	144,517	(15,214,601)	19,345	-	(10,823,222)	18,894,252	-	18,894,252
Total comprehensive loss for the year	-	-	-	-	9,499	188,088	(10,020,602)	(9,823,015)	-	(9,823,015)
Transactions with owners, recorded directly in equity										
<i>Contributions by and distributions to owners</i>										
Acquisition of commonly controlled entities	-	-	-	-	-	-	-	-	-	-
Issue of share capital	12,080,470	-	-	-	-	-	-	12,080,470	-	12,080,470
Capital raising costs	(587,135)	-	-	-	-	-	-	(587,135)	-	(587,135)
Share-based payment transactions	-	2,870,328	-	-	-	-	-	2,870,328	-	2,870,328
Purchase of Norse Exploration Pty Ltd 33% interest	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-
Share options exercised	15,500	-	-	-	-	-	-	15,500	-	15,500
Total contributions by and distributions to owners	11,508,835	2,870,328	-	-	9,499	188,088	(10,020,602)	4,556,148	-	4,556,148
Balance at 30 June 2017	52,237,523	6,909,853	144,517	(15,214,601)	28,844	188,088	(20,843,824)	23,450,400	-	23,450,400

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 2016

Attributable to equity holders of the Group in \$ dollars	Share capital	Share based payment Reserves	Other Reserve	Acquisition Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total	Non- controlling interest	Total
Balance at 29 May 2015	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	14,421	(10,823,222)	(10,808,801)	-	(10,808,801)
Transactions with owners, recorded directly in equity									
<i>Contributions by and distributions to owners</i>									
Acquisition of commonly controlled entities	39,468,688	-	650,136	(15,214,601)	4,924	-	24,909,147	915,175	25,824,322
Share-based payment transactions	-	4,039,525	-	-	-	-	4,039,525	-	4,039,525
Purchase of Norse Exploration Pty Ltd 33% interest	1,260,000	-	-	-	-	-	1,260,000	-	1,260,000
Transactions with non-controlling interest	-	-	(505,619)	-	-	-	(505,619)	(915,175)	(1,420,794)
Total contributions by and distributions to owners	40,728,688	4,039,525	144,517	(15,214,601)	19,345	(10,823,222)	18,894,252	-	18,894,252
Balance at 30 June 2016	40,728,688	4,039,525	144,517	(15,214,601)	19,345	(10,823,222)	18,894,252	-	18,894,252

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 2017

	Notes	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Cash paid to suppliers and employees for corporate activities		(2,265,567)	(1,802,055)
Cash paid to suppliers and employees for exploration activities		(5,455,104)	(4,380,719)
Interest received		424,024	356,612
Interest and other finance costs paid		(8,406)	(5,709)
Payroll tax refund from Office of State Revenue as a result of audit review in December 2016		13,653	-
Income taxes paid		-	(5,729)
Net cash used in operating activities	19	(7,291,400)	(5,837,600)
Cash flows from investing activities			
Payment of property, plant and equipment		(140,056)	(519,626)
Payment of exploration activities capitalised		(1,321,097)	(215,776)
Payment for stamp duty on transfer of tenements		-	(30,669)
Payment for investment in TSX-V listed entity		(1,000,600)	-
Payment for costs related to purchase of Norse Exploration Pty Ltd 33% interest		-	(33,694)
Cash acquired upon acquisition of subsidiaries		-	2,765,347
Net cash derived from (used in) investing activities		(2,461,753)	1,965,582
Cash flows from financing activities			
Proceeds from issue of share capital		11,508,835	-
Proceeds from demerger		-	20,000,000
Net receipts / (payments) for cash backed guarantees		(61,792)	(221,320)
Net cash from financing activities		11,447,043	19,778,681
Net increase in cash and cash equivalents		1,693,890	15,906,663
Effects of exchange rate changes on cash and cash equivalents		(84,143)	(15,403)
Cash and cash equivalents at 1 July 2016		15,891,260	-
Cash and cash equivalents at 30 June	6	17,501,007	15,891,260

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 2017

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 2017 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 24.

The financial statements were authorised for issue on 6 September 2017 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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of preparation (continued)**

(ii) **Adoption of new and revised Accounting Standards**

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(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, management 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 16.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Exploration and evaluation costs

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of preparation (continued)**

(iv) **Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by S2 at the end of the reporting year. A controlled entity is any entity over which S2 has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 24 to the financial statements.

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

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

(b) **Foreign currency translation**

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (continued)

(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.

(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.

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax (continued)

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) Acquisition of entities under common control

The Group adopts the pooling of interest method to account for acquisition of entities under common control.

The pooling of interest method involves the following:

The assets and liabilities of the combining entities are reflected at their carrying amounts prior to the combination;

No adjustments are made to reflect fair values, or recognise any new assets or liabilities, that would otherwise be done under the acquisition method. The only adjustments that are made are to harmonise accounting policies;

No 'new' goodwill is recognised as a result of the combination; and

The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred (including liabilities assumed) and the entity 'acquired' is reflected within equity.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income reflects the result of the combining entities from the date that the combination occurred. Financial information for the periods prior to the date the combination occurred is not restated.

(f) 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.

(g) 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)

(h) 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.

(i) 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.

(j) Exploration and Evaluation

Exploration and evaluation assets acquired

Exploration and evaluation assets comprise of acquisition of mineral rights (such as joint ventures) and fair value (at acquisition date) of exploration and expenditure assets from other entities. As the assets are not yet ready for use they are not depreciated. Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the assets are demonstrable, exploration and evaluation assets are first tested for impairment and then reclassified to mine properties as development assets.

Exploration and evaluation expenditure

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

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

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

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

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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)

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(m) Interest in Joint Ventures

The Group accounts for 100% of the assets, liabilities and expenses of joint venture activity. These have been incorporated in the financial statements.

(n) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of the each reporting period. See note 8 for details about each type of financial asset.

Reclassification

The Group may choose to reclassify as a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category on in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivable out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (continued)

Reclassification are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investments securities.

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses.
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gain/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 8.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (continued)

of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicated that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 7.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(o) 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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

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.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee Benefits (continued)

(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.

(q) 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 any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding 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.

(r) 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.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for year ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

AASB 9 Financial Instruments

These amendments must be applied for financial years commencing on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019. The Company does not currently have any hedging arrangements in place.

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

The impact of this adoption is currently being reviewed by the Group however, the impact has not yet been quantified.

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased term) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$876,497, see note 21. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's loss and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The application of this standard is mandatory on or after 1 January 2019. At this stage the Group does not intend to adopt the standard before its effective date.

AASB 15 Revenue from Contracts with Customers

These amendments must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019.

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The impact of this standard will be not applicable as the Group does not have revenue from contracts with customers.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks 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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 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.

2017	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	2,574,633	8,500,000	-	6,426,374	17,501,007	1.46
Restricted cash	195,000	-	-	111,061	306,061	2.63
Other receivables	-	-	-	-	-	-
Total financial assets	2,769,633	8,500,000	-	6,537,435	17,807,068	
(ii) Financial liabilities						
Trade and other payables	-	-	-	476,819	476,819	-
Total financial liabilities	-	-	-	476,819	476,819	-
2016	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	2,461,588	10,000,000	-	3,429,672	15,891,260	2.68
Restricted cash	210,966	-	-	33,304	244,270	2.22
Other receivables	-	-	-	194,630	194,630	-
Total financial assets	2,672,554	10,000,000	-	3,657,606	16,330,160	
(ii) Financial liabilities						
Trade and other payables	-	-	-	1,129,154	1,129,154	-
Total financial liabilities	-	-	-	1,129,154	1,129,154	-

Net Fair Values

The net fair value of financial assets and liabilities approximate carrying values due to their short term nature.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017	30 June 2016
	\$	\$
Change in loss:		
Increase by 1%	(100,206)	(108,232)
Decrease by 1%	100,206	108,232
Change in equity:		
Increase by 1%	(234,504)	(188,943)
Decrease by 1%	234,504	188,943

Foreign exchange risk

Exposure

The Group holds foreign currency cash in Euro, US Dollar and Swedish Krona to operate in Finland, Sweden 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 2017	EUR \$	USD \$	SEK \$	Total \$
Cash on hand	4,100,224	2,069,950	255,700	6,425,874
Restricted cash	16,186	-	15,262	31,448
Other receivables	13,047	-	33,347	46,394
Trade and other payables	(92,497)	-	(69,100)	(161,597)
	4,036,960	2,069,950	235,209	6,342,119

Period ended 30 June 2016	EUR \$	USD \$	SEK \$	Total \$
Cash on hand	3,044,247	75,399	309,510	3,429,156
Restricted cash	16,261	-	17,043	33,304
Other receivables	4,976	-	34,936	39,912
Trade and other payables	(116,312)	-	(59,850)	(176,162)
	2,949,172	75,399	301,639	3,326,210

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Amounts recognised in profit or loss and other comprehensive income

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

	2017	2016
	\$	\$
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange gain/(loss) included in other income/other expenses	84,143	(15,403)
Total net foreign exchange (losses) recognised in loss before income tax for the year	84,143	(15,403)
<i>Net gains/(losses) recognised in other comprehensive income</i>		
Translation of foreign operations	9,499	14,421

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 EUR-dollar, US dollar and Swedish Krona 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%*	(333,094)	(1,684)
EUR/\$ exchange rate – decrease (10%)*	333,094	1,684
USD/\$ exchange rate – increase 10%*	(206,995)	-
USD/\$ exchange rate – decrease (10%)*	206,995	-
SEK/\$ exchange rate – increase 10%*	(25,570)	(1,132)
SEK/\$ exchange rate – decrease (10%)*	25,570	1,132

*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. For the year ended 30 June 2017, the Group has no contractual financial liabilities.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- based on Standard and Poor's rating agency.

The credit risk on other receivables is limited as it is comprised of prepayments and GST recoverable from the Australian Taxation Office and tax authorities in Scandinavia. The credit risk on liquid funds is limited because the counter party is a bank with high credit rating. There are no receivable balances which are past due or impaired.

Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as available-for-sale (see note 8). The Group's investment is publicly traded on the Toronto Stock Exchange Venture Exchange ("TSXV").

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
	2017	2016	2017	2016
	\$	\$	\$	\$
TSXV index – increase 10%	-	-	118,869	-
TSXV index – decrease (10%)	-	-	(118,869)	-

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 available-for-sale. As the fair value of the available-for-sale financial assets 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 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 8.

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 Finland.
- Sweden exploration activities, which includes exploration and evaluation of mineral tenements in Sweden.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 3. SEGMENT INFORMATION (CONTINUED)

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

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

SEGMENT RESULTS

Statement of profit or loss for the year ended 30 June 2017

	\$				
	Finland exploration activities	Sweden exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	428,459	428,459
Corporate expenses	-	-	-	(1,772,618)	(1,772,618)
Business Development	-	-	-	(316,669)	(316,669)
Depreciation expense	-	-	-	(154,050)	(154,050)
Share-based payments	-	-	-	(2,870,328)	(2,870,328)
Other gain/(losses) - net	-	-	-	(84,833)	(84,833)
Exploration expenditure expensed as incurred	(453,775)	(3,002,571)	(1,522,644)	-	(4,978,990)
Loss before income tax	(453,775)	(3,002,571)	(1,522,644)	(4,770,039)	(9,749,029)
Income tax expense	-	-	-	(271,573)	(271,573)
Loss after income tax for the year	(453,775)	(3,002,571)	(1,522,644)	(5,041,612)	(10,020,602)

Statement of profit or loss for the period ended 30 June 2016

	\$				
	Finland exploration activities	Sweden exploration activities	Australia exploration activities	Unallocated	Total
Other income	-	-	-	386,173	386,173
Corporate expenses	-	-	-	(1,791,086)	(1,791,086)
Business Development	-	-	-	(331,105)	(331,105)
Depreciation expense	-	-	-	(114,308)	(114,308)
Share-based payments	-	-	-	(4,039,525)	(4,039,525)
Other gain/(losses) - net	-	-	-	(15,403)	(15,403)
Exploration expenditure expensed as incurred	(574,957)	(1,332,869)	(3,010,142)	-	(4,917,968)
Loss before income tax	(574,957)	(1,332,869)	(3,010,142)	(5,905,254)	(10,823,222)
Income tax expense	-	-	-	-	-
Loss after income tax for the period	(574,957)	(1,332,869)	(3,010,142)	(5,905,254)	(10,823,222)

SEGMENT ASSETS AND LIABILITIES

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 4. OTHER INCOME

	30 June 2017 \$	30 June 2016 \$
Interest received	428,459	386,173

NOTE 5. INCOME TAX

	30 June 2017 \$	30 June 2016 \$
Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Current tax (1)	(271,573)	-
Deferred tax		-
Under (over) provided in prior years		-
Total income tax expense per Consolidated Statement of Profit or Loss and Other Comprehensive Income	(271,573)	-
<i>Numerical reconciliation between tax expense and pre-tax net loss</i>		
Net loss before tax	(9,749,028)	(10,823,222)
Income tax benefit at 27.5%	(1,717,274)	(2,659,328)
Income tax expense for overseas entities	(735,943)	(418,312)
<i>Increase in income tax due to:</i>		
Non-deductible expenses	872,898	1,213,570
Current year tax losses not recognised	1,780,406	1,864,894
<i>Decrease in income tax due to:</i>		
Movement in unrecognised temporary differences	(471,660)	(824)
	271,573	-
Unrecognised deferred tax assets		
<i>Deferred tax assets have not been recognised in respect of the following:</i>		
Previous year tax losses brought forward	1,864,894	
Deductible temporary differences	-	200,385
Tax revenue losses (2)	1,780,406	1,664,509
Tax capital losses		-
	3,645,300	1,864,894

(1) The Group has estimated an income tax expense resulting from of a transfer of assets on 31 October 2016 between its Swedish subsidiaries being Sakumpu Exploration Filial and S2 Sverige AB. For tax purposes, this transfer was considered a sale between the two entities and a profit was made by Sakumpu Exploration Filial, despite the fact that they are both wholly owned subsidiaries of the same parent. This profit is subject to tax under Swedish and Finnish tax laws and regulations as Sakumpu Exploration Filial is registered in Sweden and is owned by Sakumpu Exploration Oy (registered in Finland). The tax return for the Sakumpu entities will be completed for the financial year end 30 June 2017 during the financial year end 30 June 2018.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 5. INCOME TAX (CONTINUED)

(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 6. CASH AND CASH EQUIVALENTS

	30 June 2017 \$	30 June 2016 \$
Current		
Cash at bank and in hand	17,501,007	15,891,260
Restricted cash	306,061	244,270
	17,807,068	16,135,530

NOTE 7. OTHER RECEIVABLES

	30 June 2017 \$	30 June 2016 \$
GST refund due	64,228	87,554
Accrued interest	33,998	29,562
Prepayment	117,010	73,791
Other	12,229	3,723
	227,465	194,630

The Group has no impairments to other receivables or have receivables that are past due but not impaired. Refer to note 2 for detail on the risk exposure and management of the Group's other receivables.

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following classes of assets:

	30 June 2017 \$	30 June 2016 \$
Non-current assets		
Canadian listed equity securities (1)	1,188,689	-
	1,188,689	-

(1) During the financial year ended 30 June 2017, the Group invested C\$1 million in TSXV listed gold explorer GT Gold (TSXV: GTT) via a placement of 3.125 million shares at C\$0.32 cents per share.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term. Financial assets that are not classified into any of the other categories (at fair value profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See note 1 (n) for further details about the Group's impairment policies for financial assets.

Amounts recognised in profit or loss

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

	30 June 2017	30 June 2016
	\$	\$
Gains/(losses) recognised in other comprehensive income	188,088	-

Fair value, impairment and risk exposure

Information about the Group's exposure to price risk is provided in note 2. None of the available-for-sale financial assets are either past due or impaired. The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. All available-for-sale financial assets are denominated in Australian dollar. For an analysis of the sensitivity of available-for-sale financial assets to price risk refer to note 2.

NOTE 9. ACQUISITION OF COMMONLY CONTROLLED ENTITIES

On 21 September 2015, S2 Resources Ltd and its subsidiaries, demerged from Sirius Resources NL (now a subsidiary of Independence Group ("IGO")). The demerger transaction comprised of S2 receiving cash from IGO and acquiring the carrying value of Polar Metals Pty Ltd and Sirius Europa Pty Ltd ("acquired entities"). The following transactions occurred for the demerger transaction to complete on 21 September 2015:

- On 3 September 2015, the shareholders of Sirius Resources NL approved the demerger transaction.
- On 10 September 2015, subsequent to court order approval of the demerger transaction, the Company received cash of \$15,854,974 and a reimbursement for Deferred Tax Assets of \$4,145,026 due to exiting the Sirius Resources NL tax consolidated group (i.e. total cash received of \$20,000,000).
- On 21 September 2015, 207,401,278 shares were issued to S2 shareholders. The number of shares determined on completion of the Demerger transaction was based on Sirius Resources NL shareholders receiving 1 S2 share for every 2 Sirius ordinary shares.
- Also on 21 September 2015, the Company acquired the carrying value of Polar Metals and Sirius Europa Pty Ltd. The net assets acquired on this date was \$9,969,347 and comprised cash which included the reimbursement for Deferred Tax Assets due to exiting the Sirius Resources NL tax consolidated group and exploration assets.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 9. ACQUISITION OF COMMONLY CONTROLLED ENTITIES (CONTINUED)

As a result of the transactions described above, the summarised financial information as at 21 September 2015 for the acquired entities is provided below:

	21 September 2015
	\$
CURRENT ASSETS	
Cash and cash equivalents	2,765,346
Restricted cash	74,949
Trade receivables	12,570
Other receivables	4,156,026
TOTAL CURRENT ASSETS	7,008,891
NON-CURRENT ASSETS	
Exploration and evaluation	3,062,848
Property, plant and equipment	73,878
TOTAL NON-CURRENT ASSETS	3,136,726
TOTAL ASSETS	10,145,617
CURRENT LIABILITIES	
Trade and other payables	172,070
Provisions	4,200
TOTAL CURRENT LIABILITIES	176,270
TOTAL LIABILITIES	176,270
NET ASSETS	9,969,347
EQUITY	
Share capital	23,613,713
Reserves	650,136
Foreign Currency Translation Reserve	4,924
Non-controlling interest	915,175
Acquisition Reserve	(15,214,601)
TOTAL EQUITY	9,969,347

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 10. EXPLORATION AND EVALUATION

	30 June 2017 \$	30 June 2016 \$
Exploration costs	4,650,820	3,335,880
Movement during the year		
Balance at beginning of the year	3,335,880	-
Exploration expenditure incurred during the year (i)	6,293,930	5,160,331
Exploration expenditure incurred during the year and expensed (i)	(4,978,990)	(4,917,968)
Exploration expenditure relating to acquisitions (ii)	-	3,093,517
Balance at end of the year	4,650,820	3,335,880

(i) During the year ended 30 June 2017 the exploration expenditure incurred pertains to the following:

Baloo Project

Exploration expenditure incurred and capitalised for the project was \$1,314,940 as per the announcement made on 13 February 2017 in relation to the new Mineral Resource estimate for the Baloo gold deposit. The revised Indicated and Inferred Mineral Resource estimate for the Baloo gold deposit comprises 4.22 million tonnes grading 2.0 g/t gold for a contained 264,000 ounces of gold at a lower cutoff grade of 0.8 g/t gold.

Nanook Project

No exploration expenditure was incurred for the Nanook project.

Polar Bear Project

Exploration expenditure incurred and expensed for the Polar Bear Project was \$1,336,882.

Eundynie JV Project (80% interest)

Exploration expenditure incurred and expensed for the Eundynie JV was \$102,760.

Norcott Project

Exploration expenditure incurred and expensed for the Norcott was \$83,002.

Finland Project

Exploration expenditure incurred and expensed for Finland was \$453,775.

Sweden Project

Exploration expenditure incurred and expensed for Sweden was \$3,002,571.

(ii) As a result of the Demerger transaction on 21 September 2015, the Group acquired exploration assets in the Scandinavian Project valued at \$2,000,000, the Polar Bear Project valued at \$400,000 and the Eundynie JV Project valued at \$662,848. The remaining \$30,669 related to the stamp duty of the Eundynie JV that was incurred during the financial year ended 30 June 2016.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

2017	Property, Plant and Equipment \$	Motor Vehicles \$	Computer Software \$	Fixtures and fittings \$	Total \$
Cost or deemed cost					
Balance at 1 July 2016	293,163	37,263	101,605	86,850	518,881
Additions	120,171	-	2,175	5,536	127,882
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Exchange differences	(432)	-	(46)	-	(478)
Balance at 30 June 2017	412,902	37,263	103,734	92,386	646,285
Depreciation					
Balance at 1 July 2016	70,831	4,968	22,220	15,544	113,563
Depreciation for the year – expensed	79,801	7,453	30,532	23,223	141,009
Exchange differences	123	-	-	-	123
Disposals	-	-	-	-	-
Balance at 30 June 2017	150,755	12,421	52,752	38,767	254,695
Carrying amounts					
at 1 July 2016	222,332	32,295	79,385	71,307	405,318
at 30 June 2017	262,147	24,842	50,982	53,619	391,590

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2016	Property, Plant and Equipment \$	Motor Vehicles \$	Computer Software \$	Fixtures and fittings \$	Total \$
Cost or deemed cost					
Balance at 29 May 2015	-	-	-	-	-
Additions	290,737	37,263	101,397	86,850	516,247
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Exchange differences	2,426	-	208	-	2,634
Balance at 30 June 2016	293,163	37,263	101,605	86,850	518,881
Depreciation					
Balance at 29 May 2015	-	-	-	-	-
Depreciation for the year – expensed	71,520	4,968	22,276	15,544	114,308
Exchange differences	(689)	-	(56)	-	(745)
Disposals	-	-	-	-	-
Balance at 30 June 2016	70,831	4,968	22,220	15,544	113,563
Carrying amounts					
at 29 May 2015	-	-	-	-	-
at 30 June 2016	222,332	32,295	79,385	71,306	405,318

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 12. TRADE AND OTHER PAYABLES

	30 June 2017 \$	30 June 2016 \$
Trade and other payables (i)	476,819	1,129,154

- (i) These amounts generally arise from the usual operating activities of the Group and are expected to be settled within 12 months. Collateral is not normally obtained.

NOTE 13. PROVISIONS

	30 June 2017 \$	30 June 2016 \$
Current		
Employee benefits (1)	66,840	47,952
Income Tax Payable (2)	271,573	-
	338,413	47,952
Carrying amount at start of the year	47,952	-
Provisions made during the year	290,461	47,952
Carrying amount at end of the year	338,413	47,952

(1) Employee benefits are provided for all employees of the Group in line with their employment contracts and the balance for the year ended 30 June 2017 is expected to be settled within 12 months. The measurement and recognition criteria relating to employee benefits have been included in note 1 to this financial report.

(2) Please refer to note 5 in relation to the Income Tax Payable.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 14. SHARE CAPITAL

	30 June 2017 No. of Shares	30 June 2017 \$	30 June 2016 No. of Shares	30 June 2016 \$
Ordinary shares fully paid	246,052,451	52,237,523	215,801,278	40,728,688
Movement in Share Capital				
Ordinary shares fully paid				
Balance at beginning of year	215,801,278	40,728,688	-	-
Shares issued at \$0.1903 per share at the completion of the Demerger on 21 September 2015.			207,401,278	39,468,688
Shares issued at \$0.15 per share (i)			8,400,000	1,260,000
Placement at \$0.40 per share for cash	30,201,174	12,080,470		
Options exercised at \$0.31	50,000	15,500		
Cost of issues of shares	-	(587,135)		
Balance at year end	246,052,452	52,237,523	215,801,278	40,728,688

(i) On 30 November 2015, the Group announced its acquisition of the 33% interest, held by the Sakumpu vendors, in Norse Exploration Pty Ltd and becoming a wholly owned subsidiary of S2.

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 15. RESERVES

	30 June 2017 \$	30 June 2016 \$
Share-based payments reserve (i)	6,909,853	4,039,525
Other reserve (ii)	144,517	144,517
Foreign currency translation reserve (iii)	28,844	19,345
Acquisition reserve (iv)	(15,214,601)	(15,214,601)
Revaluation reserve (v)	188,088	-
	(7,943,299)	(11,011,214)

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

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 15. RESERVES (CONTINUED)

- (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) This acquisition reserve arises from the interest pooling method accounting policy for the purchase of Polar Metals Pty Ltd and Sirius Europa Pty Ltd as described in note 9 of these financials.
- (v) The revaluation reserve recognises the change in fair value of available-for-sale financial assets. Please refer to note 8 of these financials

NOTE 16. SHARE-BASED PAYMENTS

The following share-based payments arrangements were in existence during the current reporting year:

Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(1) Issued at 14 September 2015	29,250,000	14/09/2015	14/09/2019	0.31	0.13
(2) Issued at 9 October 2015	50,000	09/10/2015	09/10/2019	0.31	0.13
(3) Issued at 23 October 2015	400,000	23/10/2015	23/10/2019	0.31	0.12
(4) Issued at 29 November 2015	400,000	29/11/2015	28/11/2019	0.31	0.08
(5) Issued at 18 April 2016	800,000	18/04/2016	17/04/2020	0.31	0.14
(6) Issued at 28 April 2016	1,000,000	29/04/2016	28/04/2020	0.35	0.16
(7) Issued at 7 October 2016	11,950,000	07/10/2016	06/10/2020	0.61	0.23

- (1) The 29,250,000 options in series 1 comprised 23,750,000 options issued to the Directors of the Group which vested immediately, 3,600,000 options issued to employees under the Employee Share Option Plan which vest one year from grant date and 1,900,000 options 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.
- (2) The 50,000 options in series 2 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (3) The 400,000 options in series 3 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (4) The 400,000 options in series 4 which vests one year from grant date was issued to employees under the Employee Share Option Plan.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 16. SHARE-BASED PAYMENTS (CONTINUED)

- (5) The 800,000 options in series 5 comprised of 400,000 options were issued to employees under the Employee Share Option Plan which vests one year from grant date, and 400,000 options issued to service providers which vests 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.
- (6) The 1,000,000 options in series 6 which vested immediately were issued to a Director of the Group.
- (7) The 11,950,000 options in series 7 comprised 6,500,000 options issued to the Directors of the Group which vested immediately, 2,700,000 options were issued to employees under the Employee Share Option Plan which vest one year from grant date and 2,750,000 options were issued to service providers which vest one year from grant date. For the service provider options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued.

The weighted average fair value of the share options granted during the year is \$0.16.

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

	30 June 2017 \$	30 June 2016 \$
Options issued under Directors Option Plan	1,518,037	3,351,176
Options issued under Employee Share Plan	710,045	409,782
Options issued under Service Provider Plan	642,246	278,567
	2,870,328	4,039,525

The weighted average contractual life for options outstanding at the end of the year was 3.95 years.

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

	Series 1	Series 2	Series 3	Series 4	Series 5
Grant date share price	0.21	0.19	0.19	0.14	0.22
Exercise price	0.31	0.31	0.31	0.31	0.31
Expected volatility	100.00%	100.00%	100.00%	100.00%	100.00%
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	3.10%	3.10%	3.10%	3.35%	3.26%

	Series 6	Series 7
Grant date share price	0.25	0.44
Exercise price	0.35	0.61
Expected volatility	100%	80%
Option life	4 years	4 years
Dividend yield	0.00%	0.00%
Interest rate	3.35%	2.87%

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 16. SHARE-BASED PAYMENTS (CONTINUED)

The following reconciles the outstanding share options granted in the year ended 30 June 2017:

	30 June 2017 No. of Options	30 June 2017 Weighted average exercise price \$	30 June 2016 No. of Options	30 June 2016 Weighted average exercise price \$
Balance at the beginning of the year	31,900,000	0.31	-	-
Granted during the year	11,950,000	0.61	31,900,000	0.31
Exercised during the year	(50,000)	0.31	-	-
Expired during the year (i)	(3,450,000)	0.53	-	-
Balance at the end of the year	40,350,000	0.38	31,900,000	0.31
Un-exercisable at the end of the year	2,750,000	0.55	8,150,000	0.31
Exercisable at end of the year	37,600,000	0.36	23,750,000	0.31

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

For the year ended 30 June 2017, 3,100,000 service provider options and 350,000 employee share options were cancelled.

No amounts are unpaid on any of the shares. No person entitled to exercise an option had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

NOTE 17. DIVIDENDS

There were no dividends recommended or paid during the year ended 30 June 2017.

NOTE 18. KEY MANAGEMENT PERSONNEL DISCLOSURES

	30 June 2017 \$	30 June 2016 \$
Short term employee benefits	651,814	449,498
Post-employment benefits	47,829	34,620
Long-term benefits	43,312	29,525
Non-monetary benefits	-	-
Share-based payment	1,658,162	3,458,587
	2,401,117	3,972,230

Detailed remuneration disclosures are provided in the Remuneration Report.

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 19. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	30 June 2017 \$	30 June 2016 \$
Loss for the year	(10,020,602)	(10,823,222)
Depreciation	154,050	114,308
Equity Settled share-based payment transaction	2,870,328	4,039,525
Income tax expense	271,573	-
Other (gain)/losses – net	84,833	-
Increase/(Decrease) in trade and other payables	(652,335)	1,129,154
Increase/(Decrease) in provisions	(18,888)	47,952
(Increase)/Decrease in receivables	19,641	(360,720)
Net cash outflow from operating activities	(7,291,400)	(5,853,003)

NOTE 20. BASIC LOSS PER SHARE

	30 June 2017 \$	30 June 2016 \$
(a) Reconciliation of loss used in calculating loss per share		
<i>Basic loss per share</i>		
Loss attributable to the ordinary equity holders used in calculating basic loss per share	(9,830,497)	(10,823,222)

	30 June 2017	30 June 2016
(b) Weighted average number of shares used as the Denominator	Number	Number
Ordinary shares used as the denominator in calculating basic loss per share	246,052,452	215,801,278
(c) Basic loss per share	Cents	Cents
Basic loss per share	(4.05)	(7.12)

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

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 21. COMMITMENTS

The Group must meet the following operating lease and 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 2017	30 June 2016
	\$	\$
Not later than one year	876,497	766,580
After one year but less than two years	876,497	766,580
After two years but less than five years	2,224,697	1,982,220
After five years*	674,100	660,740
	4,651,791	4,176,120

* Per annum

NOTE 22. RELATED PARTY TRANSACTIONS

Other than the Directors and key management personnel salaries and options described in the Remuneration Report, there were no related party transactions for the year ended 30 June 2017.

NOTE 23. JOINT VENTURES

The Group has interests in the following joint venture operations:

Tenement Area	Activities	2017	2016
Eundynie	Gold	80%	80%

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 24. PARENT ENTITY DISCLOSURES

Financial position

	30 June 2017 \$	30 June 2016 \$
Assets		
Current assets	17,306,827	15,518,868
Non-current assets	6,243,286	24,403,244
Total assets	23,550,113	39,922,112
Liabilities		
Current liabilities	382,061	1,000,944
Non-current liabilities	-	-
Total liabilities	382,061	1,000,944
Net assets	23,168,052	38,921,168
Equity		
Issued capital	52,237,523	40,728,688
Share-based payments reserve	7,097,942	4,039,525
Accumulated losses	(36,167,413)	(5,847,045)
Total equity	23,168,052	38,921,168

Financial performance

	30 June 2017 \$	30 June 2016 \$
Profit/(loss) for the year	(30,320,368)	(5,847,045)
Other comprehensive income	-	-
Total comprehensive income	(30,320,368)	(5,847,045)

The parent entity has entered into an office lease agreement where the following commitments must be met:

	30 June 2017 \$	30 June 2016 \$
Not later than one year	202,397	125,840
After one year but less than two years	202,397	115,745
	404,794	241,585

* Per Annum

Annual Financial Report (cont)

Notes to the Consolidated Financial Statements

NOTE 25. SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	Equity Holding	
			2016	2017
Polar Metals 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%
S2 Sverige AB	Sweden	Ordinary	-	100%
S2RUS Pty Ltd	Australia	Ordinary	-	100%
S2RUS LLC	United States	Ordinary	-	100%
Nevada Star Exploration LLC	United States	Ordinary	-	100%

NOTE 26. EVENTS OCCURRING AFTER THE REPORTING YEAR

On 1 August 2017, the Group entered into an agreement with Renaissance Gold Inc (“RenGold”), a TSXV listed company to earn in to three of RenGold’s properties located on some of the major known gold mineralized trends in Nevada, USA. The transaction provides the Group with earn-in rights over three separate properties, each on similar terms. The key terms are as follows:

- One off payment of US\$75,000 on signing (ie US\$25,000 per property).
- Minimum spend of US\$200,000 within 2 years on each property, and ability to earn a 70% interest for expenditure of US\$3 million within 5 years on each property.
- If/when the Group earns in, RenGold can participate in exploration programs or dilute its interest, and if Rengold dilutes its interest below 10%, it reverts to a net smelter return royalty.
- If still participating (ie. above 10%) at the time of a decision to mine, RenGold can participate at its future interest level or revert to a net smelter return royalty.

The transaction is subject to customary and largely confirmatory conditions precedent, to be satisfied within 30 business days from date of signing of the agreement.

Other than the after balance date events stated above, there has been no matter or circumstance that has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

NOTE 27. 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 2017 \$	30 June 2016 \$
	36,970	34,280
Total remuneration for audit services	36,970	34,280

Directors' Declaration

The Directors of the Group declare that:

1. The financial statements and notes as set out on pages 18 to 56 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 2017 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
Director
Perth
6 September 2017

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

As lead auditor of S2 Resources Limited for the year ended 30 June 2017, 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.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 6 September 2017

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 2017, 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 2017 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* (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>
<p>At 30 June 2017 the carrying value of the capitalised exploration and evaluation asset was \$4.65 million (30 June 2016: \$3.34 million), as disclosed in Note 10.</p> <p>As the carrying value of the Exploration and Evaluation Asset represents a significant asset of the Group, 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.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources. In particular:</p> <ul style="list-style-type: none"> • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • 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; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • 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 Note 10 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Financial Report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

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



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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 16 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of S2 Resources Limited, for the year ended 30 June 2017, 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 blue ink, consisting of the letters 'BDO' above the name 'J Prue'.

Jarrad Prue

Director

Perth, 6 September 2017