S2 RESOURCES LTD

ABN: 18 606 128 090

Interim Financial Report
for the
Period ended 31 December 2015

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INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2015

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Corporate Directory

Directors

Jeff Dowling	*Non-Executive Chairman*
Mark Bennett	*Managing Director*
Anna Neuling	*Executive Director*

Company Secretary

Anna Neuling

Principal and Registered Office

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Scarborough, Western Australia 6019
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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 - ordinary shares

Directors' Report

The Directors of S2 Resources Ltd ("Directors") present their report on S2 Resources Ltd ("Company" or "S2") and the entities it controlled at the end of, or during, the period ended 31 December 2015 ("Consolidated Entity" or "Group").

Directors

The names and details of the Directors in office during the period ended 31 December 2015 and until the date of this interim financial report are as follows. The Directors were in office for the entire period unless otherwise stated.

Jeff Dowling – appointed on 29 May 2015
Mark Bennett – appointed on 29 May 2015
Anna Neuling – appointed on 29 May 2015

Principal Activities

The principal continuing activity of the Group is mineral exploration.

Review of Operations

Operating Result

The loss from continuing operations for the period ended 31 December 2015 after providing for income tax amounted to $6,328,957.

The loss results from $1,849,366 of exploration expenditure incurred and expensed, $3,487,988 of share-based payments expenses, $1,134,719 of administration costs, $22,287 depreciation costs, other income and foreign exchange gains of $165,403. The exploration expenditure incurred and expensed mainly relates to the Polar Bear and Scandinavian projects.

Dividends

No dividends were paid or proposed to be paid to members during the period ended 31 December 2015.

Significant Changes in the State of Affairs

On 29 May 2015, the Company was incorporated and appointed Mr Jeff Dowling, Dr Bennett and Ms Anna Neuling as directors.

On 21 September 2015, S2 Resources Ltd and its subsidiaries, demerged from Sirius Resources NL (now Independence Group ("IGO")). The demerger transaction comprised 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 mostly cash which includes the reimbursement for Deferred Tax Assets due to exiting the Sirius Resources NL tax consolidated group and exploration assets.

Directors' Report

Significant Changes in the State of Affairs (continued)

On 19 October 2015, S2 listed on the Australian Stock Exchange.

On 30 November 2015, the Group announced its acquisition of the remaining 33% interest, held by the Sakumpu vendors, in Norse Exploration Pty Ltd which became a wholly owned subsidiary of S2. The consideration of $1,260,000 was based on issuing of 8,400,000 S2 shares at 15 cents per share. Sakumpu Exploration Oy is a registered Finnish entity that holds exploration assets in Finland and Sweden which is 100% owned by Norse Exploration Pty Ltd. The Sakumpu vendors were the individuals who previously owned Sakumpu Exploration Oy and who sold 100% to Norse Exploration Pty Ltd in January 2015.

After Balance Date Events

There has been no matter or circumstance that has arisen since 31 December 2015 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.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of *the Corporations Act 2001* is set out on page 6 of the interim financial report.

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

Mark Bennett
Director
Perth
3 March 2016

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

As lead auditor for the review of S2 Resources Limited for the period from 29 May 2015 to 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 3 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the period ended 31 December 2015

	Notes	31 December 2015 $
Other income		153,347
Administrative expenses	3	(1,134,719)
Depreciation expense		(22,287)
Share based payments	10	(3,487,988)
Other gain/(losses) - net		12,056
Exploration expenditure expensed as incurred		(1,849,366)
Loss before income tax		**(6,328,957)**
Income tax expense/(benefit)		-
Loss for the period		**(6,328,957)**
Other comprehensive income		
Exchange differences on translation of foreign operations		(13,651)
Total Comprehensive loss for the period attributable to the members of S2 Resources Ltd		**(6,342,608)**
Loss per share for the period attributable to the Members of S2 Resources Ltd		
		Cents
Basic loss per share	14	(7.14)

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

Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	31 December 2015 $
CURRENT ASSETS		
Cash and cash equivalents	4	19,567,619
Restricted cash	4	227,220
Trade and other receivables	5	327,870
TOTAL CURRENT ASSETS		**20,122,709**
NON-CURRENT ASSETS		
Exploration and evaluation	7	3,062,848
Property, plant and equipment		442,144
TOTAL NON-CURRENT ASSETS		**3,504,992**
TOTAL ASSETS		**23,627,701**
CURRENT LIABILITIES		
Trade and other payables	5	791,984
Provisions		26,809
TOTAL CURRENT LIABILTIES		
TOTAL LIABILTIES		**818,793**
NET ASSETS		**22,808,908**
EQUITY		
Share capital	8	40,728,688
Reserves	9	(11,590,823)
Accumulated losses		(6,328,957)
TOTAL EQUITY		**22,808,908**

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

Consolidated Statement of Changes in Equity

for the period ended 31 December 2015

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 period	-	-	-	-	(13,651)	(6,328,957)	(6,342,608)	-	**(6,342,608)**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
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	-	3,487,988	-	-	-	-	3,487,988	-	**3,487,988**
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	3,487,988	144,517	(15,214,601)	(8,727)	(6,328,957)	22,808,908	-	**22,808,908**
Balance at 31 December 2015	**40,728,688**	**3,487,988**	**144,517**	**(15,214,601)**	**(8,727)**	**(6,328,957)**	**22,808,908**	-	**22,808,908**

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

Consolidated Statement of Cash Flows

for the period ended 31 December 2015

	Notes	31 December 2015 $
Cash flows from operating activities		
Cash paid to suppliers and employees for administration activities		(919,496)
Cash paid to suppliers and employees for exploration activities		(1,699,254)
Interest received		117,334
Interest and other finance costs paid		(1,373)
Net cash used in operating activities		**(2,502,789)**
Cash flows from investing activities		
Payments for property, plant and equipment		(439,791)
Payment for costs related to purchase of Norse Exploration Pty Ltd 33% interest		(33,694)
Cash acquired upon acquisition of subsidiaries	6	2,765,347
Net cash used in investing activities		**2,291,862**
Cash flows from financing activities		
Proceeds from demerger		20,000,000
Net receipts / (payments) for cash backed guarantees		(221,454)
Net cash from financing activities		**19,778,546**
Net increase in cash and cash equivalents		19,567,619
Cash and cash equivalents at 29 May 2015		-
Cash and cash equivalents at 31 December		**19,567,619**

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

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

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.

The Company was incorporated on 29 May 2015 and accordingly the financials for the period ended 31 December 2015 have not disclosed comparatives.

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.

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

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 period.

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

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the Group for their annual reporting period commencing 1 July 2015:

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle,* and
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.*

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

(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 with employees 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 10.

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.

Note 1. Statement of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Use of estimates and judgements (continued)

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.

(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 period. 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 16 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.

Note 1. Statement of significant accounting policies (continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- 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.

Note 1. Statement of significant accounting policies (continued)

(d) Income Tax (continued)

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

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

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

(e) 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 other 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.

(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.

Note 1. Statement of significant accounting policies (continued)

(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.

(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.

Note 1. Statement of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

(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.

Note 1. Statement of significant accounting policies (continued)

(l) Leases (continued)

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) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value
Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Impairment
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

De-recognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer or non-cash assets or liabilities assumed, is recognised in 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.

Note 1. Statement of significant accounting policies (continued)

(o) Provisions (continued)

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.

(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-marketing 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.

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.

(r) Earnings Per Share

(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.

(s) 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.

Note 1. Statement of significant accounting policies (continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for period ended 31 December 2015. 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.

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. There will be no impact on the Company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such financial assets or financial liabilities. 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.

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. Due to the recent release of this standard the Company has not yet made an assessment of the impact of this standard.

AASB 16 Leases
IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. Due to the recent release of this standard, the group has not yet made a detailed assessment of the impact of this standard.

Note 2. Segment Information

Operating segment

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.

The Group has two operating segments which comprise exploration activities in Australia and Scandinavia.

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

Note 3. Administrative expenses

	31 December 2015 $
Salaries and wages	477,919
Travel expenditure	204,441
Consulting fees	128,405
Listing fees	121,180
Other office related costs	202,774
	1,134,719

Note 4. Cash and Cash Equivalents

	31 December 2015 $
Cash at bank and in hand	19,567,619
Restricted cash	227,220

Note 5: Fair Values of Financial Instruments

Recurring fair value measurements
The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value
The following instruments are not measured at fair value in the Consolidated Statement of Financial Position.
These had the following fair values at 31 December 2015:

	Carrying Amount $	Fair Value $
Current Assets		
Receivables	327,870	327,870
Current Liabilities		
Trade and other payables	791,984	791,984

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

Note 6. Acquisition of commonly controlled entities

On 21 September 2015, S2 Resources Ltd and its subsidiaries, demerged from Sirius Resources NL (now 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:

Note 6. Acquisition of commonly controlled entities (continued)

- 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 mostly cash which includes the reimbursement for Deferred Tax Assets due to exiting the Sirius Resources NL tax consolidated group and exploration assets.

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 LIABILTIES	**176,270**
TOTAL LIABILTIES	**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**

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

Note 7. Exploration and evaluation

	31 December 2015 $
Exploration costs	3,062,848
Movement during the period	
Balance at beginning of the period	-
Exploration expenditure incurred during the period	1,849,366
Exploration expenditure incurred during the period and expensed(i)	(1,849,366)
Exploration expenditure relating to acquisitions (ii)	3,062,848
Balance at end of the period	**3,062,848**

(i) During the period ended 31 December 2015 the exploration expenditure incurred pertains to the following:

Polar Bear Project
Exploration expenditure incurred and expensed for the Polar Bear Project was $1,243,755.

Eundynie JV Project (80% interest)
Exploration expenditure incurred and expensed for the Eundynie JV was $15,587.

Norcott Project
Exploration expenditure incurred and expensed for the Norcott was $3,578.

Scandinavian Project
Exploration expenditure incurred and expensed for Sakumpu Exploration was $586,446.

(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, Polar Bear Project valued at $400,000 and Eundynie JV Project valued at $662,848.

Note 8. Share Capital

	31 December 2015 No of Shares	31 December 2015 $
Ordinary shares fully paid	215,801,278	40,728,688
Movement in Share Capital		
Ordinary shares fully paid		
Balance at beginning of period	-	-
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
Balance at period end	**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 9. Reserves

	31 December 2015 $
Share-based payments reserve (i)	3,487,988
Other reserve (ii)	144,517
Foreign currency translation reserve (iii)	(8,727)
Acquisition reserve (iv)	(15,214,601)
	(11,590,823)

(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.

(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 6 of these financials.

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

Note 10. Share Based Payments

The following share-based payments arrangements were in existence during the current and prior reporting period:

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

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

(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 on year from grant date was issued to employees under the Employee Share Option Plan.

(4) The 400,000 options in series 4 which vests on year from grant date was issued to employees under the Employee Share Option Plan.

The weighted average fair value of the share options granted during the period is $0.13.

The total expense of the share based payments for the period is $3,487,988.

The following reconciles the outstanding share options granted in the period ended 31 December 2015:

	31 December 2015 Number of Options	31 December 2015 Weighted average exercise price $
Balance at the beginning of the period	-	-
Granted during the period	30,100,000	0.31
Exercised during the period	-	-
Expired during the period (i)	-	-
Balance at the end of the period	**30,100,000**	**0.31**
Un-exercisable at the end of the period	6,350,000	0.31
Exercisable at end of the period	**23,750,000**	**0.31**

(i) *Options expired or cancelled during the period*
For the period ended 31 December 2015 no options expired or were cancelled.

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

Note 11. Key Management Personnel

For the period 31 December 2015, the following service agreements were entered into for 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, an Executive Services Agreement 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. Under the terms of the Agreement:

- Ms Neuling was appointed as Executive Director, encompassing the role of Company Secretary;
- Ms Neuling was paid a remuneration package of $120,000 per annum comprising a base salary plus statutory superannuation (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.

On 8 September 2015, the Company entered into an employment contract with John Bartlett. Under the terms of the Agreement:

- Mr Bartlett was appointed in the capacity of General Manager Exploration and paid a remuneration package of $200,000 per annum base salary plus statutory superannuation.
- The Company or Mr Bartlett 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, Mr Bartlett is not entitled to any payment.

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 (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.

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

Note 11. Key Management Personnel (continued)

Options were issued to the following Directors and Key Management Personnel:

	Grant Date	Number of Options	Share Based Payments $
Directors			
Mark Bennett	14/09/2015	12,500,000	1,678,275
Anna Neuling	14/09/2015	8,750,000	1,174,792
Jeff Dowling	14/09/2015	2,500,000	335,655
Management			
Su-Mei Chan	14/09/2015	800,000	107,410
John Bartlett	14/09/2015	800,000	107,410
		25,350,000	**3,403,542**

*Refer to note 7 for terms of options.

Note 12. Related Parties

Other than the Directors and key management personnel salaries and options described in note 11, there were no related party transactions for the period ended 31 December 2015.

Note 13. Events occurring after the reporting date

There has been no matter or circumstance that has arisen since 31 December 2015 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 14. Loss per share

	31 December 2015 $
(a) Reconciliation of loss used in calculating Loss Per Share	
Basic loss per share	
Loss attributable to the ordinary equity holders used in calculating basic loss per share	**(6,328,957)**

	31 December 2015
(b) Weighted average number of shares used as the Denominator	**Number**
Ordinary shares used as the denominator in calculating basic loss per share	88,690,156

(c) Loss per share	**Cents**
Basic loss per share	(7.14)

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

Notes to the Consolidated Financial Statements

for the period ended 31 December 2015

Note 15. 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:

	31 December 2015 $
Not later than one year	681,580
After one year but less than two years	681,580
After two years but less than five years	1,667,220
After five years*	555,740
	3,586,120

* Per annum

Note 16. Subsidiaries

Name of entity	Country of incorporation	Class of Shares	2015
Polar Metals Pty Ltd	Australia	Ordinary	100%
Sirius Europa Pty Ltd	Australia	Ordinary	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%

Directors' Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes set out on pages 7 to 29 are in accordance with the Corporations Act 2001 and other professional reporting requirements including:
   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the period then ended.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Mark Bennett
Director
Perth
3 March 2016

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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of S2 Resources Limited

Report on the Financial Report

We have reviewed the accompanying financial report of S2 Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 period 29 May 2015 to 31 December 2015, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the period.

Directors' Responsibility 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the period 29 May 2015 to 31 December 2015; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of S2 Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of S2 Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of S2 Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the period 29 May 2015 to 31 December 2015; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO
J Prue

Jarrad Prue

Director

Perth, 3 March 2016