
S2 RESOURCES LIMITED

ACN 606 128 090

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:30am WST

DATE: Tuesday, 13 November 2018

PLACE: Rendevous Hotel, 148 The Esplanade, Scarborough, WA 6019

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11.30 am on Sunday 11 November 2018 .

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ANNA NEULING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 3.6(c) of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Anna Neuling, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing

Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 4 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Share Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 5 – ADOPTION OF SERVICE PROVIDER SHARE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Service Provider Share Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those

Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 6 – ADOPTION OF DIRECTOR SHARE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Director Share Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (a) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 7 – ISSUE OF OPTIONS TO SERVICE PROVIDER – ANTHONY GODDARD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 200,000 Options to Anthony Goddard or his related entity on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – ISSUE OF OPTIONS TO SERVICE PROVIDER – JOHAN VANDAELE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 200,000 Options to Johan Vandaele or his related entity on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 25 September 2018

By order of the Board

**Anna Neuling
Director**

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6166 0240.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.s2resources.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ANNA NEULING

3.1 General

ASX Listing Rule 14.4 provides that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer. However, where there is more than one managing director, only one is entitled not to be subject to re-election.

Clause 3.6(c) of the Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Anna Neuling, who has served as a director since 4 September 2015 and was last re-elected on 7 October 2016, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Ms Neuling was the Company Secretary and CFO of Sirius Resources NL from the its 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 and commenced parental leave from her executive responsibilities, remaining with the Company as Non-Executive Director. On 5 December 2017, Ms Neuling was re-appointed as Company Secretary and Executive Director following her return from parental leave.

3.3 Independence

If elected the board does not consider Anna Neuling will be an independent director.

3.4 Board recommendation

The Board supports the re-election of Anna Neuling and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$24.8 million (based on the number of Shares on issue and the closing price of Shares on the ASX on Wednesday 19 September 2018).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has two (2) classes of quoted Equity Securities on issue, being the Shares (ASX Code: S2R) Options.

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

4.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or

- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 4.2(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at Wednesday 19 September 2018.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

| Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2) | Dilution | | | |
|---|-------------------------------------|--|---------------------|--|
| | Issue Price (per Share) | 0.05 50% decrease in Issue Price | 0.10 Issue Price | 0.15 50% increase in Issue Price |
| 247,915,179 (Current Variable A) | Shares issued - 10% voting dilution | 24,791,517 Shares | 24,791,517 Shares | 24,791,517 Shares |
| | Funds raised | \$1,238,576 | \$2,479,152 | \$3,718,728 |
| 371,872,769 (50% increase in Variable A) | Shares issued - 10% voting dilution | 37,187,276 Shares | 37,187,276 Shares | 37,187,276 Shares |
| | Funds raised | \$1,859,364 | \$3,718,728 | \$5,578,091 |
| 495,830,358 (100% increase in Variable A) | Shares issued - 10% voting dilution | 49,583,035 Shares | 49,583,035 Shares | 49,583,035 Shares |
| | Funds raised | \$2,479,152 | \$4,958,304 | \$7,437,455 |

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 247,915,179 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on Wednesday 19 September 2018.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the Company's forward exploration and development work programs or for the purposes of funding a strategic acquisition; or
- (ii) as non-cash consideration for a strategic acquisition in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 17 October 2017 (**Previous Approval**).

The Company has not issued any Equity Securities pursuant to the Previous Approval.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

4.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

5. RESOLUTION 4 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

Resolution 4 seeks Shareholders approval for the adoption of the employee incentive scheme titled Employee Share Option Plan (**ESO Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue Shares under the ESO Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that Shares have previously been issued under the ESO Plan:

| Issue Date | Number of Options |
|-----------------|-------------------|
| 20 October 2017 | 2,950,000 |
| 7 October 2016 | 2,550,000 |

| | |
|-------------------|-----------|
| 18 April 2016 | 400,000 |
| 29 November 2015 | 400,000 |
| 24 October 2015 | 400,000 |
| 15 September 2015 | 3,600,000 |

The objective of the ESO Plan is to attract, motivate and retain employees and it is considered by the Company that the adoption of the ESO Plan and the future issue of Shares under the ESO Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Shares under the ESO Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the ESO Plan is set out in Schedule 2. In addition, a copy of the ESO Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the ESO Plan can also be sent to Shareholders upon request to the Company Secretary (Anna Neuling). Shareholders are invited to contact the Company if they have any queries or concerns.

6. RESOLUTION 5 – ADOPTION OF SERVICE PROVIDER SHARE OPTION PLAN

Resolution 5 seeks Shareholders approval for the adoption of the employee incentive scheme titled Service Provider Share Option Plan (**SP Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 and 7.2 is set out in section 5 above.

If Resolution 5 is passed, the Company will be able to issue Shares under the SP Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that Options have previously been issued under the SP Plan:

| Issue Date | Number of Options |
|-------------------|-------------------|
| 20 October 2017 | 450,000 |
| 7 October 2016 | 900,000 |
| 18 April 2016 | 400,000 |
| 10 October 2015 | 50,000 |
| 15 September 2015 | 1,900,000 |

The objective of the SP Plan is to attract, motivate and retain key consultants and it is considered by the Company that the adoption of the SP Plan and the future issue of Shares under the SP Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Shares under the SP Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the SP Plan is set out in Schedule 3. In addition, a copy of the SP Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the SP Plan can also be sent to Shareholders upon request to the Company Secretary (Anna Neuling). Shareholders are invited to contact the Company if they have any queries or concerns.

7. RESOLUTION 6 – ADOPTION OF DIRECTOR SHARE OPTION PLAN

Resolution 6 seeks Shareholders approval for the adoption of the employee incentive scheme titled Director Share Option Plan (**DSO Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 and 7.2 is set out in section 5 above.

If Resolution 6 is passed, the Company will be able to issue Shares under the DSO Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that Options have previously been issued under the DSO Plan:

| Issue Date | Number of Options |
|-------------------|-------------------|
| 17 October 2017 | 7,750,000 |
| 7 October 2016 | 7,500,000 |
| 15 September 2015 | 23,750,000 |

The objective of the DSO Plan is to attract, motivate and retain directors and it is considered by the Company that the adoption of the DSO Plan and the future issue of Shares under the DSO Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Shares under the DSO Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the DSO Plan is set out in Schedule 4. In addition, a copy of the DSO Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of

the DSO Plan can also be sent to Shareholders upon request to the Company Secretary (Anna Neuling). Shareholders are invited to contact the Company if they have any queries or concerns.

8. RESOLUTION 7 AND RESOLUTION 8 – ISSUE OF OPTIONS TO SERVICE PROVIDERS

8.1 General

Resolution 7 and Resolution 8 seek Shareholder approval for the issue of 400,000 Options in consideration for satisfaction of exploration and business development services (**Placement**).

A summary of ASX Listing Rule 7.1 is set out in section 5 above.

The effect of Resolution 7 and 8 will be to allow the Company to issue the Options pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Options to be issued is 400,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) 200,000 Options will be issued for nil cash consideration in satisfaction of exploration and business development services provided by Anthony Goddard;
- (d) the Options will be issued to Anthony Goddard or a related entity, who is not a related party of the Company;
- (e) 200,000 Options will be issued for nil cash consideration in satisfaction of exploration services provided by Johan Vandaele;
- (f) the Options will be issued to Johan Vandaele or a related entity, who is not a related party of the Company;
- (g) the Options will be issued on the terms and conditions set out in Schedule 3; and
- (h) no funds will be raised from the Placement as the Options are being issued in consideration for exploration and business development services .

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 4.

Annual General Meeting or Meeting means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means S2 Resources Limited (ACN 606 128 090).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2018.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 13 NOVEMBER 2017

| Date | Quantity | Class | Recipients | Issue price and discount to Market Price (if applicable) ¹ | Form of consideration |
|--|-----------|-------------------------------|--|---|--|
| Issue – 28 March 2018 Appendix 3B – 28 March 2018 | 1,862,727 | Shares ² | Hartleys Ltd | No issue price (non-cash consideration) | Consideration: Performance based remuneration for services provided to the Company. Current value = \$186,273 |
| Issue – 20 October 2017 Appendix 3B – 25 October 2017 | 2,950,000 | Unquoted Options ³ | Employees pursuant to the employee incentive scheme approved at the Shareholder meeting held on [insert date] | No issue price (non-cash consideration) | Consideration: Performance based remuneration for services provided to the Company. Current value = \$295,000 |
| Issue – 20 October 2017 Appendix 3B – 25 October 2017 | 450,000 | Unquoted Options ⁴ | Service Provider pursuant to the employee incentive scheme approved at the Shareholder meeting held on [insert date] | No issue price (non-cash consideration) | Consideration: Performance based remuneration for services provided to the Company. Current value = \$45,000 |
| Issue – 17 October 2017 Appendix 3B – 18 October 2017 | 7,750,000 | Unlisted Options ⁵ | Directors as approved at the Shareholder meeting held on 17 October 2017 | No issue price (non-cash consideration) | Consideration: Performance based remuneration for services provided to the Company. Current value = \$770,000 |

Notes:

- Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
- Fully paid ordinary shares in the capital of the Company, ASX Code: S2R (terms are set out in the Constitution).
- Unquoted Options, exercisable at \$0.23 each, on or before 20 October 2021, vesting 12 months after they are issued. The full terms and conditions are in the employee share option plan released to the market on 15 October 2015.
- Unquoted Options, exercisable at \$0.23 each, on or before 20 October 2021, vesting 12 months after they are issued. The full terms and conditions were disclosed in the notice of meeting for the shareholders held on 18 October 2017.
- Unquoted Options, exercisable at \$0.23 each, on or before 18 October 2021. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 18 October 2017.
- This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
- In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.10) as the context requires on the ASX on Wednesday 19 September 2018. In respect of unquoted Equity Securities the value of Options is measured using the Black & Scholes option

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pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

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S2 RESOURCES LTD

ACN 606 128 090

EMPLOYEE SHARE OPTION PLAN

The Directors are empowered to operate the S2 Resources Ltd Employee Share Option Plan (**Plan**) on the following terms and in accordance with the Listing Rules of ASX (where applicable).

1. **INTERPRETATION**

1.1 **Definitions**

For the purposes of the Plan, the following words have the following meanings.

Associate has the meaning given to that term in the *Income Tax Assessment Act 1936* (Cth).

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has 20% or more of the voting power in the Company; and
- (c) a body corporate in which the Company has 20% or more of the voting power.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

Board means the board of Directors of the Company or a committee of the Board.

Business Day means a day that is a "business day" under the Listing Rules and not a public holiday in Perth.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (or any substitute) and includes any applicable clearing and settlement facility that is a prescribed CS facility under the Corporations Act.

Class Order means ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order).

Company means S2 Resources Ltd (ACN 606 128 090).

Corporations Act means the *Corporations Act 2001* (Cth), as amended or modified (including by an ASIC instrument applying to the Company) from time to time.

Director means a director of the Company.

Eligible Participant means a full or part time employee (including an executive director) of the Company or an Associated Body Corporate.

Exercise Condition means, in respect of an Option, any condition set out in the Offer which must be satisfied (unless waived by the Board in its absolute discretion) before that Option can be exercised or any other restriction on exercise of that Option specified in the Offer or in these Rules.

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Expiry Date means, in respect of an Option, the date that the Option will lapse if not otherwise exercised as determined by the Board in its discretion with respect to that Option at the time of the grant of that Option.

Good Leaver means the Relevant Person dies, suffers Total and Permanent Disability or ceases employment from the Group on the basis of Retirement or Redundancy.

Group means the Company and all Associated Bodies Corporate.

Listing Rules means the official listing rules of ASX and any other rules of the ASX applying to the Company while it is admitted to the official list of ASX and the ASX Settlement Rules (or other operating rules) including any waiver granted under the Listing Rules, in each case as amended from time to time.

Marketable Parcel has the meaning given to that term in the Listing Rules.

Nominated Party means:

- (a) an immediate family member (as defined in the Corporations Act) of an Eligible Participant;
- (b) a company whose members comprise no persons other than the Eligible Participant or immediate family members (as defined in the Corporations Act) of the Eligible Participant; or
- (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)) where the Eligible Participant is a director of the trustee,

as nominated by the Participant and accepted by the Board in its sole and absolute discretion to be the holder of Options.

Offer means an offer made to an Eligible Participant to subscribe for one or more Options under the Plan as set out in an Offer Document.

Offer Document means an offer document in such form as determined by the Board from time to time consistent with the Corporations Act and, if applicable, the Class Order. An indicative offer document is included in Schedule 2.

Option means an option granted pursuant to these Rules to subscribe for (subject to rule 7) one Share upon and subject to the terms of these Rules and the terms of the Offer.

Option Exercise Price means the exercise price of an Option, as determined in accordance with Rule 4.7.

Participant means an Eligible Participant to whom Options have been granted, or the Eligible Participant in respect of whom a Nominated Party has been granted Options, under the Plan.

Plan means the plan established in accordance with these Rules.

Poor Leaver means a Participant who ceases to be an Eligible Participant by reason of their employment being terminated for cause (including unlawful or serious misconduct), as determined by the Board.

Redundancy means termination of the employment of a Participant due to economic, technological, structural or other organisational change where through no act or default of the Participant:

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- (a) the Group no longer requires the duties and responsibilities carried out by the Relevant Person to be carried out by anyone; or
- (b) the Group no longer requires the position held by the Participant to be held by anyone.

Retirement means where a Participant intends to permanently cease all gainful employment in circumstances where the Participant provides, in good faith, a written statutory declaration to the Board to that effect.

Rules means the rules of the Plan set out in this document.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of Shares.

Takeover Bid means a takeover bid (as defined in the Corporations Act).

Total and Permanent Disability means that the Participant has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Participant unlikely ever to engage in any occupation with the Company or its Associated Bodies Corporate for which he or she is reasonably qualified by education, training or experience.

Trigger Event means:

- (a) a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (b) a Takeover Bid for the Company's issued Shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares; or
- (c) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

Vesting Period means, in respect of an Option, any period determined by the Board and specified as such in the Offer Document for that Option.

VWAP means "volume weighted average market price" as defined in the Listing Rules.

1.2 Interpretation

In this Plan unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;

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- (d) a reference to any document (including this Plan) is to that document as varied, novated, ratified or replaced from time to time;
- (e) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (f) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (g) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Plan and a reference to this Plan includes any schedule, exhibit or annexure to this Plan;
- (h) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning; and
- (i) a reference to **\$** or **dollar** is to Australian currency.

2. **PURPOSE**

The purpose of the Plan is to:

- (a) encourage participation by Eligible Participants in the Company through Share ownership; and
- (b) attract, motivate and retain Eligible Participants.

3. **COMMENCEMENT**

This Plan will commence on the date determined by the Board.

4. **OFFERS OF OPTIONS**

4.1 **Determination by the Board**

The Board, acting in its absolute discretion, may offer Options to any Eligible Participant from time to time as determined by the Board and in exercising that discretion, may have regard to some or all of the following:

- (a) the Eligible Participant's length of service with the Group;
- (b) the contribution made by the Eligible Participant to the Group;
- (c) the potential contribution of the Eligible Participant to the Group; or
- (d) any other matter the Board considers relevant.

4.2 **Offer Document**

An Offer must be made using an Offer Document.

4.3 **Personal Offer**

An Offer is personal and is not assignable except as provided for in these Rules.

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4.4 **Acceptance Time Period**

- (a) An Eligible Participant may only accept an Offer within the time period specified in the Offer Document. To accept the Offer, the Eligible Participant must comply with the instructions specified in the Offer Document unless the Board otherwise determines. Nothing limits the Board's power to treat conduct of an Eligible Participant in respect of an Offer as a valid acceptance of the Offer.
- (b) Upon receipt of a duly completed acceptance in accordance with paragraph (a), the Company must grant the Options to the Participant or the Participant' Nominated Party and issue an option certificate for the Options.

4.5 **Number of Options**

- (a) The number of Options (if any) to be offered to an Eligible Participant from time to time will be determined by the Board in its discretion and in accordance with the Rules and applicable law and the Listing Rules.
- (b) Each Option will entitle the holder to subscribe for and be allotted one Share.

4.6 **No Consideration**

Options issued under the Plan will be issued for nil cash consideration.

4.7 **Option Exercise Price**

- (a) Subject to Rule 4.7(b), in respect of any Offer, the Board may determine the Option Exercise Price (if any) for an Option offered under that Offer in its absolute discretion.
- (b) To the extent the Listing Rules specify or require a minimum price, the Option Exercise Price in respect of an Option offered under an Offer must not be less than that minimum price.

4.8 **Option Exercise Conditions**

An Option may be made subject to Exercise Conditions as determined by the Board in its discretion and as specified in the Offer for the Option.

4.9 **Vesting Period**

An Option may be made subject to a Vesting Period as determined by the Board in its discretion and as specified in the Offer for the Option.

4.10 **Disposal of Options**

Options will not be transferable and will not be quoted on the ASX, unless the Offer provides otherwise.

4.11 **Adjustment to Terms**

- (a) Subject to any requirements of the Listing Rules and Rule 4.11(b), the Board will have the power to make adjustments to or vary the terms of an Option by notice to the Participant or Nominated Party (if applicable) who holds the relevant Option.
- (b) No adjustment or variation of the terms of an Option will be made without the consent of the Participant who (or whose Nominated party) holds the relevant Option if such adjustment or variation would have a materially prejudicial effect

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upon the Participant (in respect of his or her outstanding Options), other than an adjustment or variation in accordance with Rule 7 or introduced primarily:

- (i) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (ii) to correct any manifest error or mistake;
- (iii) to enable a member of the Group to comply with the Corporations Act, the Listing Rules, applicable foreign law, or a requirement, policy or practice of the ASIC or other foreign or Australian regulatory body; or
- (iv) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation.

4.12 **Discretion to refuse participation**

The Board may at any time until Options are issued refuse the participation of an Eligible Participant even if the Eligible Participant has accepted the Offer.

5. **WHEN OPTIONS MAY BE EXERCISED**

5.1 **Exercise**

- (a) Subject to this Rule 5, a Participant (or the Participant's Nominated Party, as applicable) will be entitled to exercise an Option granted as a result of an Offer:
 - (i) only after the Vesting Period has expired and before the Expiry Date; and
 - (ii) only:
 - (A) where the Option is not subject to any Exercise Conditions; or
 - (B) where the Option is subject to any Exercise Conditions, if all Exercise Conditions have been satisfied (or waived by the Board); and
 - (iii) only if the Option is otherwise capable of exercise in accordance with the terms of the relevant Offer and the Rules.
- (b) An Option may not be exercised if applicable law prohibits the exercise of the Option.

5.2 **Exercise of less than all Options**

Subject to Rule 5.1, Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel.

5.3 **Lapsing of Options**

Subject to the terms of the Offer made to a Participant and Rules 5.4 and 5.5, a Participant's (or if applicable a Participant's Nominated Party's) unexercised Option will lapse and all rights in respect of that Option will be lost:

- (a) on the Expiry Date of the Option;

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- (b) if the Exercise Conditions applying to the Option cease to be able to be satisfied;
- (c) if the Participant ceases to be an Eligible Participant and:
- (i) is a Poor Leaver – immediately on the Participant ceasing to be an Eligible Participant (the **Time of Cessation**);
 - (ii) is a Good Leaver – on the Expiry Date of the Option, unless otherwise determined by the Board in its absolute discretion;
 - (iii) is neither a Poor Leaver nor a Good Leaver (for example, where the Participant voluntarily resigns):
 - (A) where the Option is exercisable at the Time of Cessation – at the end of the day that is 90 days after the Time of Cessation unless otherwise determined by the Board in its absolute discretion; or
 - (B) where the Option is not exercisable at the Time of Cessation – immediately at the Time of Cessation unless otherwise determined by the Board in its absolute discretion;
- (d) if the Option lapses under rule 5.4 or 5.5,
- whichever is earliest.

5.4 **Discretionary Exercise of Options on Death or Mental Incapacity**

- (a) Where a Participant dies or the Participant's estate becomes liable to be dealt with under the laws relating to mental health prior to the date on which Options become exercisable, the Board may, in its absolute discretion, determine that some or all of the Options held by that Participant may be exercised by the Participant's personal legal representative within such additional time as is determined by the Board (the **additional grace period**).
- (b) Options which have not been exercised by the end of the additional grace period lapse immediately and all rights in respect of these Options will thereupon be lost.

5.5 **Trigger Event**

Notwithstanding any other Rule, upon the occurrence of a Trigger Event, the Board may determine:

- (a) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Board acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event, provided that the Board will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
- (b) to use its reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Board shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.

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6. HOW TO EXERCISE OPTIONS

6.1 Delivery to Company Secretary

Options granted to a Participant or a Participant's Nominated Party may only be exercised by delivery to the Company's secretary (at a time when the Options may be exercised) of:

- (a) the certificate for the Options or, if the certificate for the Options has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed;
- (b) a notice in the form of Schedule 1 addressed to the Company and signed by the Participant or Nominated Party (as applicable):
 - (i) stating that the Participant or Nominated Party (as applicable) exercises the Options and specifying the number of Options which are exercised; and
 - (ii) specifying the subregister of the Company in which the Shares referred to in Rule 6.2(a) are to be recorded; and
- (c) payment to the Company of an amount equal to the Option Exercise Price multiplied by the number of Options which are being exercised unless there is no exercise price payable in respect of the Options to be exercised.

By exercising an Option, the Participant or Nominated Party (as applicable) agrees to become a member of the Company and to be bound by the Company's constitution.

6.2 Issue of Shares

If the items specified in Rule 6.1 are delivered in accordance with that Rule, the Company will, subject to the Listing Rules (if relevant):

- (a) within 10 Business Days of delivery of the documents referred to in Rule 6.1 issue to the Participant or Nominated Party (as applicable) the Shares credited as being fully paid in respect of which the Options are exercised together with any additional Shares an entitlement to which has arisen under Rule 8 in consequence of the exercise of the Options; and
- (b) cancel the certificate delivered pursuant to Rule 6.1(a) and, if any Options which have not lapsed remain unexercised, deliver to the Participant or Nominated Party (as applicable) a replacement certificate reflecting the number of those Options which remain unexercised.

6.3 Death of Participant or Mental Incapacity

If a Participant has died or the Participant's estate becomes liable to be dealt with under the laws relating to mental health, the Participant's legal personal representative will stand in the place of the Participant for the purposes of Rules 6.1 and 6.2 subject only to prior production to the Company of such evidence as would be required to permit the legal personal representative to become registered as a shareholder in respect of the Shares held by the Participant.

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6.4 **Beneficial Owner of Shares**

From and including the date of issue to a Participant or a Participant's Nominated Party (as applicable) of any Shares in accordance with these Rules, the Participant or Nominated Party (as applicable) will:

- (a) be the legal and beneficial owner of those Shares; and
- (b) subject to the Corporations Act, the Constitution and the Listing Rules, be entitled to deal with those Shares as beneficial owner.

6.5 **Equal Rank**

A Share acquired on exercise of an Option will rank equally in all respects with Shares already on issue on the date of issue of the Share, except for entitlements which had a record date before the date of issue of that Share.

6.6 **Official Quotation**

Application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Options if the Company's Shares are listed on ASX at that time in accordance with the Listing Rules.

7. **NEW ISSUES OF SHARES AND REORGANISATIONS**

7.1 **Participation generally**

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

7.2 **Rights Issues and Bonus Issues**

- (a) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to Schedule 3.
- (b) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares to be issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue.

7.3 **Reorganisation**

If at any time the capital of the Company is reorganised, the terms of the Options will be changed in a manner required by the ASX Listing Rules at the time of the reorganisation or, subject to the Corporations Act and the Listing Rules, as determined by the Board.

7.4 **Notice of Adjustments**

Whenever the number of Shares comprised in an Option or the Option Exercise Price is adjusted pursuant to these Rules, the Company will give notice of the adjustment to the Participant (and, if applicable, the Participant's Nominated Party) and ASX together with calculations on which the adjustment is based.

7.5 **Cumulative Adjustments and rounding**

- (a) Effect will be given to Rule 7.4 in such manner that the effect of the successive applications of them is cumulative, with the intention being that the adjustments they progressively effect will reflect previous adjustments.
- (b) Until an Option is to be exercised, all calculations adjusting the Number of Shares or the exercise price must be carried out to include all fractions, but on exercise the number of Shares is rounded down to the next lower whole number and the exercise price is rounded up to the next higher cent.

8. **OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE**

8.1 **No contravention**

Notwithstanding the Rules or the terms of any Option, no Option may be offered, granted or exercised and no Share may be issued under the Plan if to do so:

- (a) would contravene the Corporations Act, the Listing Rules or any other applicable law; or
- (b) would contravene the local laws or customs of an Eligible Participant's country of residence or in the opinion of the Board would require actions to comply with those local laws or customs which are impractical or burdensome.

8.2 **Consistency**

- (a) Nothing in this Plan prevents an act being done that applicable law or the Listing Rules require to be done.
- (b) If applicable law or the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (c) If applicable law or the Listing Rules require this Plan or the terms of the issue of the Options to contain a provision and they do not contain such a provision, this Plan or the terms of issue of the Options (as the case may be) are taken to contain that provision.
- (d) If applicable law or the Listing Rules require this Plan or the terms of the issue of the Options not to contain a provision and they contain such a provision, this Plan or the terms of issue of the Options (as the case may be) are taken not to contain that provision.
- (e) If any provision of this Plan or the terms of the issue of the Options are or become inconsistent with applicable law or the Listing Rules, this Plan or the terms of issue of the Options (as the case may be) are taken not to contain that provision to the extent of the inconsistency.

9. **AMENDMENT OF RULES**

Subject to and in accordance with the Trading Rules, the Board (without the necessity of obtaining the prior or subsequent consent of Shareholders of the Company in a general meeting) may from time to time amend (including the power to revoke, add to or vary) all or any provisions of the Rules in any respect whatsoever, by an instrument in writing, provided that rights or entitlements in respect of any Option granted before the date of amendment shall not be materially reduced or materially adversely affected unless prior written approval from the affected holder(s) is obtained.

10. **ADMINISTRATION OF PLAN**

10.1 **General administration**

- (a) The Board may appoint for the proper administration and management of the Plan, such persons as it considers desirable and may delegate thereto such authorities as may be necessary or desirable for the administration and management of the Plan.
- (b) Subject to the provisions of the Rules, the Board may make such regulations and establish such procedures for the administration and management of the Plan as they consider appropriate.
- (c) The decision of the Board as to the interpretation, effect or application of the Rules will be final.

10.2 **Duration**

- (a) The Plan continues in operation until the Board decides to end it.
- (b) The Board may suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension.

11. **RIGHTS OF ELIGIBLE PARTICIPANTS**

Neither participation in the Plan by the Company or an Associated Body Corporate or any Eligible Participants or Option holders or anything contained in these Rules shall in any way prejudice or affect the right of the Company or an Associated Body Corporate to dismiss any Eligible Participant or Option holder or to vary the terms of employment of any Eligible Participant or Option holder. Nor shall participation or the rights or benefits of an Eligible Participant or Option holder under the Rules be relevant to or used as grounds for granting or increasing damages in any action brought by an Eligible Participant or Option holder against the Company or an Associated Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.

12. **ATTORNEY**

Each Participant and each Nominated Party (the **relevant party**), in consideration of an Offer:

- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an **attorney**), severally, as the relevant party's attorney to complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the relevant party which may be convenient or necessary for the purpose of giving effect to the provisions of these Rules;
- (b) covenants that the relevant party will ratify and confirm any act or thing done pursuant to this power;
- (c) releases each member of the Group and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this Rule; and
- (d) indemnifies and holds harmless each member of the Group and the attorney in respect thereof.

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13. **ASIC RELIEF**

Notwithstanding any other provisions of the Plan, every covenant or other provision set out in an exemption or modification granted from time to time by the ASIC in respect of the Plan pursuant to its power to exempt and modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this Rule to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision shall prevail.

14. **NOTICES**

Any notice to Participants may be given in such manner as the Board determines.

15. **GOVERNING LAW**

This Plan is governed by and shall be construed and take effect in accordance with the laws of Western Australia.

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SCHEDULE 1

Notice of Exercise of Options

To: The Directors
S2 Resources Ltd

I _____ of _____

_____ being registered holder of the options to acquire fully paid ordinary shares in the Company set out on the certificate annexed to this notice, hereby exercise _____ of the abovementioned options. I enclose a cheque for \$_____ in payment of the option exercise price due in respect of those options calculated on the basis of \$_____ per option.

I authorise and direct the Company to register me as the holder of the shares to be allotted to me and I agree to accept such shares subject to the provisions of the Constitution of the Company.

Please register the shares on the [issuer sponsored / CHESS] sub-register [under my [HIN/SRN •]].

Dated the _____ day of _____ 20 _____ .

Signature of Holder

Note:

1. Each holder must sign.
2. Cheques should be made payable to S2 Resources Ltd.

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SCHEDULE 2

Offer Document

[Name and address of Eligible Participant]

Dear [*]

EMPLOYEE SHARE OPTION PLAN

The board of directors of S2 Resources Limited (**Company**) is pleased to make an offer to you of [insert] options pursuant to its Employee Share Option Plan (**Plan**).

The Company informs you of the following:

- (a) accompanying this letter is a full copy of the terms of the Plan;
- (b) this offer remains open for acceptance by you for 14 days from the date of this letter (**Offer Period**);
- (c) the options under the Plan will be granted to you for nil consideration;
- (d) the exercise price of each of the options is \$[*] and the expiry date is [*]; and
- (e) the Options are subject to the following Exercise Conditions:
 - (i) [insert];
 - (ii) [insert];
- (f) the Options are subject to a Vesting Period of [insert];
- (g) the Company will, during the period commencing on the date of this letter and expiring when the options lapse or are exercised, make available to you the current market price of the underlying shares to which the options relate within a reasonable time of you requesting that information. Alternatively you may find the current share price of the Company on the ASX via the ASX website (www.asx.com.au). Please note that share price information on that website is delayed by 20 minutes.

[Include general information about the risks of acquiring and holding options being offered under the Plan if relying on ASIC class order.]

THIS LETTER AND ALL OTHER DOCUMENTS PROVIDED TO YOU AT THE TIME OF THIS OFFER CONTAIN GENERAL ADVICE ONLY – THEY DO NOT TAKE INTO ACCOUNT YOUR PERSONAL OBJECTIVES, FINANCIAL SITUATION AND NEEDS. YOU SHOULD CONSIDER OBTAINING YOUR OWN FINANCIAL PRODUCT ADVICE FROM AN INDEPENDENT PERSON WHO IS LICENSED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION TO GIVE SUCH ADVICE.

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You may nominate any of the following persons to receive the options:

- an immediate family member (as defined in the Corporations Act);
- a company whose members comprise no persons other than you and your immediate family members (as defined in the Corporations Act); or
- a corporate trustee of a self-managed superannuation fund (within the meaning of the Superannuation Industry (Supervision) Act 1993 (Cth)) where you are a director of the trustee.

The Board may accept or reject a proposed Nominated Party in its sole and absolute discretion.

Could you please confirm your acceptance of the offer set out in this letter by signing in the appropriate place below and returning it to the Company on facsimile number [insert] **by no later than** [insert].

Yours faithfully

[insert name]
For and on behalf of
S2 Resources Ltd

Encl.

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Acceptance of offer

I agree to the terms and conditions set out above and accept the offer of options as contained in the letter set out above.

Signature

Name: _____

Date: _____

Nomination of Nominated Party

Please issue the options to the following **Nominated Parties**, who by signing this document each agrees to the terms and conditions set out above and accept the offer of options as contained in the letter set out above.

Please repeat this section if there is more than one Nominated Party.

Execution by Nominated Party

Individual / Director

Director / Secretary (if corporate trustee)

Name: _____

Date: _____

Number of options to be issued to this Nominated Party: _____

The Nominated Party is: _____ *(Please specify nature of relationship).*

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SCHEDULE 3

Adjustment Formula

$$O^1 = O - \frac{E[P - (S + D)]}{N + 1}$$

where:

O^1 = The new exercise price of the Option.

O = The old exercise price of the Option.

E = The number of Shares into which an Option is exercisable.

P = The VWAP per Share calculated over the 5 trading days before the ex rights date or ex entitlements date.

S = The subscription price for one security under the renounceable rights or entitlements issue.

D = The dividend due but not yet paid on existing Shares (except those to be issued under the renounceable rights issue or entitlements issue).

N = Number of Shares with rights or entitlements required to be held to receive a right to one new security.

However, if O^1 under this formula is less than the minimum price specific in Rule 4.7, the new Exercise Price of the Option is to be equal to that minimum price.

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S2 RESOURCES LTD

ACN 606 128 090

SERVICE PROVIDER SHARE OPTIONS

The Directors are empowered to operate the S2 Resources Ltd Service Provider Share Option Plan (**Plan**) on the following terms and in accordance with the Listing Rules of ASX (where applicable).

1. INTERPRETATION

1.1 Definitions

For the purposes of the Plan, the following words have the following meanings.

Associate has the meaning given to that term in the *Income Tax Assessment Act 1936* (Cth).

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has 20% or more of the voting power in the Company; and
- (c) a body corporate in which the Company has 20% or more of the voting power.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

Board means the board of Directors of the Company or a committee of the Board.

Business Day means a day that is a "business day" under the Listing Rules and not a public holiday in Perth.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (or any substitute) and includes any applicable clearing and settlement facility that is a prescribed CS facility under the Corporations Act.

Class Order means ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order).

Company means S2 Resources Ltd (ACN 606 128 090).

Corporations Act means the *Corporations Act 2001* (Cth), as amended or modified (including by an ASIC instrument applying to the Company) from time to time.

Director means a director of the Company.

Eligible Participant means a full or part time service provider of the Company or an Associated Body Corporate.

Exercise Condition means, in respect of an Option, any condition set out in the Offer which must be satisfied (unless waived by the Board in its absolute discretion) before that Option can be exercised or any other restriction on exercise of that Option specified in the Offer or in these Rules.

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Expiry Date means, in respect of an Option, the date that the Option will lapse if not otherwise exercised as determined by the Board in its discretion with respect to that Option at the time of the grant of that Option.

Good Leaver means the Relevant Person dies, suffers Total and Permanent Disability or ceases employment from the Group on the basis of Retirement or Redundancy.

Group means the Company and all Associated Bodies Corporate.

Listing Rules means the official listing rules of ASX and any other rules of the ASX applying to the Company while it is admitted to the official list of ASX and the ASX Settlement Rules (or other operating rules) including any waiver granted under the Listing Rules, in each case as amended from time to time.

Marketable Parcel has the meaning given to that term in the Listing Rules.

Nominated Party means:

- (a) an immediate family member (as defined in the Corporations Act) of an Eligible Participant;
- (b) a company whose members comprise no persons other than the Eligible Participant or immediate family members (as defined in the Corporations Act) of the Eligible Participant; or
- (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)) where the Eligible Participant is a director of the trustee,

as nominated by the Participant and accepted by the Board in its sole and absolute discretion to be the holder of Options.

Offer means an offer made to an Eligible Participant to subscribe for one or more Options under the Plan as set out in an Offer Document.

Offer Document means an offer document in such form as determined by the Board from time to time consistent with the Corporations Act and, if applicable, the Class Order. An indicative offer document is included in Schedule 2.

Option means an option granted pursuant to these Rules to subscribe for (subject to rule 7) one Share upon and subject to the terms of these Rules and the terms of the Offer.

Option Exercise Price means the exercise price of an Option, as determined in accordance with Rule 4.7.

Participant means an Eligible Participant to whom Options have been granted, or the Eligible Participant in respect of whom a Nominated Party has been granted Options, under the Plan.

Plan means the plan established in accordance with these Rules.

Poor Leaver means a Participant who ceases to be an Eligible Participant by reason of their employment being terminated for cause (including unlawful or serious misconduct), as determined by the Board.

Redundancy means termination of the employment of a Participant due to economic, technological, structural or other organisational change where through no act or default of the Participant:

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- (a) the Group no longer requires the duties and responsibilities carried out by the Relevant Person to be carried out by anyone; or
- (b) the Group no longer requires the position held by the Participant to be held by anyone.

Retirement means where a Participant intends to permanently cease all gainful employment in circumstances where the Participant provides, in good faith, a written statutory declaration to the Board to that effect.

Rules means the rules of the Plan set out in this document.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of Shares.

Takeover Bid means a takeover bid (as defined in the Corporations Act).

Total and Permanent Disability means that the Participant has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Participant unlikely ever to engage in any occupation with the Company or its Associated Bodies Corporate for which he or she is reasonably qualified by education, training or experience.

Trigger Event means:

- (a) a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (b) a Takeover Bid for the Company's issued Shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares; or
- (c) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

Vesting Period means, in respect of an Option, any period determined by the Board and specified as such in the Offer Document for that Option.

VWAP means "volume weighted average market price" as defined in the Listing Rules.

1.2 Interpretation

In this Plan unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;

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- (d) a reference to any document (including this Plan) is to that document as varied, novated, ratified or replaced from time to time;
- (e) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (f) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (g) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Plan and a reference to this Plan includes any schedule, exhibit or annexure to this Plan;
- (h) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning; and
- (i) a reference to **\$** or **dollar** is to Australian currency.

2. **PURPOSE**

The purpose of the Plan is to:

- (a) encourage participation by Eligible Participants in the Company through Share ownership; and
- (b) attract, motivate and retain Eligible Participants.

3. **COMMENCEMENT**

This Plan will commence on the date determined by the Board.

4. **OFFERS OF OPTIONS**

4.1 **Determination by the Board**

The Board, acting in its absolute discretion, may offer Options to any Eligible Participant from time to time as determined by the Board and in exercising that discretion, may have regard to some or all of the following:

- (a) the Eligible Participant's length of service with the Group;
- (b) the contribution made by the Eligible Participant to the Group;
- (c) the potential contribution of the Eligible Participant to the Group; or
- (d) any other matter the Board considers relevant.

4.2 **Offer Document**

An Offer must be made using an Offer Document.

4.3 **Personal Offer**

An Offer is personal and is not assignable except as provided for in these Rules.

4.4 **Acceptance Time Period**

- (a) An Eligible Participant may only accept an Offer within the time period specified in the Offer Document. To accept the Offer, the Eligible Participant must comply with the instructions specified in the Offer Document unless the Board otherwise determines. Nothing limits the Board's power to treat conduct of an Eligible Participant in respect of an Offer as a valid acceptance of the Offer.
- (b) Upon receipt of a duly completed acceptance in accordance with paragraph (a), the Company must grant the Options to the Participant or the Participant' Nominated Party and issue an option certificate for the Options.

4.5 **Number of Options**

- (a) The number of Options (if any) to be offered to an Eligible Participant from time to time will be determined by the Board in its discretion and in accordance with the Rules and applicable law and the Listing Rules.
- (b) Each Option will entitle the holder to subscribe for and be allotted one Share.

4.6 **No Consideration**

Options issued under the Plan will be issued for nil cash consideration.

4.7 **Option Exercise Price**

- (a) Subject to Rule 4.7(b), in respect of any Offer, the Board may determine the Option Exercise Price (if any) for an Option offered under that Offer in its absolute discretion.
- (b) To the extent the Listing Rules specify or require a minimum price, the Option Exercise Price in respect of an Option offered under an Offer must not be less than that minimum price.

4.8 **Option Exercise Conditions**

An Option may be made subject to Exercise Conditions as determined by the Board in its discretion and as specified in the Offer for the Option.

4.9 **Vesting Period**

An Option may be made subject to a Vesting Period as determined by the Board in its discretion and as specified in the Offer for the Option.

4.10 **Disposal of Options**

Options will not be transferable and will not be quoted on the ASX, unless the Offer provides otherwise.

4.11 **Adjustment to Terms**

- (a) Subject to any requirements of the Listing Rules and Rule 4.11(b), the Board will have the power to make adjustments to or vary the terms of an Option by notice to the Participant or Nominated Party (if applicable) who holds the relevant Option.
- (b) No adjustment or variation of the terms of an Option will be made without the consent of the Participant who (or whose Nominated party) holds the relevant Option if such adjustment or variation would have a materially prejudicial effect

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upon the Participant (in respect of his or her outstanding Options), other than an adjustment or variation in accordance with Rule 7 or introduced primarily:

- (i) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (ii) to correct any manifest error or mistake;
- (iii) to enable a member of the Group to comply with the Corporations Act, the Listing Rules, applicable foreign law, or a requirement, policy or practice of the ASIC or other foreign or Australian regulatory body; or
- (iv) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation.

4.12 **Discretion to refuse participation**

The Board may at any time until Options are issued refuse the participation of an Eligible Participant even if the Eligible Participant has accepted the Offer.

5. **WHEN OPTIONS MAY BE EXERCISED**

5.1 **Exercise**

- (a) Subject to this Rule 5, a Participant (or the Participant's Nominated Party, as applicable) will be entitled to exercise an Option granted as a result of an Offer:
 - (i) only after the Vesting Period has expired and before the Expiry Date; and
 - (ii) only:
 - (A) where the Option is not subject to any Exercise Conditions; or
 - (B) where the Option is subject to any Exercise Conditions, if all Exercise Conditions have been satisfied (or waived by the Board); and
 - (iii) only if the Option is otherwise capable of exercise in accordance with the terms of the relevant Offer and the Rules.
- (b) An Option may not be exercised if applicable law prohibits the exercise of the Option.

5.2 **Exercise of less than all Options**

Subject to Rule 5.1, Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel.

5.3 **Lapsing of Options**

Subject to the terms of the Offer made to a Participant and Rules 5.4 and 5.5, a Participant's (or if applicable a Participant's Nominated Party's) unexercised Option will lapse and all rights in respect of that Option will be lost:

- (a) on the Expiry Date of the Option;

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- (b) if the Exercise Conditions applying to the Option cease to be able to be satisfied;
- (c) if the Participant ceases to be an Eligible Participant and:
- (i) is a Poor Leaver – immediately on the Participant ceasing to be an Eligible Participant (the **Time of Cessation**);
 - (ii) is a Good Leaver – on the Expiry Date of the Option, unless otherwise determined by the Board in its absolute discretion;
 - (iii) is neither a Poor Leaver nor a Good Leaver (for example, where the Participant voluntarily resigns):
 - (A) where the Option is exercisable at the Time of Cessation – at the end of the day that is 90 days after the Time of Cessation unless otherwise determined by the Board in its absolute discretion; or
 - (B) where the Option is not exercisable at the Time of Cessation – immediately at the Time of Cessation unless otherwise determined by the Board in its absolute discretion;
- (d) if the Option lapses under rule 5.4 or 5.5,
- whichever is earliest.

5.4 **Discretionary Exercise of Options on Death or Mental Incapacity**

- (a) Where a Participant dies or the Participant's estate becomes liable to be dealt with under the laws relating to mental health prior to the date on which Options become exercisable, the Board may, in its absolute discretion, determine that some or all of the Options held by that Participant may be exercised by the Participant's personal legal representative within such additional time as is determined by the Board (the **additional grace period**).
- (b) Options which have not been exercised by the end of the additional grace period lapse immediately and all rights in respect of these Options will thereupon be lost.

5.5 **Trigger Event**

Notwithstanding any other Rule, upon the occurrence of a Trigger Event, the Board may determine:

- (a) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Board acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event, provided that the Board will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
- (b) to use its reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Board shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.

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6. HOW TO EXERCISE OPTIONS

6.1 Delivery to Company Secretary

Options granted to a Participant or a Participant's Nominated Party may only be exercised by delivery to the Company's secretary (at a time when the Options may be exercised) of:

- (a) the certificate for the Options or, if the certificate for the Options has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed;
- (b) a notice in the form of Schedule 1 addressed to the Company and signed by the Participant or Nominated Party (as applicable):
 - (i) stating that the Participant or Nominated Party (as applicable) exercises the Options and specifying the number of Options which are exercised; and
 - (ii) specifying the subregister of the Company in which the Shares referred to in Rule 6.2(a) are to be recorded; and
- (c) payment to the Company of an amount equal to the Option Exercise Price multiplied by the number of Options which are being exercised unless there is no exercise price payable in respect of the Options to be exercised.

By exercising an Option, the Participant or Nominated Party (as applicable) agrees to become a member of the Company and to be bound by the Company's constitution.

6.2 Issue of Shares

If the items specified in Rule 6.1 are delivered in accordance with that Rule, the Company will, subject to the Listing Rules (if relevant):

- (a) within 10 Business Days of delivery of the documents referred to in Rule 6.1 issue to the Participant or Nominated Party (as applicable) the Shares credited as being fully paid in respect of which the Options are exercised together with any additional Shares an entitlement to which has arisen under Rule 8 in consequence of the exercise of the Options; and
- (b) cancel the certificate delivered pursuant to Rule 6.1(a) and, if any Options which have not lapsed remain unexercised, deliver to the Participant or Nominated Party (as applicable) a replacement certificate reflecting the number of those Options which remain unexercised.

6.3 Death of Participant or Mental Incapacity

If a Participant has died or the Participant's estate becomes liable to be dealt with under the laws relating to mental health, the Participant's legal personal representative will stand in the place of the Participant for the purposes of Rules 6.1 and 6.2 subject only to prior production to the Company of such evidence as would be required to permit the legal personal representative to become registered as a shareholder in respect of the Shares held by the Participant.

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6.4 **Beneficial Owner of Shares**

From and including the date of issue to a Participant or a Participant's Nominated Party (as applicable) of any Shares in accordance with these Rules, the Participant or Nominated Party (as applicable) will:

- (a) be the legal and beneficial owner of those Shares; and
- (b) subject to the Corporations Act, the Constitution and the Listing Rules, be entitled to deal with those Shares as beneficial owner.

6.5 **Equal Rank**

A Share acquired on exercise of an Option will rank equally in all respects with Shares already on issue on the date of issue of the Share, except for entitlements which had a record date before the date of issue of that Share.

6.6 **Official Quotation**

Application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Options if the Company's Shares are listed on ASX at that time in accordance with the Listing Rules.

7. **NEW ISSUES OF SHARES AND REORGANISATIONS**

7.1 **Participation generally**

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

7.2 **Rights Issues and Bonus Issues**

- (a) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to Schedule 3.
- (b) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares to be issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue.

7.3 **Reorganisation**

If at any time the capital of the Company is reorganised, the terms of the Options will be changed in a manner required by the ASX Listing Rules at the time of the reorganisation or, subject to the Corporations Act and the Listing Rules, as determined by the Board.

7.4 **Notice of Adjustments**

Whenever the number of Shares comprised in an Option or the Option Exercise Price is adjusted pursuant to these Rules, the Company will give notice of the adjustment to the Participant (and, if applicable, the Participant's Nominated Party) and ASX together with calculations on which the adjustment is based.

7.5 **Cumulative Adjustments and rounding**

- (a) Effect will be given to Rule 7.4 in such manner that the effect of the successive applications of them is cumulative, with the intention being that the adjustments they progressively effect will reflect previous adjustments.
- (b) Until an Option is to be exercised, all calculations adjusting the Number of Shares or the exercise price must be carried out to include all fractions, but on exercise the number of Shares is rounded down to the next lower whole number and the exercise price is rounded up to the next higher cent.

8. **OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE**

8.1 **No contravention**

Notwithstanding the Rules or the terms of any Option, no Option may be offered, granted or exercised and no Share may be issued under the Plan if to do so:

- (a) would contravene the Corporations Act, the Listing Rules or any other applicable law; or
- (b) would contravene the local laws or customs of an Eligible Participant's country of residence or in the opinion of the Board would require actions to comply with those local laws or customs which are impractical or burdensome.

8.2 **Consistency**

- (a) Nothing in this Plan prevents an act being done that applicable law or the Listing Rules require to be done.
- (b) If applicable law or the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (c) If applicable law or the Listing Rules require this Plan or the terms of the issue of the Options to contain a provision and they do not contain such a provision, this Plan or the terms of issue of the Options (as the case may be) are taken to contain that provision.
- (d) If applicable law or the Listing Rules require this Plan or the terms of the issue of the Options not to contain a provision and they contain such a provision, this Plan or the terms of issue of the Options (as the case may be) are taken not to contain that provision.
- (e) If any provision of this Plan or the terms of the issue of the Options are or become inconsistent with applicable law or the Listing Rules, this Plan or the terms of issue of the Options (as the case may be) are taken not to contain that provision to the extent of the inconsistency.

9. **AMENDMENT OF RULES**

Subject to and in accordance with the Trading Rules, the Board (without the necessity of obtaining the prior or subsequent consent of Shareholders of the Company in a general meeting) may from time to time amend (including the power to revoke, add to or vary) all or any provisions of the Rules in any respect whatsoever, by an instrument in writing, provided that rights or entitlements in respect of any Option granted before the date of amendment shall not be materially reduced or materially adversely affected unless prior written approval from the affected holder(s) is obtained.

10. ADMINISTRATION OF PLAN

10.1 General administration

- (a) The Board may appoint for the proper administration and management of the Plan, such persons as it considers desirable and may delegate thereto such authorities as may be necessary or desirable for the administration and management of the Plan.
- (b) Subject to the provisions of the Rules, the Board may make such regulations and establish such procedures for the administration and management of the Plan as they consider appropriate.
- (c) The decision of the Board as to the interpretation, effect or application of the Rules will be final.

10.2 Duration

- (a) The Plan continues in operation until the Board decides to end it.
- (b) The Board may suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension.

11. RIGHTS OF ELIGIBLE PARTICIPANTS

Neither participation in the Plan by the Company or an Associated Body Corporate or any Eligible Participants or Option holders or anything contained in these Rules shall in any way prejudice or affect the right of the Company or an Associated Body Corporate to dismiss any Eligible Participant or Option holder or to vary the terms of employment of any Eligible Participant or Option holder. Nor shall participation or the rights or benefits of an Eligible Participant or Option holder under the Rules be relevant to or used as grounds for granting or increasing damages in any action brought by an Eligible Participant or Option holder against the Company or an Associated Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.

12. ATTORNEY

Each Participant and each Nominated Party (the **relevant party**), in consideration of an Offer:

- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an **attorney**), severally, as the relevant party's attorney to complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the relevant party which may be convenient or necessary for the purpose of giving effect to the provisions of these Rules;
- (b) covenants that the relevant party will ratify and confirm any act or thing done pursuant to this power;
- (c) releases each member of the Group and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this Rule; and
- (d) indemnifies and holds harmless each member of the Group and the attorney in respect thereof.

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13. **ASIC RELIEF**

Notwithstanding any other provisions of the Plan, every covenant or other provision set out in an exemption or modification granted from time to time by the ASIC in respect of the Plan pursuant to its power to exempt and modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this Rule to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision shall prevail.

14. **NOTICES**

Any notice to Participants may be given in such manner as the Board determines.

15. **GOVERNING LAW**

This Plan is governed by and shall be construed and take effect in accordance with the laws of Western Australia.

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SCHEDULE 1

Notice of Exercise of Options

To: The Directors
S2 Resources Ltd

I _____ of _____

_____ being registered holder of the options to acquire fully paid ordinary shares in the Company set out on the certificate annexed to this notice, hereby exercise _____ of the abovementioned options. I enclose a cheque for \$_____ in payment of the option exercise price due in respect of those options calculated on the basis of \$_____ per option.

I authorise and direct the Company to register me as the holder of the shares to be allotted to me and I agree to accept such shares subject to the provisions of the Constitution of the Company.

Please register the shares on the [issuer sponsored / CHESS] sub-register [under my [HIN/SRN •]].

Dated the _____ day of _____ 20 _____.

Signature of Holder

Note:

1. Each holder must sign.
2. Cheques should be made payable to S2 Resources Ltd.

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SCHEDULE 2

Offer Document

[Name and address of Eligible Participant]

Dear [*]

SERVICE PROVIDER SHARE OPTION PLAN

The board of directors of S2 Resources Limited (**Company**) is pleased to make an offer to you of [insert] options pursuant to its Employee Share Option Plan (**Plan**).

The Company informs you of the following:

- (a) accompanying this letter is a full copy of the terms of the Plan;
- (b) this offer remains open for acceptance by you for 14 days from the date of this letter (**Offer Period**);
- (c) the options under the Plan will be granted to you for nil consideration;
- (d) the exercise price of each of the options is \$[*] and the expiry date is [*]; and
- (e) the Options are subject to the following Exercise Conditions:
 - (i) [insert];
 - (ii) [insert];
- (f) the Options are subject to a Vesting Period of [insert];
- (g) the Company will, during the period commencing on the date of this letter and expiring when the options lapse or are exercised, make available to you the current market price of the underlying shares to which the options relate within a reasonable time of you requesting that information. Alternatively you may find the current share price of the Company on the ASX via the ASX website (www.asx.com.au). Please note that share price information on that website is delayed by 20 minutes.

[Include general information about the risks of acquiring and holding options being offered under the Plan if relying on ASIC class order.]

THIS LETTER AND ALL OTHER DOCUMENTS PROVIDED TO YOU AT THE TIME OF THIS OFFER CONTAIN GENERAL ADVICE ONLY – THEY DO NOT TAKE INTO ACCOUNT YOUR PERSONAL OBJECTIVES, FINANCIAL SITUATION AND NEEDS. YOU SHOULD CONSIDER OBTAINING YOUR OWN FINANCIAL PRODUCT ADVICE FROM AN INDEPENDENT PERSON WHO IS LICENSED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION TO GIVE SUCH ADVICE.

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You may nominate any of the following persons to receive the options:

- an immediate family member (as defined in the Corporations Act);
- a company whose members comprise no persons other than you and your immediate family members (as defined in the Corporations Act); or
- a corporate trustee of a self-managed superannuation fund (within the meaning of the Superannuation Industry (Supervision) Act 1993 (Cth)) where you are a director of the trustee.

The Board may accept or reject a proposed Nominated Party in its sole and absolute discretion.

Could you please confirm your acceptance of the offer set out in this letter by signing in the appropriate place below and returning it to the Company on facsimile number [insert] **by no later than** [insert].

Yours faithfully

[insert name]
For and on behalf of
S2 Resources Ltd

Encl.

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Acceptance of offer

I agree to the terms and conditions set out above and accept the offer of options as contained in the letter set out above.

Signature

Name: _____

Date: _____

Nomination of Nominated Party

Please issue the options to the following **Nominated Parties**, who by signing this document each agrees to the terms and conditions set out above and accept the offer of options as contained in the letter set out above.

Please repeat this section if there is more than one Nominated Party.

Execution by Nominated Party

Individual / Director

Director / Secretary (if corporate trustee)

Name: _____

Date: _____

Number of options to be issued to this Nominated Party: _____

The Nominated Party is: _____ *(Please specify nature of relationship).*

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SCHEDULE 3

Adjustment Formula

$$O^1 = O - \frac{E[P - (S + D)]}{N + 1}$$

where:

O^1 = The new exercise price of the Option.

O = The old exercise price of the Option.

E = The number of Shares into which an Option is exercisable.

P = The VWAP per Share calculated over the 5 trading days before the ex rights date or ex entitlements date.

S = The subscription price for one security under the renounceable rights or entitlements issue.

D = The dividend due but not yet paid on existing Shares (except those to be issued under the renounceable rights issue or entitlements issue).

N = Number of Shares with rights or entitlements required to be held to receive a right to one new security.

However, if O^1 under this formula is less than the minimum price specific in Rule 4.7, the new Exercise Price of the Option is to be equal to that minimum price.

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[TEMPLATE OFFER DOCUMENT]

[Name and address of Director]

Dear [*]

OFFER OF OPTIONS

The board of directors of S2 Resources Ltd (**Company**) is pleased to make an offer to you of [insert] options pursuant to its Directors Share Option Terms – 2018 (**Terms**).

The Company informs you of the following:

- (a) accompanying this letter is a full copy of the Terms;
- (b) this offer remains open for acceptance by you for 14 days from the date of this letter (**Offer Period**);
- (c) the options under the Terms will be granted to you for nil consideration;
- (d) the exercise price of each of the options is [*], and their expiry date is [*];
- (e) the options are [not subject to a Vesting Period / subject to a Vesting Period of [*]]; and
- (f) the Company will, during the period commencing on the date of this letter and expiring when the options lapse or are exercised, make available to you the current market price of the underlying shares to which the options relate within a reasonable time of you requesting that information. Alternatively you may find the current share price of the Company on the ASX via the ASX website (www.asx.com.au). Please note that share price information on that website is delayed by 20 minutes.

[Include general information about the risks of acquiring and holding options being offered under the Terms if relying on ASIC class order.]

THIS LETTER AND ALL OTHER DOCUMENTS PROVIDED TO YOU AT THE TIME OF THIS OFFER CONTAIN GENERAL ADVICE ONLY – THEY DO NOT TAKE INTO ACCOUNT YOUR PERSONAL OBJECTIVES, FINANCIAL SITUATION AND NEEDS. YOU SHOULD CONSIDER OBTAINING YOUR OWN FINANCIAL PRODUCT ADVICE FROM AN INDEPENDENT PERSON WHO IS LICENSED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION TO GIVE SUCH ADVICE.

You may nominate any of the following persons to receive the options:

- an immediate family member (as defined in the Corporations Act);
- a company whose members comprise no persons other than you and your immediate family members (as defined in the Corporations Act); or
- a corporate trustee of a self-managed superannuation fund (within the meaning of the Superannuation Industry (Supervision) Act 1993 (Cth)) where you are a director of the trustee.

The Board may accept or reject a proposed Nominated Party in its sole and absolute discretion.

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Could you please confirm your acceptance of the offer set out in this letter by signing in the appropriate place below and returning it to the Company on facsimile number [insert] **by no later than** [insert].

Yours faithfully

[insert name]
For and on behalf of
S2 Resources Ltd

Encl.

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Acceptance of offer

I agree to the terms and conditions set out above and accept the offer of options as contained in the letter set out above.

Signature

Name: _____

Date: _____

Nomination of Nominated Party

Please issue the options to the following **Nominated Parties**, who by signing this document each agrees to the terms and conditions set out above and accept the offer of options as contained in the letter set out above.

Please repeat this section if there is more than one Nominated Party.

Execution by Nominated Party

Individual / Director

Director / Secretary (if corporate trustee)

Name: _____

Date: _____

Number of options to be issued to this Nominated Party: _____

The Nominated Party is: _____ *(Please specific nature of relationship).*

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S2 RESOURCES LTD

ACN 606 128 090

DIRECTORS SHARE OPTION TERMS – 2018

These are the terms of the options granted to Directors of the Company in connection with its listing on ASX.

1. **INTERPRETATION**

1.1 **Definitions**

The following words have the following meanings.

Associate has the meaning given to that term in the *Income Tax Assessment Act 1936* (Cth).

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

Board means the board of Directors of the Company or a committee of the Board.

Business Day means a day that is a "business day" under the Listing Rules and not a public holiday in Perth.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (or any substitute) and includes any applicable clearing and settlement facility that is a prescribed CS facility under the Corporations Act.

Class Order means ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order).

Company means S2 Resources Limited (ACN 606 128 090).

Corporations Act means the *Corporations Act 2001* (Cth), as amended or modified (including by an ASIC instrument applying to the Company) from time to time.

Director means a director of the Company.

Expiry Date means, in respect of an Option, the fourth anniversary of the date of grant of the Option.

Group means the Company and all Associated Bodies Corporate.

Listing Rules means the official listing rules of ASX and any other rules of the ASX applying to the Company while it is admitted to the official list of ASX and the ASX Settlement Rules (or other operating rules) including any waiver granted under the Listing Rules, in each case as amended from time to time.

Marketable Parcel has the meaning given to that term in the Listing Rules.

Nominated Party means, in respect of a Director:

- (a) an immediate family member (as defined in the Corporations Act) of the Director;
- (b) a company whose members comprise no persons other than the Director or immediate family members (as defined in the Corporations Act) of the Director; or

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- (c) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cth)) where the Director is a director of the trustee,

as nominated by the Director and accepted by the Board in its sole and absolute discretion to be the holder of Options.

Offer means an offer made to a Director to subscribe for one or more Options under the Terms as set out in an Offer Document.

Offer Document means the letter under which the director was offered the Options.

Option means an option granted pursuant to these Terms to subscribe for (subject to Term 7) one Share upon and subject to the terms of these Terms and the terms of the Offer.

Option Exercise Price means the exercise price of an Option, as determined in accordance with Term 4.3.

Participant means a Director to whom Options have been granted under the Terms or the Director in respect of whom a Nominated Party has been granted Options.

Retained means, in respect of a person, that the person is employed as an employee of a Group member or is engaged as a "contractor" (as defined in the Class Order) of a Group member.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of Shares.

Takeover Bid means a takeover bid (as defined in the Corporations Act).

Terms means these terms.

Trigger Event means:

- (a) a court approves under Section 411(4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (b) a Takeover Bid for the Company's issued Shares is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares; or
- (c) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

Vesting Period means, in respect of an Option, any period specified as such in the Offer Document for that Option.

VWAP means "volume weighted average market price" as defined in the Listing Rules.

1.2 Interpretation

In these Terms unless the context otherwise requires:

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- (a) headings are for convenience only and do not affect its interpretation;
- (b) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (d) a reference to any document (including these Terms) is to that document as varied, novated, ratified or replaced from time to time;
- (e) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (f) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (g) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of these Terms and a reference to these Terms includes any schedule, exhibit or annexure to these Terms;
- (h) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning; and
- (i) a reference to **\$** or **dollar** is to Australian currency.

2. **PURPOSE**

The purpose of the grant of options to the Directors is to better align the interests of the Directors and Shareholders.

3. **DATE OF GRANT**

Options are granted with effect from the date on which the Company's shares are first quoted on ASX.

4. **OPTIONS**

4.1 **Number of Options**

- (a) The number of Options (if any) granted to each Director is set out in the Offer Document.
- (b) Each Option will entitle the holder to subscribe for and be allotted one Share.

4.2 **No Consideration**

The Options issued are issued for nil cash consideration.

4.3 **Option Exercise Price**

- (a) Subject to Term 4.3(b), the Option Exercise Price is as set out in the Offer Document.

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- (b) To the extent the Listing Rules specify or require a minimum price, the Option Exercise Price in respect of an Option shall be that minimum price if the amount determined under paragraph 4.1(a) would be less than that minimum.

4.4 Disposal of Options

Options will not be transferable and will not be quoted on the ASX, unless the Offer provides otherwise.

4.5 Adjustment to Terms

- (a) Subject to any requirements of the Listing Rules and Term 4.5(b), the Board will have the power to make adjustments to or vary the terms of an Option by notice to the Participant or Nominated Party (as applicable) who holds the relevant Option.
- (b) No adjustment or variation of the terms of an Option will be made without the consent of the Participant or Nominated Party (as applicable) who holds the relevant Option if such adjustment or variation would have a materially prejudicial effect upon the Participant (in respect of his or her outstanding Options), other than an adjustment or variation in accordance with Term 7 or introduced primarily:
- (i) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legislation governing or regulating the maintenance or operation of the Terms;
 - (ii) to correct any manifest error or mistake;
 - (iii) to enable a member of the Group to comply with the Corporations Act, the Listing Rules, applicable foreign law, or a requirement, policy or practice of the ASIC or other foreign or Australian regulatory body; or
 - (iv) to take into consideration possible adverse taxation implications in respect of the Terms including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation.

5. WHEN OPTIONS MAY BE EXERCISED

5.1 Exercise

- (a) Subject to this Term 5, a Participant or Nominated Party (as applicable) will be entitled to exercise an Option granted as a result of an Offer only:
- (i) after the Vesting Period (if any) has expired and before the Expiry Date;
 - (ii) if shareholder approval is required under applicable law or the Listing Rules for the Company to issue a Share upon exercise of the Option, such shareholder approval is obtained; and
 - (iii) if the Option is otherwise capable of exercise in accordance with the terms of the relevant Offer and the Terms.
- (b) An Option may not be exercised if applicable law prohibits the exercise of the Option.

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5.2 Exercise of less than all Options

Subject to Term 5.1, Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel.

5.3 Lapsing of Options

Subject to Term 5.4, a Participant's (or if applicable a Participant's Nominated Party's) unexercised Option will lapse and all rights in respect of that Option will be lost:

- (a) on the Expiry Date of the Option; or
- (b) if the Participant ceases to be a Director and the Participant is not Retained immediately following the time when the Participant ceases to be a Director (the **Time of Cessation of Directorship**):
 - (i) where the Option is exercisable at the Time of Cessation of Directorship – at the end of the day that is 12 months after the Time of Cessation of Directorship;
 - (ii) where the Option is not exercisable at the Time of Cessation of Directorship – immediately at the Time of Cessation of Directorship;
- (c) if the Participant ceased to be a Director of the Company but was Retained immediately following the time when the Participant ceased to be a Director of the Company (that is, paragraph (b) did not apply), and the Participant subsequently ceases to be so Retained:
 - (i) where the Option is exercisable at the time when the Participant ceases to be so Retained (the **Time of Cessation of Retention**) – at the end of the day that is 12 months after the Time of Cessation of Retention;
 - (ii) where the Option is not exercisable at the Time of Cessation of Retention – immediately at the Time of Cessation of Retention;
- (d) if the Option lapses under Term 5.4,
whichever is earliest.

5.4 Trigger Event

Notwithstanding any other Term, upon the occurrence of a Trigger Event the Options may be exercised at any time within 30 days after the Trigger Event, and in any number, so as to permit the holder to participate in any change of control arising from the Trigger Event. Thereafter, the Options shall lapse to the extent they have not been exercised

6. HOW TO EXERCISE OPTIONS

6.1 Delivery to Company Secretary

Options granted to a Participant or a Participant's Nominated Party may only be exercised by delivery to the Company's secretary (at a time when the Options may be exercised) of:

- (a) the certificate for the Options or, if the certificate for the Options has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be

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incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed;

- (b) a notice in the form of Schedule 1 addressed to the Company and signed by the Participant or Nominated Party (as applicable):
 - (i) stating that the Participant or Nominated Party (as applicable) exercises the Options and specifying the number of Options which are exercised; and
 - (ii) specifying the subregister of the Company in which the Shares referred to in Term 6.2(a) are to be recorded; and
- (c) payment to the Company of an amount equal to the Option Exercise Price multiplied by the number of Options which are being exercised unless there is no exercise price payable in respect of the Options to be exercised.

By exercising an Option, the Participant or Nominated Party (as applicable) agrees to become a member of the Company and to be bound by the Company's constitution.

6.2 **Issue of Shares**

If the items specified in Term 6.1 are delivered in accordance with that Term, the Company will, subject to the Listing Rules (if relevant):

- (a) within 10 Business Days of delivery of the documents referred to in Term 6.1 issue to the Participant or Nominated Party (as applicable) the Shares credited as being fully paid in respect of which the Options are exercised together with any additional Shares an entitlement to which has arisen under Term 8 in consequence of the exercise of the Options; and
- (b) cancel the certificate delivered pursuant to Term 6.1(a) and, if any Options which have not lapsed remain unexercised, deliver to the Participant or Nominated Party (as applicable) a replacement certificate reflecting the number of those Options which remain unexercised.

6.3 **Death of Participant or Mental Incapacity**

If a Participant has died or the Participant's estate becomes liable to be dealt with under the laws relating to mental health, the Participant's legal personal representative will stand in the place of the Participant for the purposes of Terms 6.1 and 6.2 subject only to prior production to the Company of such evidence as would be required to permit the legal personal representative to become registered as a shareholder in respect of the Shares held by the Participant.

6.4 **Beneficial Owner of Shares**

From and including the date of issue to a Participant or a Participant's Nominated Party (as applicable) of any Shares in accordance with these Terms, the Participant or Nominated Party (as applicable) will:

- (a) be the legal and beneficial owner of those Shares; and
- (b) subject to the Corporations Act, the Constitution and the Listing Rules, be entitled to deal with those Shares as beneficial owner.

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6.5 **Equal Rank**

A Share acquired on exercise of an Option will rank equally in all respects with Shares already on issue on the date of issue of the Share, except for entitlements which had a record date before the date of issue of that Share.

6.6 **Official Quotation**

Application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Options if the Company's Shares are listed on ASX at that time in accordance with the Listing Rules.

7. **NEW ISSUES OF SHARES AND REORGANISATIONS**

7.1 **Participation generally**

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

7.2 **Rights Issues and Bonus Issues**

- (a) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to Schedule 2.
- (b) In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares to be issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue.

7.3 **Reorganisation**

If at any time the capital of the Company is reorganised, the terms of the Options will be changed in a manner required by the ASX Listing Rules at the time of the reorganisation.

7.4 **Notice of Adjustments**

Whenever the number of Shares comprised in an Option or the Option Exercise Price is adjusted pursuant to these Terms, the Company will give notice of the adjustment to the Participant (and, if applicable, the Participant's Nominated Party) and ASX together with calculations on which the adjustment is based.

7.5 **Cumulative Adjustments and rounding**

- (a) Effect will be given to Term 7.3 in such manner that the effect of the successive applications of them is cumulative, with the intention being that the adjustments they progressively effect will reflect previous adjustments.
- (b) Until an Option is to be exercised, all calculations adjusting the Number of Shares or the exercise price must be carried out to include all fractions, but on exercise the number of Shares is rounded down to the next lower whole number and the exercise price is rounded up to the next higher cent.

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8. OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE

8.1 No contravention

Notwithstanding the Terms or the terms of any Option, no Option may be exercised and no Share may be issued under the Terms if to do so:

- (a) would contravene the Corporations Act, the Listing Rules or any other applicable law; or
- (b) would contravene the local laws or customs of a Director's country of residence or in the opinion of the Board would require actions to comply with those local laws or customs which are impractical or burdensome.

8.2 Consistency

- (a) Nothing in these Terms prevents an act being done that applicable law or the Listing Rules require to be done.
- (b) If applicable law or the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (c) If applicable law or the Listing Rules require these Terms or the terms of the issue of the Options to contain a provision and they do not contain such a provision, these Terms or the terms of issue of the Options (as the case may be) are taken to contain that provision.
- (d) If applicable law or the Listing Rules require these Terms or the terms of the issue of the Options not to contain a provision and they contain such a provision, these Terms or the terms of issue of the Options (as the case may be) are taken not to contain that provision.
- (e) If any provision of these Terms or the terms of the issue of the Options are or become inconsistent with applicable law or the Listing Rules, these Terms or the terms of issue of the Options (as the case may be) are taken not to contain that provision to the extent of the inconsistency.

9. ADMINISTRATION

- (a) The Board may appoint for the proper administration and management of the Terms, such persons as it considers desirable and may delegate thereto such authorities as may be necessary or desirable for the administration and management of the Terms.
- (b) Subject to the provisions of the Terms, the Board may make such regulations and establish such procedures for the administration and management of the Terms as they consider appropriate.
- (c) The decision of the Board as to the interpretation, effect or application of the Terms will be final.

10. ATTORNEY

Each Participant and each Nominated Party (the **relevant party**), in consideration of an Offer:

- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an **attorney**), severally, as the relevant party's attorney to

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complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the relevant party which may be convenient or necessary for the purpose of giving effect to the provisions of these Terms;

- (b) covenants that the relevant party will ratify and confirm any act or thing done pursuant to this power;
- (c) releases each member of the Group and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this Term; and
- (d) indemnifies and holds harmless each member of the Group and the attorney in respect thereof.

11. **ASIC RELIEF**

Notwithstanding any other provisions of the Terms, every covenant or other provision set out in an exemption or modification granted from time to time by the ASIC in respect of the Terms pursuant to its power to exempt and modify the Corporations Act and required to be included in the Terms in order for that exemption or modification to have full effect, is deemed to be contained in the Terms. To the extent that any covenant or other provision deemed by this Term to be contained in the Terms is inconsistent with any other provision in the Terms, the deemed covenant or other provision shall prevail.

12. **GOVERNING LAW**

These Terms are governed by and shall be construed and take effect in accordance with the laws of Western Australia.

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SCHEDULE 1

Notice of Exercise of Options

To: The Directors
S2 Resources Ltd

I _____ of _____

_____ being registered holder of the options to acquire fully paid ordinary shares in the Company set out on the certificate annexed to this notice, hereby exercise _____ of the abovementioned options. I enclose a cheque for \$_____ in payment of the option exercise price due in respect of those options calculated on the basis of \$_____ per option.

I authorise and direct the Company to register me as the holder of the shares to be allotted to me and I agree to accept such shares subject to the provisions of the Constitution of the Company.

Please register the shares on the [issuer sponsored / CHESS] sub-register [under my [HIN/SRN •]].

Dated the _____ day of _____ 20 _____ .

Signature of Holder

Note:

Cheques should be made payable to [S2 Resources Ltd].

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SCHEDULE 2

Adjustment Formula

$$O^1 = O - \frac{E[P - (S + D)]}{N + 1}$$

where:

O^1 = The new exercise price of the Option.

O = The old exercise price of the Option.

E = The number of Shares into which an Option is exercisable.

P = The VWAP per Share calculated over the 5 trading days before the ex rights date or ex entitlements date.

S = The subscription price for one security under the renounceable rights or entitlements issue.

D = The dividend due but not yet paid on existing Shares (except those to be issued under the renounceable rights issue or entitlements issue).


N = Number of Shares with rights or entitlements required to be held to receive a right to one new security.

However, if O^1 under this formula is less than the minimum price specific in Term 4.3, the new Exercise Price of the Option is to be equal to that minimum price.

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S2R
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:30am (WST) Sunday, 11 November 2018**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

This Document is printed on Greenhouse Friendly™ ENVI Laser Carbon Neutral Paper

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of S2 Resources Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of S2 Resources Ltd to be held at the Rendezvous Hotel, 148 The Esplanade, Scarborough, Western Australia on Tuesday, 13 November 2018 at 11:30am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 - 6 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 - 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 - 6 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | For | Against | Abstain |
|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 Re-election of Director – Anna Neuling | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 Approval of 10% Placement Capacity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 Adoption of Employee Share Option Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 Adoption of Service Provider Share Option Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 Adoption of Director Share Option Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 Issue of Options to Service Provider – Anthony Goddard | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 8 Issue of Options to Service Provider – Johan Vandaele | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

S 2 R

2 4 3 1 7 1 A

Computershare +