

**S2 RESOURCES LTD**

**ACN 606 128 090**

**DIRECTORS SHARE OPTION TERMS – 2015**

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
- (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:

- (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.
- (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.

## 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 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.

## 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.

## 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



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.

**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].



## 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.