

# ANNUAL REPORT 2016



[s2resources.com.au](http://s2resources.com.au)



## Corporate Directory

### Directors

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Jeff Dowling  
Non-Executive Chairman

Mark Bennett  
Managing Director

Anna Neuling  
Executive Director

Grey Egerton-Warburton  
Non-Executive Director

### Company Secretary

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Anna Neuling

### Registered Office

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Level 2, 1 Manning Street  
Scarborough WA 6019  
Telephone: +61 8 6166 0240  
Facsimile: +61 8 6270 5410

### Share Register

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Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth WA 6000  
Telephone: 1300 787 575

### Auditor

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BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008  
Telephone: 08 6382 4600

### Stock Exchange Listing

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S2 Resources Ltd's shares are listed on the Australian Securities Exchange (ASX).

ASX code: S2R

### Website Address

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[www.s2resources.com.au](http://www.s2resources.com.au)



## Contents

Chairman's Letter .....	2
Managing Director's Review .....	3
Operations Review.....	5
Directors' Report.....	61
Auditor's Independence Declaration.....	76
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016 .....	77
Consolidated Statement of Financial Position as at 30 June 2016 .....	78
Consolidated Statement of Changes in Equity for the period ended 30 June 2016.....	79
Consolidated Statement of Cash Flows for the period ended 30 June 2016 .....	80
Notes to the Consolidated Financial Statements for the period ended 30 June 2016 .....	81
Directors' Declaration .....	116
Independent Auditor's Report.....	117
Additional ASX Information .....	119
Competent Persons Statement.....	126

## Chairman's Letter

Dear Shareholder

Following its demerger from Sirius Resources NL in September 2015 and its subsequent listing on 19th October 2015, S2 Resources Ltd ("S2") is well positioned to achieve its objectives, having a portfolio of exploration ground which the S2 Board considers to be highly prospective, a pipeline of opportunities, a good funding base, a highly successful team of explorers, and a breadth of corporate experience.

S2's objective is to provide superior investment returns through the discovery and development of high value mineral resources, as a result of exploration and the identification of early stage assets with high growth potential.

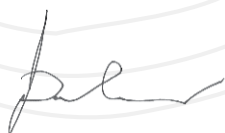
S2 is focused on mainstream commodities such as gold and base metals in politically stable jurisdictions such as Australia and Europe.

S2's market capitalisation has increased substantially from approximately A\$37 million on listing to approximately A\$150 million as at 17 August 2016. During this time, the Company has:

- in respect to the Company's 100% owned Polar Bear project, published a Mineral Resource estimate for the Baloo gold deposit and a Mineral Resource estimate for the Nanook palaeochannel gold deposit, as well as, subsequent to year's end, receiving encouraging exploration results from drilling at the Monsoon gold prospect;
- purchased the remaining 33% of its Scandinavian projects;
- successfully drilled to show proof of concept in the Skellefte project in Sweden;
- commenced the preliminary mining and engineering studies for Baloo; and
- subsequent to year's end the Company also successfully completed an equity raising of approximately A\$12.2 million which together with cash on hand at 30 June 2016 positions the Company to pursue its exploration objectives in Australia and Scandinavia without any financial constraints.

As evidenced in the results achieved in the ten months since listing, the Company's objective is to conserve its cash resources so as to aggressively pursue its exploration activities. As such, the Company has determined that the best way to reward and incentivise its board, executive and employees is via the issue of options over ordinary shares which have an exercise price that requires the share price to increase by nearly 50% before they crystallise any value to the recipient. This results in the alignment of shareholder and employee interests in maximising the Company's share price. I therefore commend the Company's remuneration report and the option issue in the Notice of Annual General Meeting to shareholders.

On behalf of shareholders, I would like to thank Mark Bennett and his team for their outstanding efforts in setting up S2 for success and for the outcomes already achieved in such a short period.



**Jeff Dowling**

Non-Executive Chairman



## Managing Director's Review

Since listing in October 2015, S2 has been busy assembling its team and advancing its exploration projects in Australia and Scandinavia.

At its Polar Bear project in Western Australia, exploration drilling has delineated gold mineralisation at several prospects on Lake Cowan, leading to the identification of in excess of 200,000 ounces of Indicated and Inferred gold resources at the Baloo and Nanook deposits. Subsequent to year's end, drilling also identified high grade gold mineralisation at the Monsoon prospect which further enhances the prospectivity of the area.

Drilling of Monsoon, Baloo, Nanook and other prospects will continue throughout the coming year with the dual aim of defining further oxide resources, and defining depth extensions to the already known mineralisation.

In Scandinavia, S2 is prioritising the numerous VTEM anomalies identified in its Skellefte project in Sweden and has undertaken an initial drill test of one of these VTEM conductors to prove the validity of the technique in this district. This test not only confirmed the validity of the chosen VTEM anomaly but it also identified a zinc-bearing volcanogenic massive sulphide (VMS) deposit. We consider it highly encouraging to have intersected zinc mineralisation in the first hole in the first anomaly of over sixty, in the first ever VTEM survey in this highly endowed polymetallic mineral belt.

Drilling of the top priority VTEM anomalies will resume in earnest as soon as the northern winter freezes the ground sufficiently for easy rig access – most likely in October.

During the year S2 appointed Grey Egerton Warburton to the Board as a non-executive director. Grey's depth of corporate and equity markets expertise will further enhance the Company's capabilities.

At the end of the 2016 financial year the Company still had A\$15.8 million cash. Subsequent to year's end and in response to the opportunity afforded by the discovery of high grade gold mineralisation at Monsoon, the Company raised A\$9.2 million in a heavily oversubscribed private placement and A\$3 million via a share purchase plan. As a result the Company is strongly positioned with cash of approximately A\$27 million to vigorously pursue the various exploration opportunities available to it. The cash available and the range of compelling targets awaiting testing will ensure that the 2016-2017 financial year will be another busy year for the Company.

I would like to make a special point of noting that S2 has begun life with the key members of the former Sirius Resources corporate and exploration team, so the company is well placed in terms of having a skilled, successful, experienced and committed team to do justice to its projects.

Our group has been augmented with the senior members of our Scandinavian team, who are now also shareholders of S2 as a result of S2 purchasing 100% ownership of its Scandinavian subsidiary late in 2015.

Your company is well funded, has significant strategic ground holdings and prospects, is poised to pursue an intensive exploration program, and has an exceptional team of highly motivated and aligned people to execute this.



**Mark Bennett**

Managing Director and CEO



## Operations Review

### Polar Bear Project

The Polar Bear project spans an area of 151 square kilometres, located between Higginsville and Norseman, and is surrounded by the major gold camps of Norseman (10 million ounces), St Ives (12 million ounces) and Higginsville (2 million ounces). In addition, S2 Resources has over 358 square kilometres of ground adjacent to the Polar Bear project.

Most of the area is unexplored or ineffectively explored due to it being largely concealed by the shallow salt lake sediments of Lake Cowan and the sand dunes of the Polar Bear peninsula.

The Polar Bear project contains a number of shear zones of the type that host major gold mines elsewhere in the district, and also contains southern extensions of the Kambalda and Widgiemooltha ultramafic stratigraphy, which hosts a number of significant nickel sulphide mines along strike to the north.

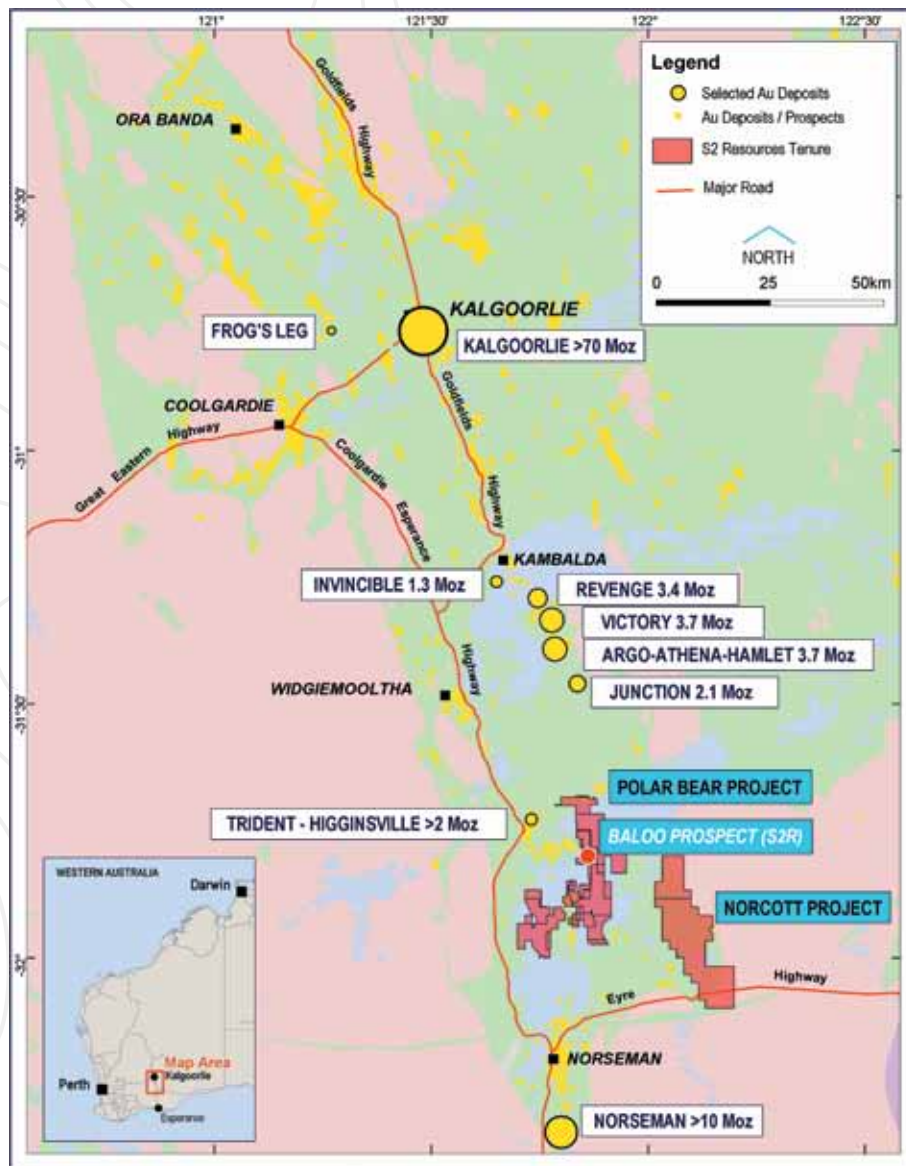


Figure 1. Regional plan showing location of prospective greenstones (green), gold deposits (yellow dots), salt lakes (pale blue) and S2's ground holdings (red). S2's ground is located on a major mineralised gold trend between the St Ives field at Kambalda and the Norseman field, and covers the unexplored portion beneath Lake Cowan.



## Operations Review

### Baloo Gold Deposit

The Baloo deposit is located approximately 15 kilometres east of the Higginsville gold mine, at the northern end of the Polar Bear project.

In late 2014, reconnaissance aircore drilling of the Baloo gold target identified gold mineralisation within variably weathered rock beneath a thin veneer of salt lake sediment. Subsequent drilling defined a significant zone of mineralisation and a maiden Mineral Resource estimate was completed in early 2016.

Gold mineralisation occurs in at least two structures (the Main Zone and Footwall Zone) as well as within a number of flat lying supergene layers in the hanging wall (to the east side) of the Main Zone. The Main Zone has been defined over a strike length of 450 metres and includes a central “sweet spot” within the oxide zone averaging approximately 40 metres thickness, and extending 80 metres along strike and 80 metres down dip. The localised thick oxide zone forms a funnel shaped zone of mineralisation starting from a depth of just two metres beneath the lake surface, an ideal shape for a potential open pit.

Primary gold mineralisation, associated with quartz-arsenopyrite veining, occurs beneath and to the south of the oxide gold zone at Baloo. Drill intercepts in the primary zone have defined a mineralised shoot which plunges gently to the south over a strike length of at least 180 metres. Key intercepts, considered approximate true width, includes 5 metres @ 6.91 g/t, 8 metres @ 5.14 g/t, 7.6 metres @ 8.35 g/t and 9.8 metres @ 4.97 g/t gold.

Latest drilling has shown that the Baloo mineralised system remains open to the south, as a narrow high grade lode, indicating the system is still “live” beyond the current limits of drilling. Key intercepts from this zone includes 1 metre @ 43.1 g/t, 1.25 metres @ 9.52 g/t, 0.6 metres @ 14.0 g/t and 2.5 metres @ 10.9 g/t gold.

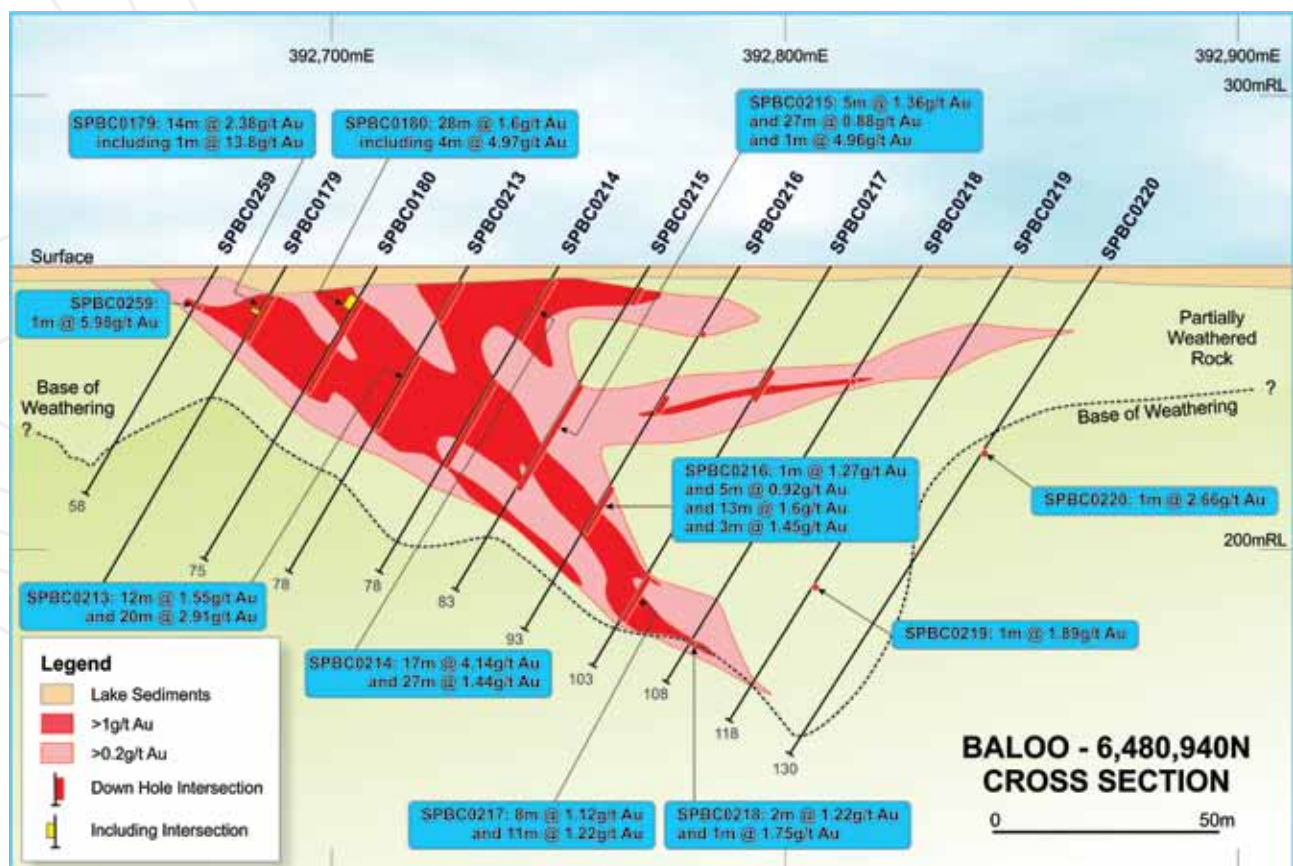


Figure 2. Cross section of the Baloo gold deposit, showing the wide and near surface disposition of mineralisation.



## Operations Review

A maiden Mineral Resource estimate for Baloo was announced in March 2016. The Mineral Resource estimate for the Baloo gold deposit comprises 2,170,000 tonnes grading 1.8 g/t gold for a contained 123,000 ounces of gold at a lower cutoff grade of 0.8 g/t gold. Of this, 1,150,000 tonnes (or 53%) containing 69,000 ounces of gold (or 56%) is classified as higher confidence Indicated category material, with the balance being lower confidence Inferred category material.

Near surface oxide and transitional mineralisation comprises approximately 61% of the total Mineral Resource and 81% of the Indicated Resource, and this extends south and north from the central zone. The remainder of the resource comprises a deeper primary lode, which plunges to the south and remains open at depth.

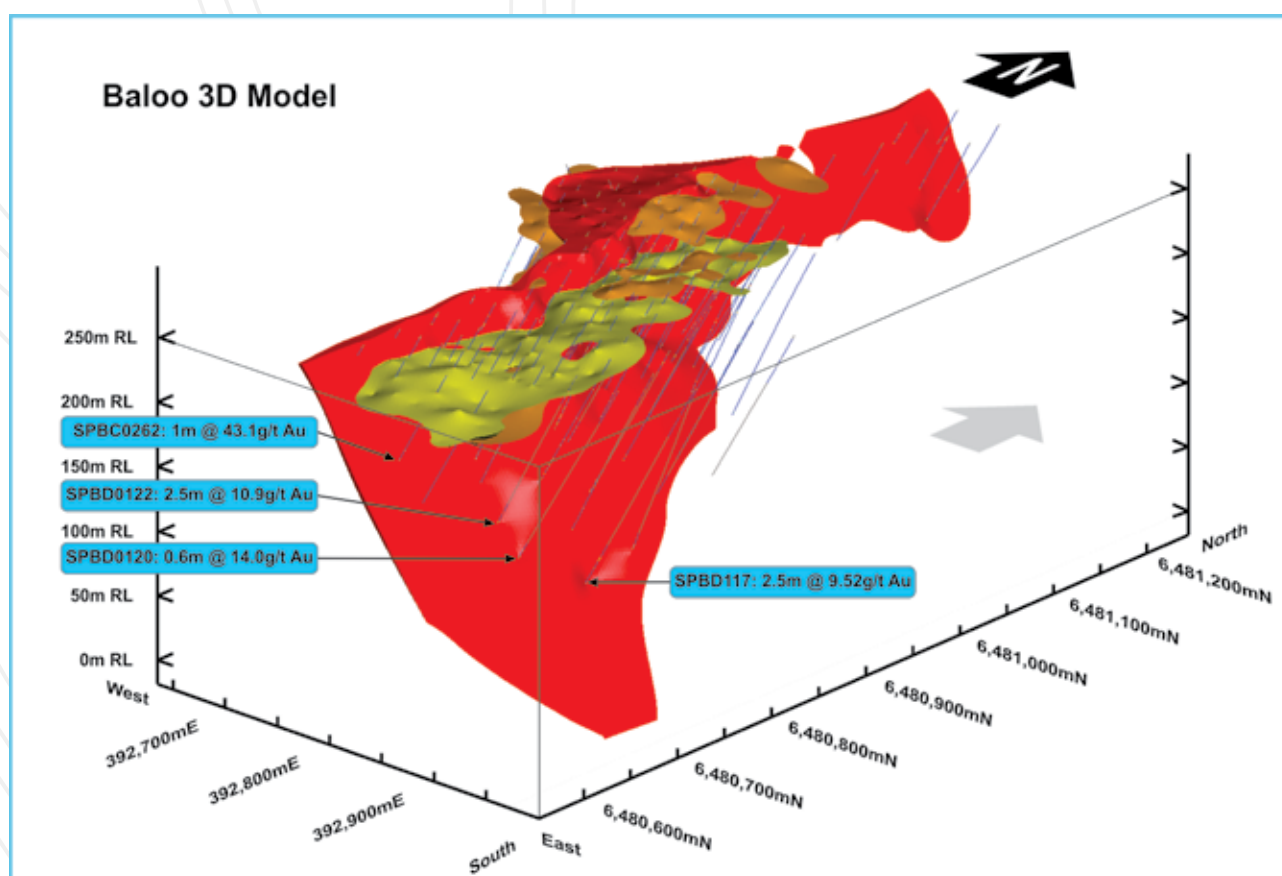


Figure 3. 3D view of the Baloo deposit, showing the extent of drilling. The mineralised lode is open down dip and down plunge and requires follow up drilling.

## Operations Review

### Nanook Gold Deposit

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The Nanook prospect is located 10 kilometres south of the Baloo gold deposit, located along the same structural corridor. Reconnaissance drilling has confirmed the presence of extensive gold mineralisation within quartz gravels at the base of the Nanook palaeochannel, defined over 2 kilometres. Within this, a discrete zone of high grade gold mineralisation has been defined with aircore drill intersections including 16 metres @ 51.3 g/t, 13 metres @ 23.89 g/t, 8 metres @ 2.89 g/t, 6 metres @ 2.71g/t, and 9 metres @ 2.15 g/t gold.

The gold is concentrated in quartz gravels at the base of a broad ancient stream valley, which runs in a northeasterly direction. This valley contains a discrete northwesterly trending zone of high grade quartz gravel which overlies a quartz veined and altered shale-basalt contact in the subjacent bedrock. The coarseness and angularity of the high grade quartz gravel, together with the close proximity and similar orientation of mineralisation in the bedrock geology suggest that this quartz gravel hosted gold is largely elluvial, and has been derived from erosion from a localised bedrock source.

Drilling also intersected in-situ high grade gold mineralisation in weathered Archaean basement rocks outside the palaeochannel, to the northwest along trend of the high grade gravel zone, with drill intersections including 4 metres @ 50.7 g/t and 2 metres @ 6.42 g/t gold.

A maiden Mineral Resource estimate for the Nanook deposit was announced in May 2016. The Mineral Resource estimate for the Nanook paleochannel gold deposit comprises 2,200,000 tonnes grading 1.2 g/t gold for a contained 84,000 ounces of gold at a lower cutoff grade of 0.8 g/t gold, classified as Inferred category.

## Operations Review

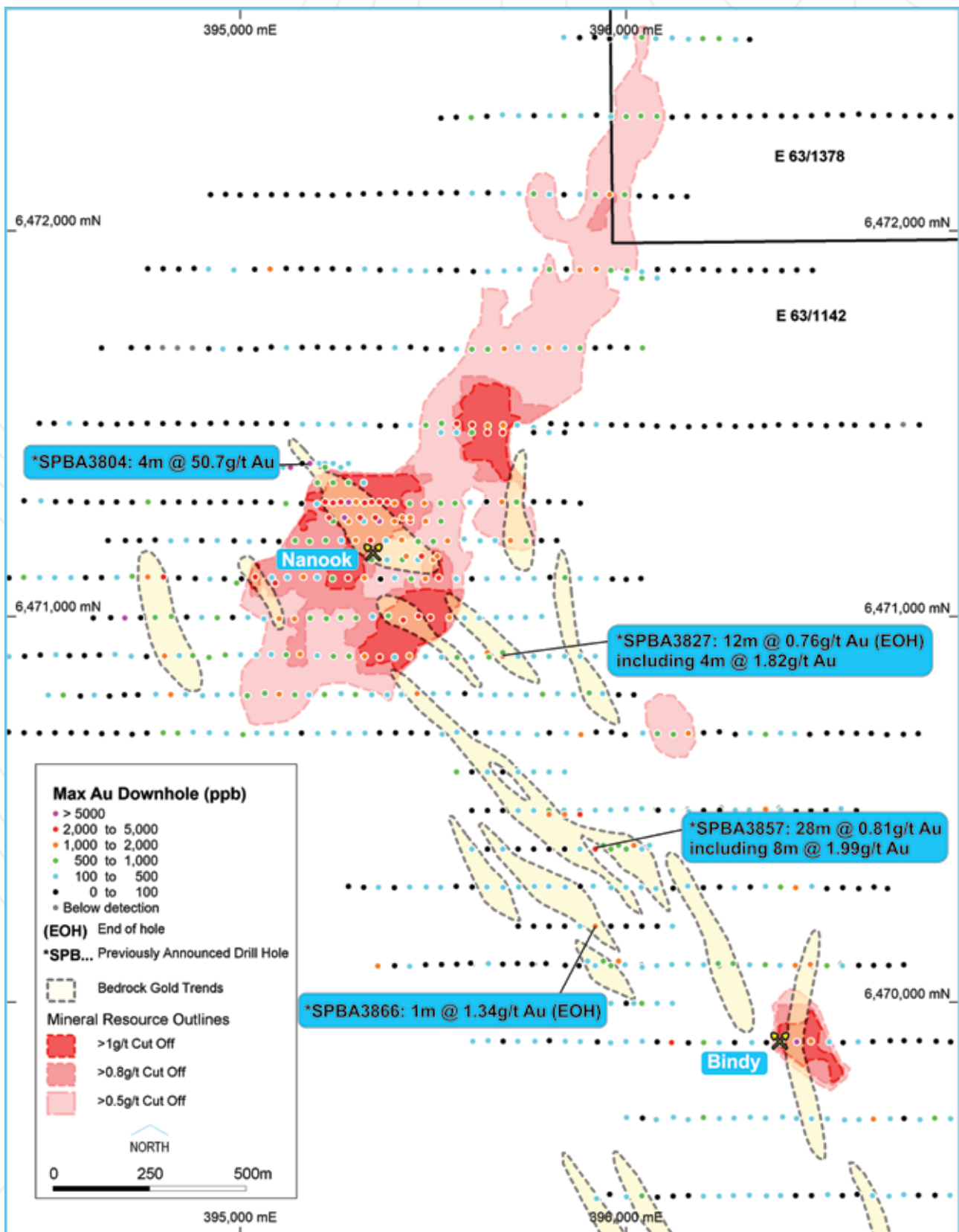


Figure 4. Plan showing the Nanook palaeochannel resource (light, medium and dark pink) outline superimposed on subjacent bedrock gold trends, with key drill intercepts in bedrock.



## Operations Review

### Other gold prospects

The Monsoon gold prospect is located along the same prospective trend beneath Lake Cowan midway between the Baloo gold deposit and the Nanook palaeochannel deposit. Reconnaissance aircore drilling on an 80 metre by 40 metre grid has defined sporadic gold anomalism over a 1 kilometre strike length, associated with quartz veining and arsenopyrite alteration within a north-northeast trending shear zone on a mafic – shale contact. A number of aircore holes drilled along this contact have not adequately tested it due to them being unable to penetrate zones of quartz veining and silica alteration. Two aircore holes that succeeded in reaching full depth on this sheared contact intersected 12 metres @ 26.2g/t gold and 32 metres at 2.47g/t gold. Subsequent to year's end, two reverse circulation (RC) drillholes intersected broad downhole widths of high grade gold mineralisation comprising 66 metres @ 11.4g/t gold and 38 metres @ 6.41g/t gold. Monsoon is a focus for follow up drilling.

The Earlobe prospect is well advanced with drill intersections that include 8m @ 5.56g/t, 4m @ 4.95g/t, 2m @ 26.6g/t and 4m @ 6.09g/t gold. The known gold mineralisation is split into an upper and lower gold lode with individual quartz veins up to 4 metres thick. Both lodes remain open along strike and down dip and as yet the limits of this mineralisation have not been defined.

At the Bindy prospect, located approximately 2 kilometres south of the Nanook gold prospect, gold anomalism has been defined over a 1.8 kilometre strike length, with aircore drill intersections including 8m @ 3.96g/t gold found within the core of the gold anomaly.

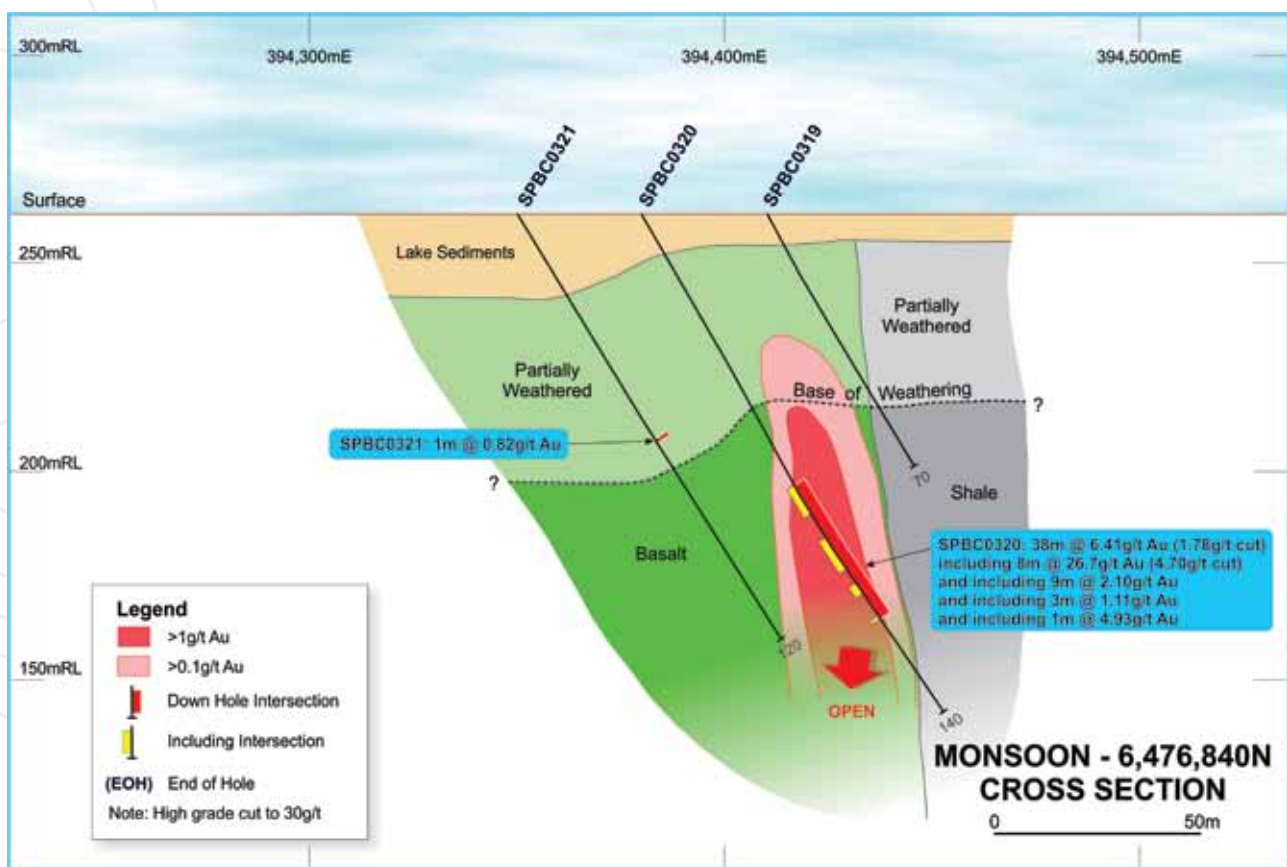


Figure 5. Cross section of northernmost of two RC drill sections at Monsoon.

## Operations Review

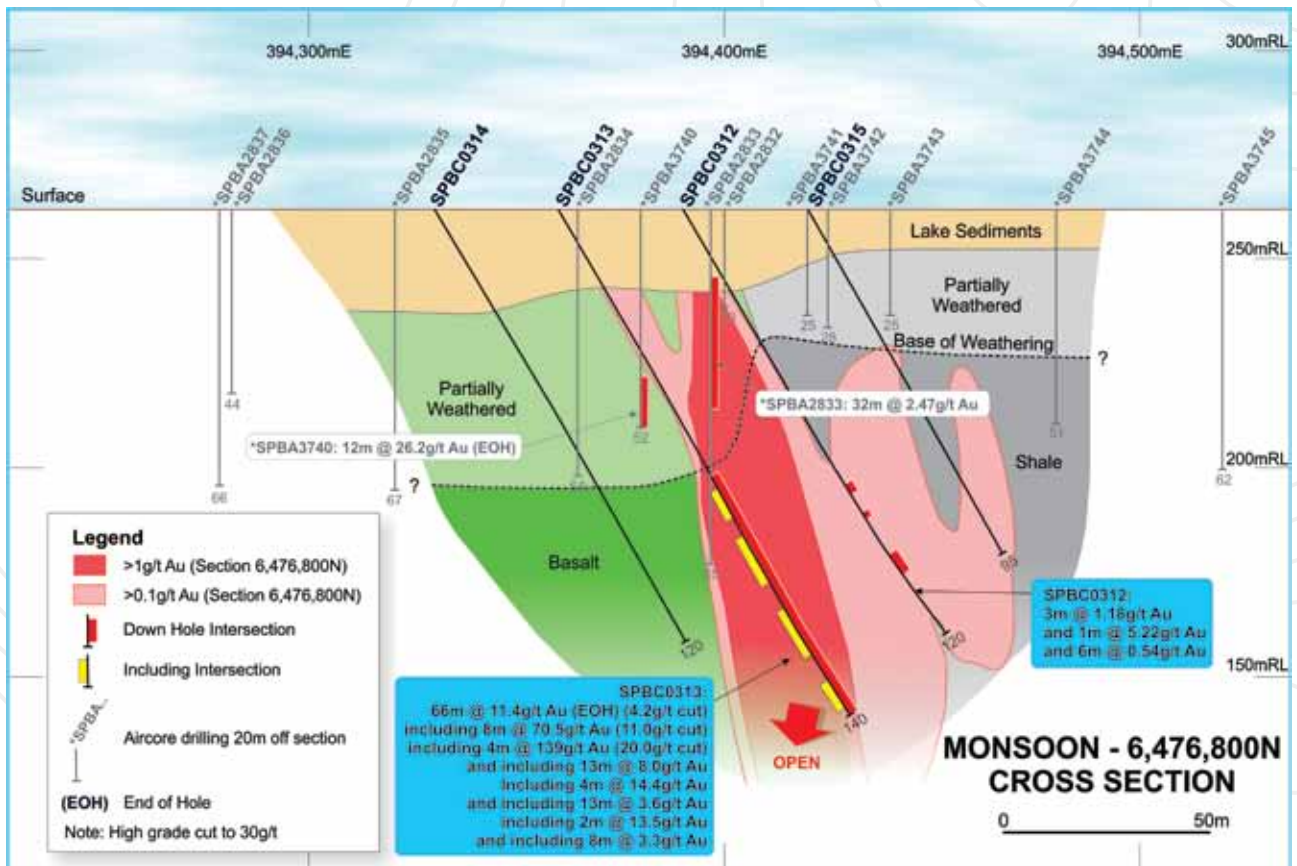


Figure 6. Cross section of southernmost RC drill sections at Monsoon, showing relative position of the original aircore holes (drilled 20 metres south of, and projected onto, this section).



## Operations Review

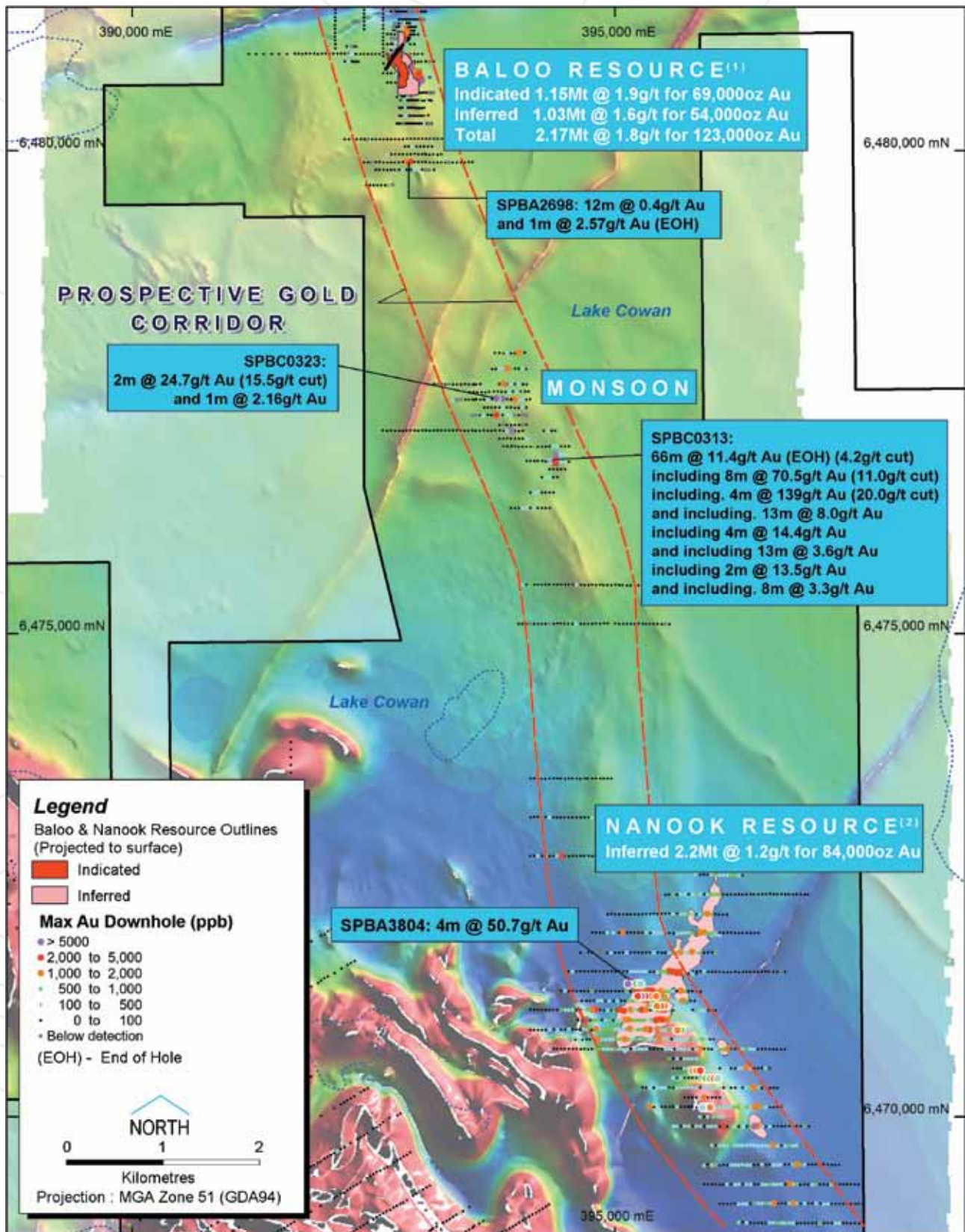


Figure 7. Map showing location of Baloo, Monsoon and Nanook gold prospects, within the central 10 kilometres of strike of the 30 kilometres of gold trend within S2's ground at Polar Bear.



## Operations Review

### Taipan nickel prospect

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Drilling of prospective ultramafic stratigraphy has defined a zone of high grade nickel-copper-cobalt-platinum-palladium mineralisation at the Taipan nickel prospect.

Nickel sulphide mineralisation has been defined over a strike extent of 250 metres and down dip over 150 metres within two zones. Both zones are open along strike. RC and diamond intersections include:

- 4.10 metres @ 3.8% nickel, 2.45% copper, 0.08% cobalt, 1.6 g/t palladium and 0.9 g/t platinum from 104.4 metres, including 2.15 metres @ 5.84% nickel, 3.73% copper, 0.12% cobalt, 1.65 g/t palladium and 1.1 g/t platinum from 106 metres;
- 20 metres @ 0.62% nickel, 0.10% copper, 0.02% cobalt, 0.17 g/t platinum and 0.39 g/t palladium from 113 metres including 2 metres @ 1.46% nickel, 0.43% copper, 0.03% cobalt, 1.69 g/t palladium and 0.67 g/t platinum and from 131 metres; and
- 53 metres @ 0.53% nickel, 0.05% copper and 0.01% cobalt from 23 metres.

### Taipan North nickel prospect

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Disseminated nickel sulphide mineralisation has also been intersected at the base of a thick sequence of prospective ultramafic rocks at the Taipan North prospect, located approximately 2 kilometres north of Taipan. To date mineralisation has been intersected over a 200 metre strike length and is open along strike and at depth. RC drill intercepts include 40 metres @ 0.47% nickel, 0.02% copper and 0.01% cobalt from 99 metres, including 5m @ 1.02% nickel, 0.09% copper and 0.02% cobalt from 109 metres.

### Halls Knoll nickel prospect

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The Halls Knoll gossan, located on an island approximately 1.2 kilometres southeast of the Taipan nickel prospect, has yielded extremely high levels of nickel, copper and platinum group metals indicative of the presence of massive nickel sulphide mineralisation. Initial drilling intersected disseminated nickel sulphides beneath the salt lake surface, with individual metre values up to 2.5% nickel, 1.5% copper and 1-2g/t palladium and platinum.

### Eundynie Project

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S2 Resources holds an 80% interest in six exploration licenses, covering 103 square kilometres of ground adjacent to the Polar Bear project (known as the Eundynie Joint Venture). The remaining 20% is held by Shumwari Pty Ltd which is a private company run by a small group of project generation geologists. The tenements cover the northern extension of the Baloo trend. In addition the project covers portions of the ultramafic stratigraphy considered prospective for nickel sulphide mineralisation.

### Norcott Project

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The Baloo gold deposit is in an unusual geological setting that is different to most of the known gold deposits in the Eastern Goldfields, and together with Gold Fields' discovery of the Invincible gold deposit near Kambalda, has demonstrated a new type of exploration opportunity in areas not previously considered prospective for gold.

As a result of this, S2 Resources has expanded its ground holding in the district, having had two licences granted covering approximately 256 square kilometres of relatively unexplored ground in a corridor to the east of the Polar Bear Project.

## Operations Review

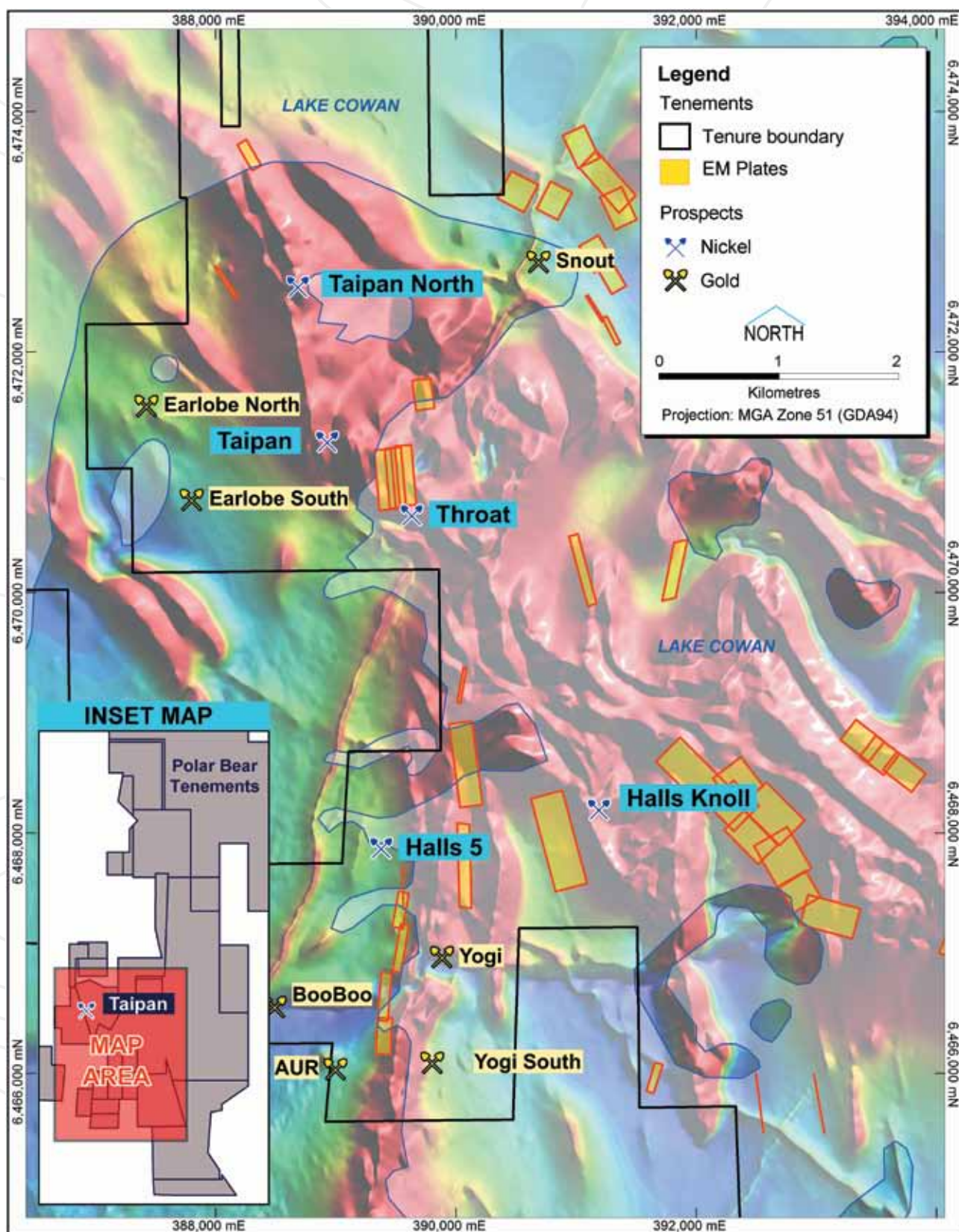


Figure 8. Map showing location of Halls Knoll and Taipan nickel prospects and EM anomalies in the central part of the Polar Bear project area.



## Operations Review

### Scandinavia

S2 Resources is the largest holder of Exploration Reservations in the Central Lapland Greenstone Belt (LGB) of Finland (considered to be prospective for nickel, copper, platinum and gold) and the largest holder of Exploration Permits in the core Skellefte Belt of Sweden (considered to be prospective for copper, zinc and gold).

S2's Scandinavian projects are managed in-country by a small team of explorers who have had extensive experience running exploration programs in these countries for companies such as Anglo American plc and Lundin Mining Corporation.

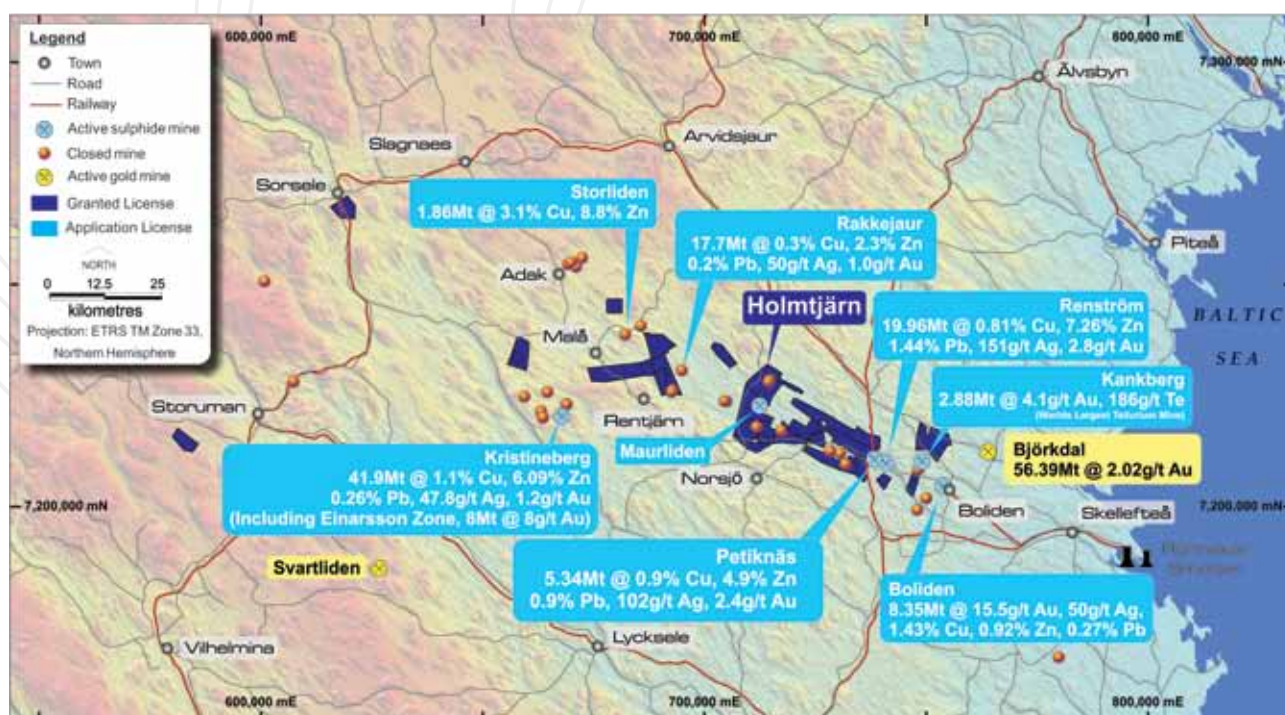


Figure 9. Map showing S2 tenure in the Skellefte belt of northern Sweden, with active and closed mines.

### Skellefte, Sweden (100% S2)

The Skellefte district of northern Sweden is a prolific mining district that contains numerous major polymetallic zinc-copper-gold-silver volcanogenic massive sulphide (VMS) deposits, including mines such as Kristineberg and Renstrom which underpin Boliden's mining and smelting operations. S2 has approximately 518.7 square kilometres of Exploration Permits and is the largest ground holder in the core Skellefte Belt, which it considers highly prospective for similar polymetallic VMS mineralisation and also magmatic copper-nickel-PGM, and orogenic shear zone hosted lode gold mineralisation.

The district's first ever versatile time domain electromagnetic (VTEM) airborne survey, undertaken by S2 in the northern summer of 2015, identified 64 electromagnetic conductors. Many of these are compelling anomalies located in favourable locations in terms of geology and known mineralised trends.

Follow-up reconnaissance exploration of these over the northern winter included the collection of 1412 base of till samples over 17 priority VTEM targets, ground electromagnetic surveys over 10 VTEM targets, an induced polarisation (IP) survey at the Brannas prospect and various ground magnetic surveys.



## Operations Review

Three diamond holes were drilled on one of these VTEM conductors. The primary aim was to verify the integrity of the VTEM survey and the rationale underpinning the Company's exploration concept. These holes verified the VTEM conductor and intersected zinc-bearing VMS mineralisation. Subsequent downhole EM also indicated that the main part of the conductor has not yet been drilled. This is now known as the Svan Vit prospect.

### Svan Vit VMS prospect

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Two of three diamond core holes drilled on a single section to test one of the VTEM anomalies intersected sulphide mineralisation, including zinc sulphide mineralisation.

The first hole (SSVA160001) clipped the top of the ground EM conductor model and intersected a narrow zone of mixed sulphide mineralisation, comprising:

- 0.55m @ 1.49 g/t Au, 45 g/t Ag from 25.3m
- 1.05m @ 2.87% Zn, 5 g/t Ag from 88.7m

The second hole (SSVA160002), drilled 90 metres down dip of the first, intersected several zones of mixed sulphide mineralisation, comprising:

- 0.55m @ 2.23% Zn from 164m
- 3.70m @ 1.75% Zn, 5.3g/t Ag from 170.2m
- 5.05m @ 3.15% Zn, 6g/t Ag, 0.2% Cu from 184.6m

The mineralised intervals in these two drill holes broadly coincide with the position of an EM conductor since redefined in a subsequent downhole EM survey, and they appear to have intersected the northern and western edges of a more extensive conductor which is as yet untested.

Downhole EM surveying in the third and deepest hole (SSVA160003) identified a second EM conductor, which is modelled as measuring 200m along strike and 255m down dip. This deeper conductor is situated below and east of the deepest hole in a position that is broadly co-planar and co-axial with the upper conductor intersected by the first two holes. Together, these two modelled plates define a southeasterly plunging conductive zone that may reflect single or multiple plunging elongate lenses as is typical of VMS deposits in this district.

The outcomes of the downhole EM suggest that the three holes drilled to date have only tested the margins of a potentially much more extensive zone. Further drilling will be required to adequately test the Svan Vit prospect given that two of these holes intersected low grade zinc and silver bearing VMS-style mineralisation on the margin of the upper conductor, and the third missed both conductors.

Drilling will resume as early as possible in the northern winter once the ground re-freezes to enable easy access.

These holes have successfully confirmed that VTEM is a very useful tool for targeting VMS mineralisation in this district. The VTEM anomaly that is now the Svan Vit prospect is a new VMS discovery and the first of S2's many VTEM conductors identified on its Skellefte project to be tested. The remainder of the VTEM anomalies so far identified will be prioritised with ground EM and base of till sampling (where ground conditions permit) over the northern summer ready for systematic drill testing later in the year.

## Operations Review

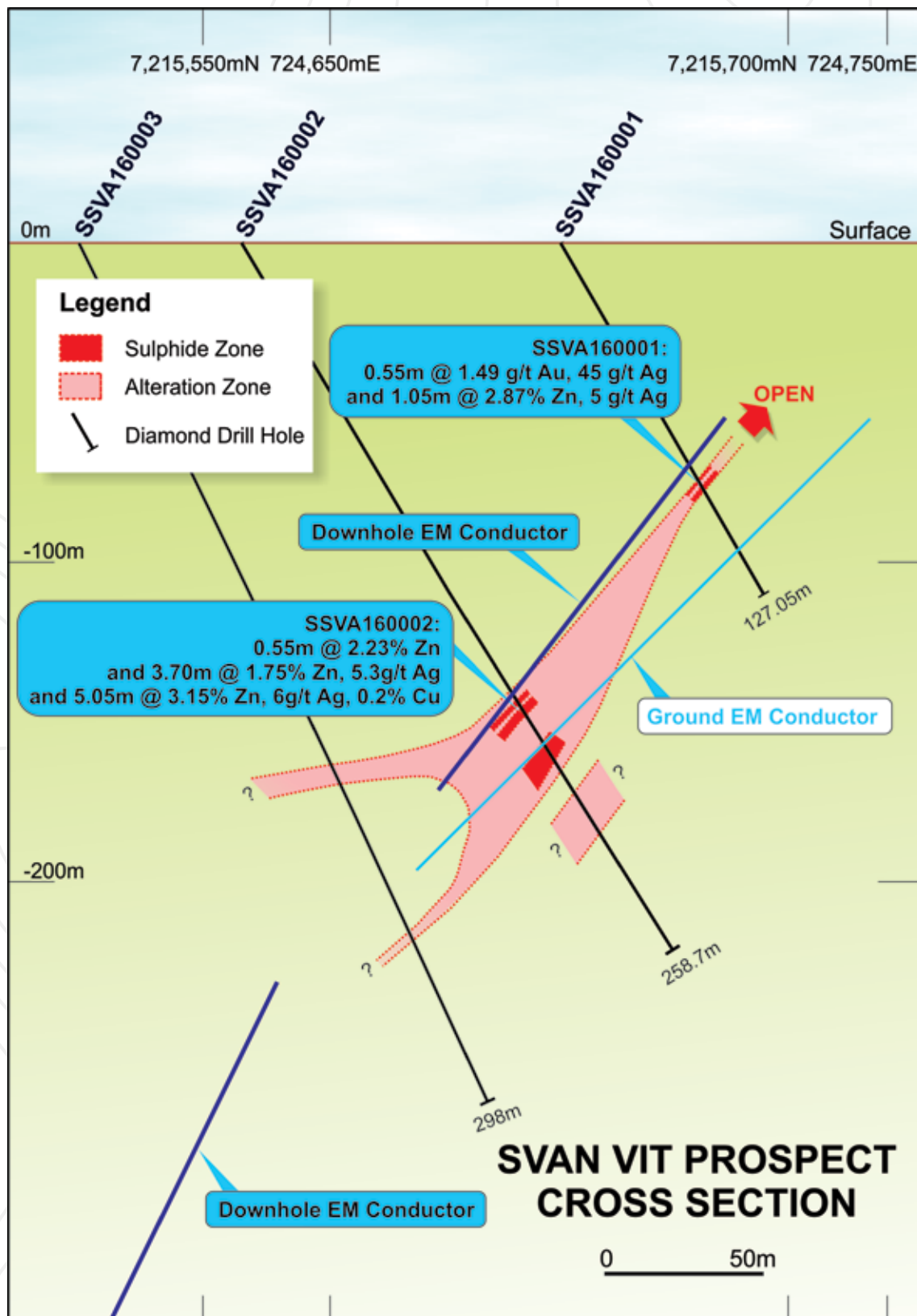


Figure 10. Cross section of drilling at the Svan Vit prospect, showing assayed drill intercepts and various EM conductor plate models. Note that the alteration deepest in SSVA160002 includes chalcopyrite stringers typical of the footwall stockwork zones of VMS systems, and the alteration zone in SSVA160003 includes barren sulphide intervals that are also typical of the marginal parts of VMS systems.

## Operations Review

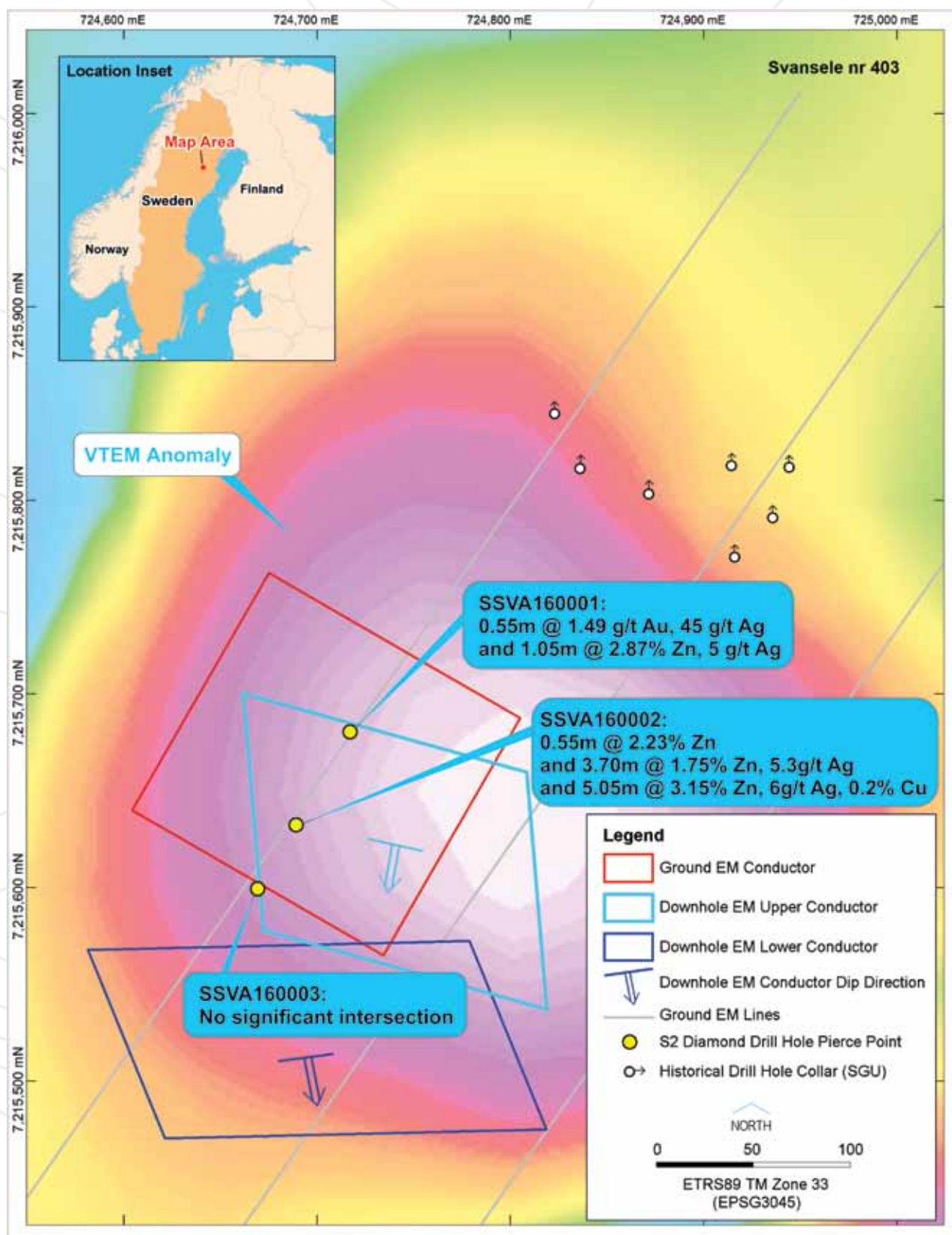


Figure 11. Plan of Svan Vit prospect showing initial VTEM anomaly (colour background), original ground EM plate model projected to surface (red rectangle), two new down hole EM plate models projected to surface (pale and dark blue), and drillhole pierce points.



## Operations Review

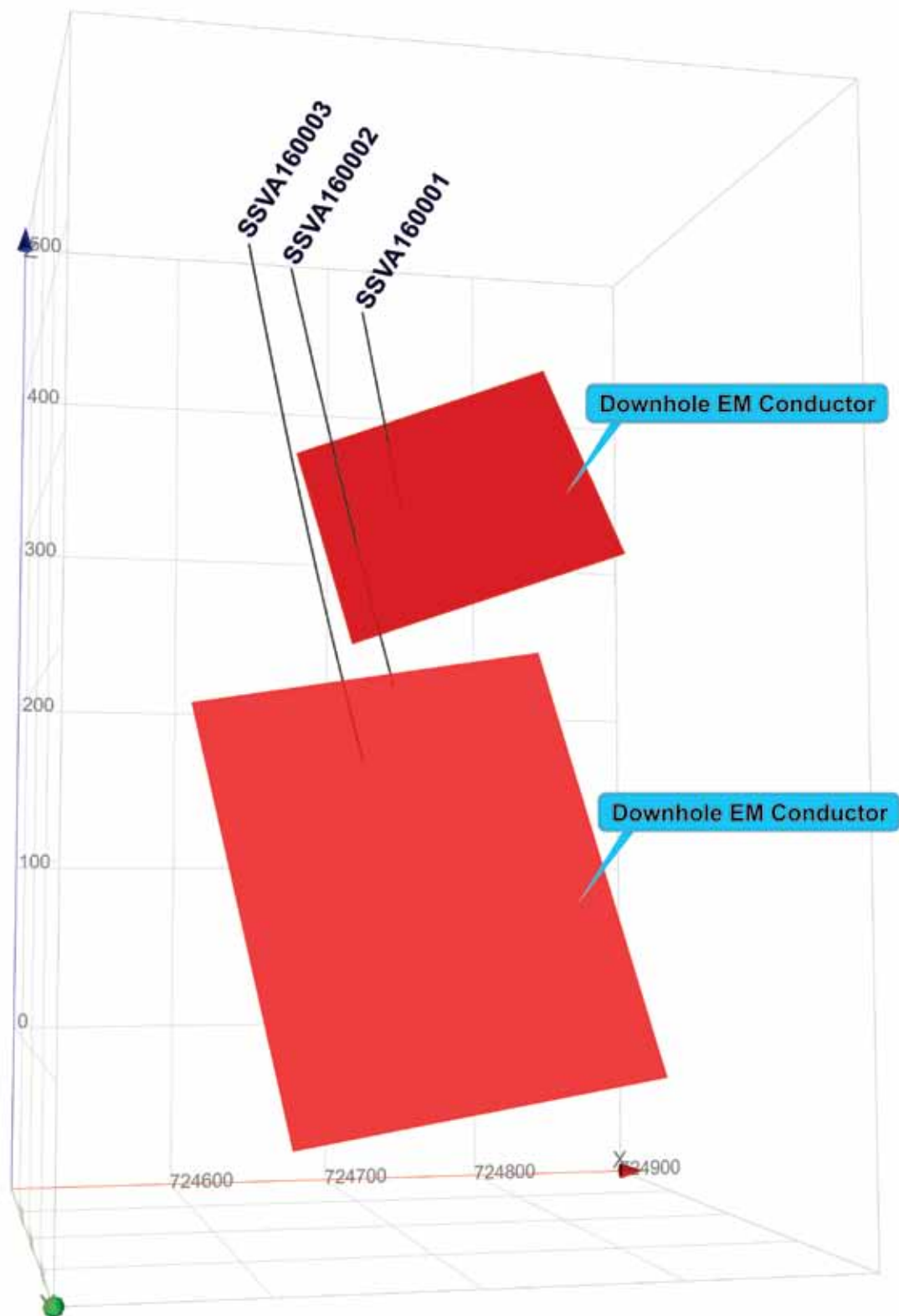


Figure 12. 3D view looking north of two new EM conductor plates as modelled from downhole EM surveying at Svan Vit prospect. The first two holes clipped the upper and western edge of the upper conductor and the third hole missed both. The lower conductor lies southeast and beneath the deepest hole and is broadly coplanar and coaxial with the upper conductor, defining a southeast plunging conductive target zone.

## Operations Review

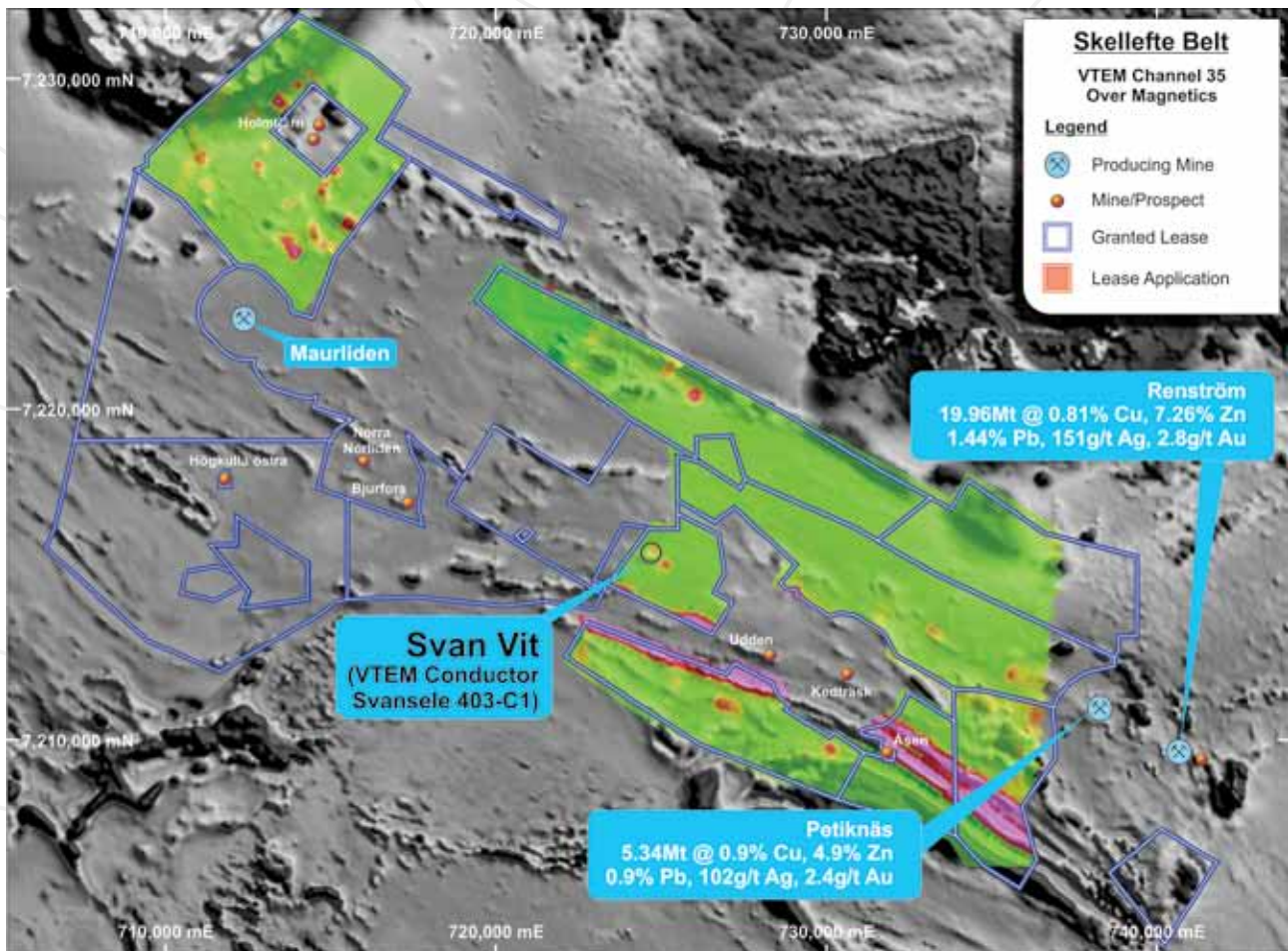


Figure 13. Location of Svan Vit prospect (formerly VTEM conductor Svansäle 403-C1) and other VTEM conductors in the Skellefte belt, showing the extent of the 2015 VTEM survey, location of known deposits/mines, and some of the new S2 tenure not yet covered by VTEM.

## Mining in Sweden – overview

The government of Sweden promotes investments and development of mining, rock and mineral industries through a body called the Geological Survey of Sweden (GSS), through providing geoscience information and low-cost, accessible databases of information that can be used for the purposes of mining and environmental permitting. Exploration and mining permits are granted by the Mining Inspectorate of Sweden, a decision making body within the GSS.

Tenements are obtained through a claim system where the first applicant of a mining right receives a priority over later applications. Applications are tried on a first-come first-serve basis, with no discretion in relation to of the applicant or the applicant's ability to carry out exploration or mining activities.

Mining rights are divided into exploration permits and mining permits. Exploration permits give the holder the right to conduct geological surveying and other research necessary for establishing the location, shape, orientation and exploitability of a mineral deposit. Before exploration can begin, however, a work plan for the exploration activities has to be drawn up and approved by the Mining Inspectorate. The initial term of an exploration permit is three years, and it may be extended for up to a total term of 15 years in aggregate. An exploration permit does not authorise the exploitation of the deposit. It does, however, provide the holder with the ability to apply for a mining permit.



## Operations Review

Mining permits are required for the establishment of a mine and the undertaking of mining activity. A mining permit entitles the holder to exploit the minerals found within the mining permit area. Mining permits have an initial term of 25 years which is automatically extended for ten years at a time if mining activities are still being conducted at the time of expiration of the permit. For mining permits issued after 1 May 2005, mining royalties are payable at a rate of 0.2% of the estimated value of the minerals covered by the concession that have been extracted within the concession area during the year.

All mining operations are subject to the requirements of Swedish environmental legislation and mining is only possible if company holding the permit is awarded an environmental permit for its operations.

## Finland (100% S2)

S2 owns 1,930 square kilometres of Reservations and 3.95 square kilometres of Exploration Licences in the Lapland Greenstone Belt of northern Finland, which is not extensively or effectively explored, yet contains a number of significant deposits, including Agnico Eagle's Kittilä gold mine, Anglo American's recently discovered Sakatti nickel-copper-platinum deposit, and Boliden's Kevitsa copper-nickel mine.

The Finnish project is at an early reconnaissance stage and work during the year focussed on the assessment of previous exploration work undertaken by the GTK (Finnish Geological Survey).

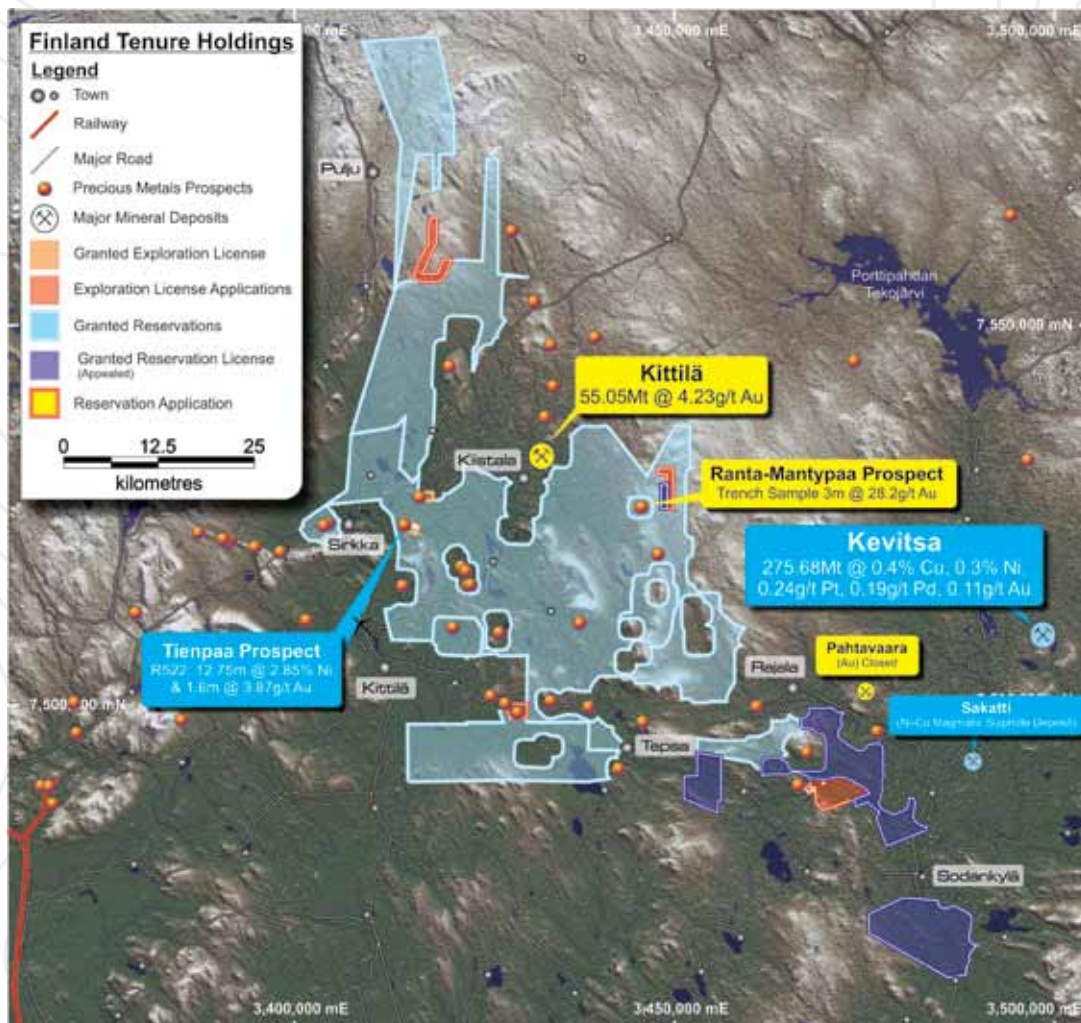


Figure 14. S2's ground holdings in the Lapland Greenstone Belt of northern Finland, showing known mines, deposits and prospects.



## Operations Review

### Mining in Finland – overview

Finland is generally considered to be an attractive investment and operating environment for the exploration and mining industry. There is potential for new discoveries because exploration is currently undertaken on a small-scale basis or not at all. In contrast to many other countries, Finland also has many high-class geological databases available on the internet. The infrastructure and availability of skilled subcontractors and labour is generally considered to be good. In addition, the public sector provides many services for the mining and exploration industry that would, in other countries, incur large costs.

Reservation, exploration and mining permits are granted by the Mining Authority, being also responsible for the supervising and enforcing compliance with the applicable legislation. All mining operations are subject to the requirements of Finnish environmental legislation and mining is only possible if the applicant is granted an environmental permit.

A reservation is often a preparatory action for obtaining an exploration permit. A reservation right does not provide additional rights as compared to the right based on the generally applicable public right of access. Holders of reservations will have priority to get an exploration permit (which will be valid for two years, following which the reservation must be renewed or will expire. Reservations cannot be transferred, and there is no minimum expenditure requirements in respect of reservations (as no exploration may be carried out on them). However, a mandatory government fee for the rendering of the reservation is payable.

Exploration permits are granted on a first-to-file basis by the Mining Authority, taking into account that a reservation gives priority. The term of the exploration permit is up to four years with three year extensions and a total term limited to fifteen years. The permit holder generally has the right to conduct geological surveying and other research necessary for establishing the location, shape, orientation and exploitability of a mineral deposit.

Mining permits are also granted on a first-to-file basis by the Mining Authority. However, exploration permit holders have priority to the mining tenement. As a general rule, a mining permit is granted until further notice, but sometimes for a fixed term. If a mining permit holder does not own the surface rights to the mining area, the mining permit holder has to pay an annual excavation (compensation) fee to the landowners.

### Polar Bear Mineral Resource Statement

The Polar Bear Mineral Resource estimate includes the Baloo and Nanook resources. This is completed in accordance with the guidelines of the JORC Code (2012 edition).

#### Mineral Resources – Polar Bear Project

Resource Area		Indicated			Inferred			Total		
	LCOG	Tonnes (000's)	g/t Au	Oz	Tonnes (000's)	g/t Au	Oz	Tonnes, (000's)	g/t Au	Oz
Baloo	0.8	1,150	1.9	69,000	1,030	1.6	54,000	2,170	1.8	123,000
Nanook	0.8	–	–	–	2,200	1.2	84,000	2,200	1.2	84,000
<b>Total</b>	<b>0.8</b>	<b>1,150</b>	<b>1.9</b>	<b>69,000</b>	<b>3,230</b>	<b>1.4</b>	<b>138,000</b>	<b>4,370</b>	<b>1.5</b>	<b>207,000</b>

Table 1 Mineral Resource estimate at 0.8g/t Au cut-off grade

## Operations Review

### Comparison with previous year's estimates.

Both Baloo and Nanook are maiden resource estimates.

### Use of independent experts

The resource estimates have been externally derived by an independent consultant who has exposure to best practice in modelling and estimation techniques. Geology models have been generated by S2R staff and have been reviewed by the external resource consultant. The consultant has also carried out reviews of the quality and suitability of the data underlying the Mineral Resource estimate. It has been classified and reported in accordance with the JORC Code (2012 Edition).

### Summary of information used in the February 2016 Baloo Mineral Resource estimate.

The Baloo deposit is defined by Aircore, RC and Diamond drilling. The Mineral Resource area has dimensions of 700 m (north) by 350 m (east) and 250 m (elevation).

The primary gold mineralisation at Baloo is related to hydrothermal activity during multiple deformation events. Indications are that gold mineralisation is focused on or near to the stratigraphic boundary between the Killaloe and Buldania Formation.

The Mineral Resource estimate was generated via multiple indicator kriging (MIK) and indirect lognormal change of support to emulate mining selectivity. Additionally, areas of mineralisation of less certain grade continuity unsuited to grade estimation via MIK have been estimated by ordinary Kriging. Mineralised domain interpretation was completed as described above and approximates a 0.3g/t Au lower cutoff.

A range of lower cut-offs was used to report grades and tonnages, as shown in Figure 15.

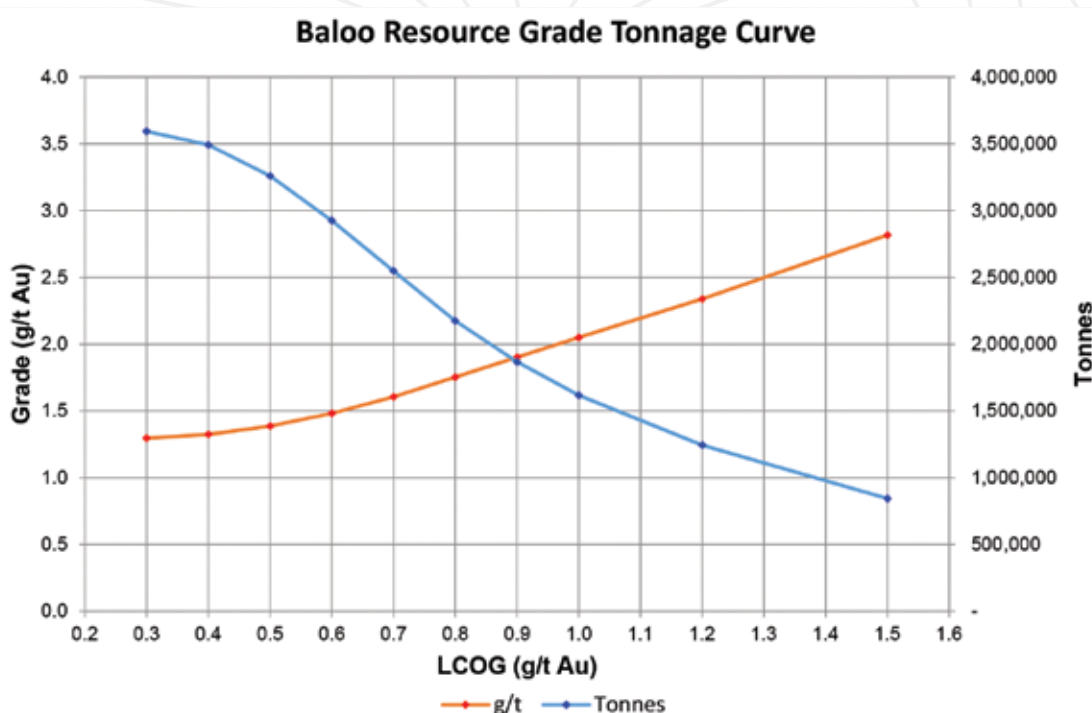


Figure 15. Tonnage grade curves for the Baloo February 2016 Mineral Resource estimate.

## Operations Review

### Summary of information used in the May 2016 Nanook Mineral Resource estimate.

The Nanook deposit is defined by Aircore and RC drilling. The Mineral Resource area has overall dimensions of 2700 m (north) by 1100 m (east) with a central core of 900m (north) by 400m (east). The deposit has approximately 40m of cover.

The mineralisation modelled at Nanook is situated at or close to the Tertiary / Archaean unconformity, primarily within unconsolidated quartz rich sands and gravel. The mineralisation is interpreted to be either elluvial or alluvial in nature, although a supergene overprint is present.

It may be derived from a nearby basement source. Recent drilling has defined a number of potential gold trends to the Northwest associated with sheared mafic and mafic-shale contact as well as to the southwest in and adjacent to the Nanook granodiorite body.

The Mineral Resource estimate was generated via ordinary kriging (OK). Mineralised domain interpretation was completed as described above and as such does not incorporate a lower cutoff grade. The interpretation was coded to the drill hole database and 4m length composites were generated within the mineralisation boundary.

A range of lower cut-offs was used to report grades and tonnages, as shown in Figure 16.

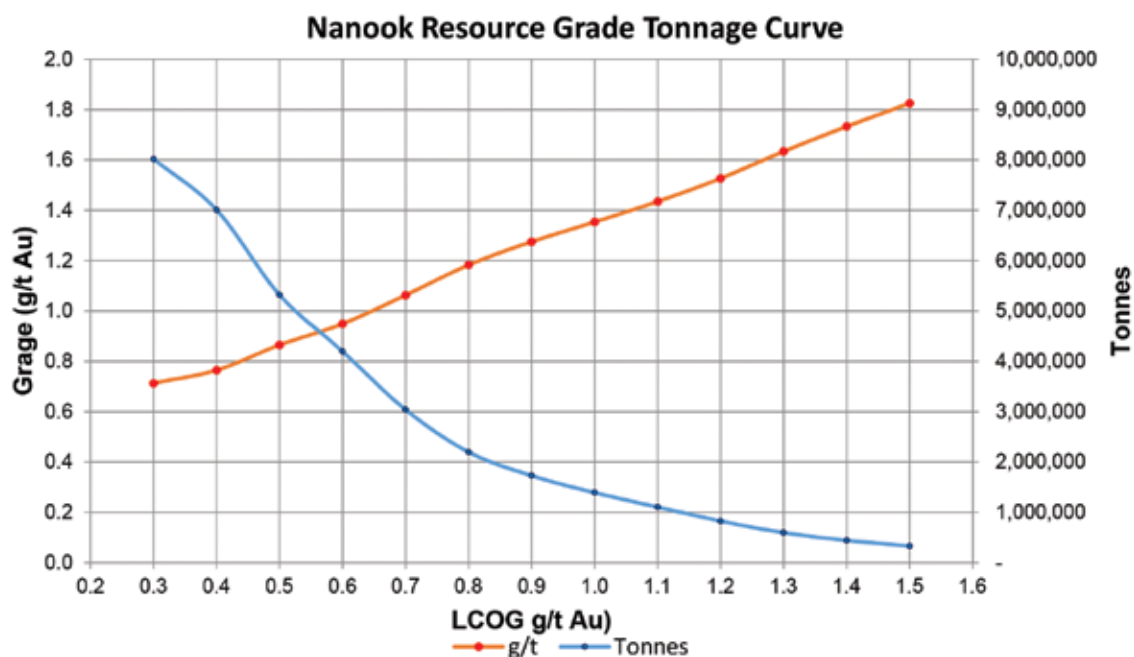


Figure 16. Tonnage grade curves for the Nanook May 2016 Mineral Resource estimate.



## Operations Review

### Annexure 1a Baloo Resource

The following Tables are provided to ensure compliance with the JORC code (2012) edition requirements for the reporting of exploration results.

#### SECTION 1 SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i>	<p>In zones of weakly weathered or fresh rock the HQ or NQ2 core is cut using a diamond core saw with half core sampled for assay. The ore is cut along the orientation line, with the same side sampled to ensure sample is representative.</p> <p>In zones of highly weathered core where the sample is either highly broken or highly friable and a representative split cannot be achieved then whole core sample of either the PQ3 or HQ3 core is taken.</p> <p>For RC sampling, a 1 metre split is taken directly from a cone splitter mounted beneath the rigs cyclone. The cyclone and splitter are cleaned regularly to minimise any contamination. A second reference split is also taken from each metre and stored on site.</p> <p>Aircore holes are sampled using an aluminium scoop to produce a four metre composite sample similar to the RC sampling methodology.</p>
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used</i>	Sampling and QAQC procedures is carried out using S2 protocols as per industry best practice.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<p><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information</i></p>	<p>Reconnaissance aircore samples are composited at 4 m to produce a bulk 3 kg sample. Samples were dried, pulverised (total prep), and split to produce a 25 g sub sample which is analysed using aqua-regia digestion with ICP-MS finish with a 1 ppb detection limit.</p> <p>A 1m end of hole sample was collected for all aircore holes. Sample preparation was the same as above and were analysed using a four acid digest with an ICP/OES and fire assay. The following elements are included in the assay suite: Ag, Al, As, Au, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, Sb, Sc, Sr, Te, Ti, Tl, V, W, Zn.</p> <p>RC drilling is sampled a 1m "cone" split sample, to produce a bulk 3 kg sample. Sample preparation was the same as for the aircore drilling. A nominal 50gram sub-sample was collected and analysed by Samples were to produce a sub sample for analysed by fire assay with an AA finish.</p> <p>Diamond core (HQ and NQ2) is half core sampled to geological boundaries of no more than 1m and no less than 30cm. Samples were crushed, dried and pulverised (total prep). Analysis is same as for RC.</p> <p>Oxide PQ3 core is whole core sampled and then dried, crushed to – 2mm and then rotary split to a 3kg sample for pulverisation and 50g fire assay.</p>
<b>Drilling techniques</b>	<p><i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></p>	<p>Diamond drilling is completed using either NQ2, HQ, or PQ3 (through the oxide zone) sized coring equipment. All core is orientated (where possible) using a Reflex ACT II RD orientation tool.</p> <p>RC drilling is carried out using a face sampling hammer with a nominal diameter of 140mm.</p> <p>Aircore drilling is carried out using a 3 ½ inch blade bit. Where necessary a 3 ½ inch face sampling hammer is employed to penetrate through hard zones.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Drill sample recovery</b>	<i>Method of recording and assessing core and chip sample recoveries and results assessed</i>	<p>Diamond core recoveries is logged and captured in the database. The core length recovered is measured for each run and recorded which is used to calculate the core recovery as a percentage core recovered.</p> <p>RC and aircore sample recoveries are visually estimated qualitatively on a metre basis and are recorded in the database.</p>
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples</i>	<p>Measures taken to maximise the core recoveries includes using appropriate core diameter and, where necessary, restricting drill penetration and/or reducing core runs.</p> <p>Triple tube diamond core through the weathered zone is too broken to allow core cutting and therefore the core is sampled whole to ensure no bias is introduced.</p> <p>Various drilling additives (including muds and foams) have been used to condition RC and aircore drill holes to maximise recoveries and sample quality. Drill cyclone and sample buckets are cleaned between rod-changes and after each hole to minimise down hole and/or cross-hole contamination.</p>
	<i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	<p>Core drilling has resulted in narrow zones of poor to no core recoveries through the oxide zone in areas of very soft clays and fault gouge within the weathered zones. These are recorded as poor or zero recovery and not assigned grade.</p> <p>Aircore drilling samples are occasionally wet which may have resulted in sample bias due to preferential loss/gain of fine/coarse material.</p> <p>No sample recovery issues have impacted on potential sample bias within coring of fresh rock or within RC drilling.</p>



## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Logging</b>	<i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i>	Geological logging is completed for all holes to a level of detail that would, where sufficient drill density is completed, support an appropriate Mineral Resource and mining study.  Lithology, alteration, veining, structural and geotechnical (diamond core) characteristics is recorded directly to a digital format and imported into S2 Resources central database.
	<i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i>	Logging is both qualitative and quantitative in nature depending on the field being captured.  All core is photographed.
	<i>The total length and percentage of the relevant intersections logged</i>	All drillholes were logged in full.
<b>Sub-sampling techniques and sample preparation</b>	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	In zones of highly weathered core where the sample is either highly broken or highly friable the PQ3 or HQ3 core is sampled whole core. Oxide whole core is submitted to the lab in samples not exceeding 6kg and then coarse crushed to <2mm. Samples are then rotary split to provide a 3kg sub sample for pulverisation.  In zones of weakly weathered or fresh rock the HQ or NQ2 core is cut using a diamond core saw with half core sampled for assay.
	<i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i>	RC and aircore samples consist of a 4 metre composite RC spoils are sampled by scoop. All RC holes are sampled 1 metre samples are collected via an on-board cone splitter. Samples were collected both wet and dry.
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	The sample preparation follows industry best practice in sample preparation All samples are pulverised utilising Essa LM1, LM2 or LM5 grinding mills determined by the size of the sample. Samples are dried, crushed as required and pulverized to produce a homogenous representative sub-sample for analysis. A grind quality target of 85% passing 75µm has been established and is relative to sample size, type and hardness.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	<p>Quality control procedures include submission of Certified Reference Materials (CRM's), blanks and duplicate samples with each batch of samples. Selected samples are also re-analysed to confirm anomalous results.</p> <p>Grind size checks are routinely completed to ensure samples meet the industry standard of 85% passing through a 75µm mesh.</p>
	<i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i>	Field duplicates are taken at regular intervals. Samples are selected to weigh less than 3kg to ensure total preparation at the pulverisation stage.
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	Sample sizes are considered appropriate for nickel sulphide and gold mineralisation.
<b>Quality of assay data and laboratory tests</b>	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	<p>RC and diamond core samples are analysed for Au only using a 40g or 50g Lead Collection fire Assay with either an ICP/MS or AAS finish.</p> <p>4m composite samples from AC drilling are analysed for Au only using a 25g aqua-regia digestion with an ICP/MS finish. The method gives a near total digestion of the regolith intercepted in aircore drilling and is suitable for the reconnaissance style sampling undertaken. Infill 1m samples and samples greater than 1 g/t are re-assayed using 50 g fire-assay with AAS finish which gives total digestion and is more appropriate for samples with high levels of gold.</p> <p>All aircore holes (both gold and nickel exploration) have a 1m end-of-hole sample is collected for all AC holes. An extensive multi-element suite (including Ag, Al, As, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, Sb, Sc, Sr, Te, Ti, Tl, V, W, Zn) is analysed using a four acid digest with an ICP/OES and ICP/MS finish. Au, Pt And Pd is analysed for using 25g or 50g Lead Collection fire assay with an ICP/MS finish.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i>	No geophysical tools were used to determine any element concentrations used in this resource estimate.
	<i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i>	Sample preparation checks for fineness were carried out by the laboratory as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, splits and replicates as part of the in house procedures.
<b>Verification of sampling and assaying</b>	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	The Exploration Manager of S2 has visually verified significant intersections.
	<i>The use of twinned holes.</i>	No twin holes have been drilled on the project to date.
	<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i>	Primary data was collected using a set of standard Excel templates using lookup codes. The information was sent to an external database consultant for validation and compilation into a Perth based SQL database.
	<i>Discuss any adjustment to assay data.</i>	No adjustments or calibrations were made to any assay data reported.
<b>Location of data points</b>	<i>Accuracy and quality of surveys used to locate drillholes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i>	At Baloo all aircore and diamond drilling is picked up by an external surveyor using an RTK GPS system with an expected accuracy is +/- 0.05m for easting, northing and elevation.  RC drill sites were laid out by an external surveyor using an RTK GPS system or tape and compass off surveyed collars. All holes will be picked up by the external surveyor prior to any resource calculations.
	<i>Specification of the grid system used.</i>	The grid system used at Polar Bear is GDA94 (MGA), zone 51.



## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Quality and adequacy of topographic control.</i>	<p>A topographic surface has been created from aerial geophysical data. This has been calibrated with DGPS survey data. All reconnaissance drill holes have been corrected to this surface where DGPS pickup is not available.</p> <p>All resource drilling will be picked up by DGPS to within a +/-50mm accuracy.</p>
<b>Data spacing and distribution</b>	<i>Data spacing for reporting of Exploration Results.</i>	<p>Data spacing is currently defined by the geological criteria regarded appropriate to determine the extents of mineralisation. Reconnaissance AC drilling is on a nominal spacing of between 240m x 40m and 400m x 40m drill pattern, with infill of resource areas closing down to a nominal 40m x 20m drill pattern for AC, RC and diamond.</p>
	<i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i>	<p>Drilling is currently preliminary in nature had the mineralised domains have not yet demonstrated sufficient continuity in both geological and grade continuity to support the definition of Mineral Resource and Reserves, and the classifications applied under the 2012 JORC Code.</p>
	<i>Whether sample compositing has been applied.</i>	<p>No compositing has been applied to the exploration results.</p>
<b>Orientation of data in relation to geological structure</b>	<i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i>	<p>The drilling is not necessarily drilled perpendicular to the orientation of the intersected mineralisation. All reported intervals are downhole intervals and not calculated true width. This will be established with further drilling.</p> <p>At Baloo the main mineralised structure appears to be dipping moderately to the east and hence 270 azimuth diamond drilling give approximately true width intersections. Supergene dispersion appears relatively flat lying and hence the vertical AC holes also approximate to true thickness.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	No orientation based sampling bias has been identified in the data at this point.
<b>Sample security</b>	<i>The measures taken to ensure sample security.</i>	Chain of custody is managed by S2 Resources. Samples are stored on site and either delivered by S2 personnel to Perth and then to the assay laboratory, or collected from site by Centurion Transport and delivered direct to the assay laboratory. Whilst in storage, they are kept on a locked yard. Tracking sheets have been set up to track the progress of batches of samples.
<b>Audits or reviews</b>	<i>The results of any audits or reviews of sampling techniques and data.</i>	No audits or reviews have been conducted at this stage.

## SECTION 2 REPORTING OF EXPLORATION RESULTS

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<i>Type, reference name/ number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i>	<p>The Baloo prospect is located within Exploration License E15/1298, which is located within the Polar Bear Project, 100% owned by Polar Metals Pty Ltd, a wholly owned subsidiary of S2 Resources Ltd.</p> <p>Polar Metals Pty Ltd has lodged a mining lease application (MLA 15/1814) over the Baloo prospect, and is currently in the approval process.</p> <p>The Baloo prospect is situated within the Ngadju Native Title Claim (WC99/002).</p>
	<i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	The tenement is in good standing and no known impediments exist on tenement actively explored.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Exploration done by other parties</b>	<i>Acknowledgment and appraisal of exploration by other parties.</i>	<p><i>Gold Exploration</i></p> <p>Plutonic Operations Limited and Homestake Gold of Australia Limited conducted reconnaissance AC drilling (PBAC prefix) over Lake Cowan on predominantly 100 m drillhole spacing and 800 m line spacing from 1997-1999. Location of these drillholes cannot be verified as the collars are now mostly obscured.</p> <p>AC sampling was done by 4 m composites with 1 m re-splits on samples greater than 0.1 g/t. Samples were assayed by aqua-regia digest with AAS finish although this cannot be verified as the original laboratory.</p>
<b>Geology</b>	<i>Deposit type, geological setting and style of mineralisation.</i>	<p>The Polar Bear project is situated within the Archaean Norseman-Wiluna Belt which locally includes basalts, komatiites, metasediments, and felsic volcanoclastics.</p> <p>The primary gold mineralisation is related to hydrothermal activity during multiple deformation events. Indications are that gold mineralisation is focused on or near to the stratigraphic boundary between the Killaloe and Buldania Formation.</p>
<b>Drill hole Information</b>	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> <li><i>• easting and northing of the drill hole collar</i></li> <li><i>• elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li><i>• dip and azimuth of the hole</i></li> <li><i>• down hole length and interception depth</i></li> <li><i>• hole length.</i></li> </ul>	Refer to ASX announcements for information on drill holes.



## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Data aggregation methods</b>	<i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i>	<p>All reported assays have been length weighted. A top-cut of 30 g/t Au has been applied to individual assays when reported intervals are greater than one metre.</p> <p>A nominal 0.5 g/t Au lower cut-off is used for RC and diamond intersections (unless otherwise stated). A nominal 0.1 g/t Au lower cut-off is used to report AC intersections.</p>
	<i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i>	High grade gold intervals internal to broader zones of mineralisation are reported as included intervals.
	<i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	No metal equivalent values are used for reporting exploration results.
<b>Relationship between mineralisation widths and intercept lengths</b>	<p><i>These relationships are particularly important in the reporting of Exploration Results.</i></p> <p><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></p> <p><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></p>	<p>The trend of mineralisation at Baloo appears broadly north south and dipping moderately to the east with the intervals reported near true width.</p> <p>All other prospects, the geometry of the primary mineralisation is not known at present due to the lack of deeper drilling and the early stage of exploration.</p> <p>Refer to ASX announcements for information on drill holes.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Diagram</b>	<i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	Refer to Figures in body of text.
<b>Balanced reporting</b>	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	The accompanying document is conserved to represent a balanced report with grades and/or widths reported in a consistent manner.
<b>Other substantive exploration data</b>	<i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	<p>Two vertical PQ3 holes have been drilled in the core of the weathered mineralisation to allow bulk density determination and provide samples for metallurgical testwork.</p> <p>Three geotechnical holes have been drilled in the western portion of the deposit to investigate geotechnical ground conditions in the footwall of a potential open pit.</p> <p>Groundwater monitoring has been initiated with insertion of PVC into selected holes to allow a first pass pump test.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Further work</b>	<p><i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <p><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive</i></p>	At Baloo, further drilling down plunge and along strike within the mineralised zone will follow. More reconnaissance drilling will also be performed along strike to the south at Monsoon.

## SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	JORC Code explanation	Commentary
<b>Database integrity</b>	<i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i>	Data templates with lookup tables and fixed formatting are used for logging, spatial and sampling data. Data transfer is electronic via e-mail. Sample numbers are unique and pre-numbered bags are used. These methods all minimise the potential of these types of errors.
	<i>Data validation procedures used.</i>	Data validation checks are run by the database management consultant.
<b>Site visits</b>	<i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i>	Multiple site visits to the Baloo deposit by Andy Thompson during diamond and RC drilling to verify sampling integrity and recovery. Site visit by Andy Thompson and Brian Wolfe acting as Competent Persons, inspected the deposit area, the core logging and sampling facility. During this time, notes and photos were taken along with discussions were held with site personnel regarding the available RC samples and diamond core. No issues were encountered.
	<i>If no site visits have been undertaken indicate why this is the case.</i>	Not applicable



## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Geological interpretation</b>	<i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i>	The confidence in the geological interpretation is considered good. The deposit is a mesothermal lode gold style typical of the Kalgoorlie Archaean terrane.
	<i>Nature of the data used and of any assumptions made.</i>	Petrography has been used to assist identification of the rock type subdivisions applied in the interpretation process.
	<i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i>	The deposit is well constrained and predictable with clear boundaries which define the mineralised domains. Infill drilling has supported and refined the model and the current interpretation is thus considered to be robust.
	<i>The use of geology in guiding and controlling Mineral Resource estimation.</i>	Geological controls and relationships were used to define sub-domains. Key features are quartz veining in a deformed lithological contact zone.
	<i>The factors affecting continuity both of grade and geology.</i>	Gold grades are strongly related to deformed quartz veining within a shearzone formed on the contact of basalt, black shale and volcanoclastics.
<b>Dimensions</b>	<i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i>	The Mineral Resource area has dimensions of 700 m (north) by 350 m (east) and 250 m (elevation).

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Estimation and modelling techniques</b>	<i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i>	<p>The Mineral Resource estimate was generated via MIK and indirect lognormal change of support to emulate mining selectivity. Additionally, areas of mineralisation of less certain grade continuity unsuited to grade estimation via MIK have been estimated by ordinary Kriging. Mineralised domain interpretation was completed as described above and approximates a 0.3g/t Au lower cutoff. The interpretation was coded to the drill hole database and 3m length composites were generated within the mineralisation boundary. A series of indicator transforms were applied to the composites as determined by statistical evaluation and indicator semivariograms were modelled for each cut-off. The semivariograms were input in preparation for kriging of the indicator transformed data. Hard boundaries were applied to the kriging. A search neighbourhood was applied parallel to the strike and dip with radii of 50m, 50m and 15m in the strike, down dip and across strike directions respectively. Sample counts for the estimates were set at a minimum of 24 and a maximum of 36. In the case of the domains estimated by OK, an expanded search ellipsoid of 100m x 100m x 30m and a sample count of 6 were applied. Any blocks not estimated in the first estimation pass were estimated in a second pass with expanded search neighbourhoods and relaxed sample limits to allow the domains to be fully estimated. Extrapolation of the drillhole composite data is generally limited to approximately 50m down dip. Change of support via the indirect lognormal method has been applied to the indicator kriging results to emulate selectivity at the mining stage.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i>	This is a maiden Mineral Resource for the Baloo deposit and no previous mining activity has taken place in this area.
	<i>The assumptions made regarding recovery of by-products.</i>	No by-products are assumed.
	<i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i>	No other elements have been assayed.
	<i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i>	<p>The parent block size is 20mN x20mE x 10mRL, with sub-celling to 5mE x 5mN x 2.5mRL for domain volume resolution. The parent block size was chosen based on estimation methodology and relates to a drill section spacing of 40m to 20m and an on-section drill spacing of approximately 20m. The search ellipse was oriented with axes rotated parallel to the mineralised bodies as previously described.</p> <p>Search ellipse dimensions were chosen to encompass several drillholes up and down dip and several lines of drilling along strike.</p>
	<i>Any assumptions behind modelling of selective mining units.</i>	Selective mining unit assumptions were based on dimension and spacing of drill sampling, geometry of the mineralisation, likely method of mining (open pit) and equipment used, likely grade control and drill and blast dimensions. In consideration of the parent cell dimension described above, an SMU of 5mE x 5mN x 2.5mRL has therefore been applied.
	<i>Any assumptions about correlation between variables.</i>	Not applicable



## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Description of how the geological interpretation was used to control the resource estimates.</i>	The geological model domained the oxide, transitional and primary mineralisation to geological and structural zones. These domains were used as hard boundaries to select sample populations for variography and estimation.
	<i>Discussion of basis for using or not using grade cutting or capping.</i>	Top cutting of grades is not relevant in the context of MIK methodology and has only been considered in the case of the grade variogram used to calculate the change of support variance reduction coefficient. In the case of the OK estimates, grade has been capped to either 15g/t Au or 20g/t Au depending on the domain.
	<i>The process of validation, the checking process used, the comparison of model data to drillhole data, and use of reconciliation data if available.</i>	No mining has taken place; therefore no reconciliation data is available.
<b>Moisture</b>	<i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i>	The tonnages are estimated on a dry basis.
<b>Cut-off parameters</b>	<i>The basis of the adopted cut-off grade(s) or quality parameters applied</i>	<p>A 0.8g/t Au cut-off grade was used to report the Mineral Resources. This cut-off grade is estimated to be the minimum grade required for economic extraction.</p> <p>A range of additional cut-off grades have been reported up to 1.5g/t Au.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Mining factors or assumptions</b>	<i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i>	Mining of the Baloo deposit will be by open cut mining methods. The geometry of the deposit will make it amenable to mining methods currently employed in many gold open pits in the Kalgoorlie district. It is assumed that any pit will be mined on 2.5m benches with grade control drilling density sufficient to allow selectivity assumed in the estimation.
<b>Metallurgical factors or assumptions</b>	<i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i>	Preliminary metallurgical testwork in the primary mineralisation indicates that the mineralisation is amenable to standard cyanide leach extraction.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Environmental factors or assumptions</b>	<i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made</i>	No assumptions have been made and these will form part of the scoping study commencing in April 2016.
<b>Bulk density</b>	<i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i>	<p>Dry Bulk Densities were determined by the Archimedes principle (immersion) where possible and also by the direct measurement method (caliper) in the oxide clay. Samples were measured directly from the rig (wet bulk density) and then the samples were dried at Minanalytical to determine moisture content so that Dry Bulk Density (DBD) could be calculated.</p> <p>In total 86 oxide samples, 77 transition zone samples and 282 primary zone samples were collected from mineralised zones.</p>
	<i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit,</i>	<p>Bulk density has been estimated from density measurements carried out on PQ3 core samples using the Archimedes method (immersion) of dry weight versus weight in water using clingwrap to waterproof the core.</p> <p>The caliper method was also used in saprolitic oxide clay and showed good correlation with the immersion method.</p>

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i>	The bulk density values were assigned as an average value to the three weathering domains, oxide, transition and fresh.
<b>Classification</b>	<i>The basis for the classification of the Mineral Resources into varying confidence categories</i>	The Mineral Resource classification is based on good confidence in the geological and grade continuity, along with 20 m by 20 m or 20 x 40m spaced drillhole density.
	<i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i>	The input data is comprehensive in its coverage of the mineralisation and does not favour or misrepresent in-situ mineralisation.  The validation of the block model shows good correlation of the input data to the estimated grades.
	<i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i>	The Mineral Resource estimate appropriately reflects the view of the Competent Persons.
<b>Audits or reviews</b>	<i>The results of any audits or reviews of Mineral Resource estimates.</i>	This is the maiden Baloo deposit Mineral Resource estimate.
	<i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate</i>	The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code.



## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used</i>	The statement relates to global estimates of tonnes and grade.
	<i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available</i>	No production data is available.

## Annexure 1b Nanook Resource

The following Tables are provided to ensure compliance with the JORC code (2012) edition requirements for the reporting of exploration results.

### SECTION 1 SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i>	<p>The mineralised trend at Nanook is sampled by RC and aircore drilling on a nominal 40 m hole spacing and 100 m lines, with local infill to 100m x 20m and 50m x 20m spacing. All holes drilled to refusal.</p> <p>For RC sampling, a 1 metre split is taken directly from a cone splitter mounted beneath the rigs cyclone. The cyclone and splitter are cleaned regularly to minimise any contamination. A second reference split is also taken from each metre and stored on site.</p> <p>Aircore holes are sampled using an aluminium scoop to produce a four metre composite sample.</p>
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used</i>	Sampling and QAQC procedures is carried out using S2 protocols as per industry best practice.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information</i>	<p>Aircore samples are composited at 4 m to produce a bulk 3 kg sample. Samples were dried, pulverised (total prep), and split to produce a 25 g sub sample which is analysed using aqua-regia digestion with ICP-MS finish with a 1 ppb detection limit. High grades were repeated using 25g or 50g Lead Collection fire assay with an ICP/MS finish.</p> <p>RC drilling is sampled a 1m "cone" split sample, to produce a bulk 3 kg sample. Sample preparation was the same as for the aircore drilling. A nominal 50gram sub-sample was collected and analysed by Samples were to produce a sub sample for analysed by fire assay with an AA finish.</p> <p>A 1m end of hole sample was collected for all aircore holes. Sample preparation was the same as above and were analysed using a four acid digest with an ICP/OES and fire assay. The following elements are included in the assay suite: Ag, Al, As, Au, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, Sb, Sc, Sr, Te, Ti, Tl, V, W, Zn.</p>
<b>Drilling techniques</b>	<i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i>	<p>RC drilling is carried out using a face sampling hammer with a nominal diameter of 140mm.</p> <p>Aircore drilling is carried out using a 3 ½ inch blade bit. Where necessary a 3 ½ inch face sampling hammer is employed to penetrate through hard zones.</p>
<b>Drill sample recovery</b>	<i>Method of recording and assessing core and chip sample recoveries and results assessed</i>	RC and aircore sample recoveries are visually estimated qualitatively on a metre basis and are recorded in the database.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples</i>	<p>Sample quality is qualitatively logged on a metre basis, recording sample condition and contamination.</p> <p>Various drilling additives (including muds and foams) have been used to condition RC and aircore drill holes to maximise recoveries and sample quality. Drill cyclone and sample buckets are cleaned between rod-changes and after each hole to minimise down hole and/or cross-hole contamination.</p>
	<i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	<p>Insufficient drilling and geochemical data is available at the present stage to evaluate potential sample bias.</p> <p>Aircore drilling samples are occasionally wet which may have resulted in sample bias due to preferential loss/gain of fine/coarse material.</p> <p>The limited RC drilling with 1m sampling through the mineralised gravels shows a good correlation with the AC results</p>
<b>Logging</b>	<i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i>	Lithology, alteration and veining is recorded directly to a digital format and imported into S2 Resources central database. The logging is considered of sufficient standard to support a geological resource.
	<i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i>	Logging of aircore and RC records lithology, mineralogy, mineralisation, weathering, colour and other features of the samples, and is qualitative in nature.
	<i>The total length and percentage of the relevant intersections logged</i>	All drillholes were logged in full.
<b>Sub-sampling techniques and sample preparation</b>	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	Not applicable.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i>	Aircore samples consist of a 4 metre composite of 1 metre samples are collected via an on-board cone splitter. Samples were collected both wet and dry.
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	The sample preparation follows industry best practice in sample preparation. All samples are pulverised utilising Essa LM1, LM2 or LM5 grinding mills determined by the size of the sample. Samples are dried, crushed as required and pulverized to produce a homogenous representative sub-sample for analysis. A grind quality target of 85% passing 75µm has been established and is relative to sample size, type and hardness.
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	<p>Quality control procedures include submission of Certified Reference Materials (CRM's), blanks and duplicate samples with each batch of samples. Selected samples are also re-analysed to confirm anomalous results.</p> <p>Grind size checks are routinely completed to ensure samples meet the industry standard of 85% passing through a 75µm mesh.</p>
	<i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/ second-half sampling.</i>	Field duplicates are taken at regular intervals. Samples are selected to weigh less than 3kg to ensure total preparation at the pulverisation stage.
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	Sample sizes are considered appropriate for gold mineralisation.



## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Quality of assay data and laboratory tests</b>	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	<p>4m composite samples from AC drilling are analysed for Au only using a 25g aqua-regia digestion with an ICP/MS finish. The method gives a near total digestion of the regolith intercepted in aircore drilling and is suitable for the estimation of palaeochannel gold deposits. High grades were repeated using 25g or 50g Lead Collection fire assay with an ICP/MS finish.</p> <p>All aircore holes have a 1m end-of-hole sample is collected for all AC holes. An extensive multi-element suite (including Ag, Al, As, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cu, Fe, K, La, Mg, Mn, Mo, Na, Ni, P, Pb, Sb, Sc, Sr, Te, Ti, Tl, V, W, Zn) is analysed using a four acid digest with an ICP/OES and ICP/MS finish. Au, Pt And Pd is analysed for using 25g or 50g Lead Collection fire assay with an ICP/MS finish.</p>
	<i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i>	No geophysical tools were used to determine any element concentrations used in this resource estimate.
	<i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i>	Sample preparation checks for fineness were carried out by the laboratory as part of their internal procedures to ensure the grind size of 85% passing 75 micron was being attained. Laboratory QAQC involves the use of internal lab standards using certified reference material, blanks, splits and replicates as part of the in house procedures.
<b>Verification of sampling and assaying</b>	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	The Exploration Manager of S2 has visually verified significant intersections.
	<i>The use of twinned holes.</i>	No twin holes have been drilled on the project to date.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i>	Primary data was collected using a set of standard Excel templates using lookup codes. The information was sent to an external database consultant for validation and compilation into a Perth based SQL database.
	<i>Discuss any adjustment to assay data.</i>	No adjustments or calibrations were made to any assay data reported.
<b>Location of data points</b>	<i>Accuracy and quality of surveys used to locate drillholes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i>	Drillhole collars were located GPS with an accuracy is +/- 5m.
	<i>Specification of the grid system used.</i>	The grid system used at Polar Bear is GDA94 (MGA), zone 51.
	<i>Quality and adequacy of topographic control.</i>	A topographic surface has been created from aerial geophysical data, This has been calibrated with DGPS survey data. All reconnaissance drill holes have been corrected to this surface where DGPS pickup is not available.
<b>Data spacing and distribution</b>	<i>Data spacing for reporting of Exploration Results.</i>	Data spacing is currently defined by the geological criteria regarded appropriate to determine the extents of mineralisation. Reconnaissance AC drilling is on a nominal spacing of between 100m x 40m and 50m x 40m drill pattern.
	<i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i>	Drilling is considered to be of sufficient spacing to allow an inferred mineral resource to be estimated.
	<i>Whether sample compositing has been applied.</i>	No compositing has been applied to the exploration results.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Orientation of data in relation to geological structure</b>	<i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i>	The drilling is not necessarily drilled perpendicular to the orientation of the intersected mineralisation. All reported intervals are downhole intervals and not calculated true width. This will be established with further drilling.
	<i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	No orientation biased sampling bias has been identified in the data at this point.
<b>Sample security</b>	<i>The measures taken to ensure sample security.</i>	Chain of custody is managed by S2 Resources. Samples are stored on site and either delivered by S2 personnel to Perth and then to the assay laboratory, or collected from site by Centurion Transport and delivered direct to the assay laboratory. Whilst in storage, they are kept on a locked yard. Tracking sheets have been set up to track the progress of batches of samples.
<b>Audits or reviews</b>	<i>The results of any audits or reviews of sampling techniques and data.</i>	No audits or reviews have been conducted at this stage.

## SECTION 2 REPORTING OF EXPLORATION RESULTS

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i>	The Nanook prospect is located within Exploration License E63/1142, which is located within the Polar Bear Project, 100% owned by Polar Metals Pty Ltd, a wholly owned subsidiary of S2 Resources Ltd.  All projects are situated within the Ngadju Native Title Claim (WC99/002).
	<i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	The tenement is in good standing and no known impediments exist on tenement actively explored.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Exploration done by other parties</b>	<i>Acknowledgment and appraisal of exploration by other parties.</i>	<p><u>Gold Exploration</u></p> <p>Plutonic Operations Limited and Homestake Gold of Australia Limited conducted reconnaissance AC drilling (PBAC prefix) over Lake Cowan on predominantly 100 m drillhole spacing and 800 m line spacing from 1997-1999. Location of these drillholes cannot be verified as the collars are now mostly obscured.</p> <p>AC sampling was done by 4 m composites with 1 m re-splits on samples greater than 0.1 g/t. Samples were assayed by aqua-regia digest with AAS finish although this cannot be verified as the original laboratory.</p>



## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Geology</b>	<i>Deposit type, geological setting and style of mineralisation.</i>	<p>The Polar Bear project is situated within the Archaean Norseman-Wiluna Belt which locally includes basalts, komatiites, metasediments, and felsic volcanoclastics.</p> <p>The primary gold mineralisation is related to hydrothermal activity during multiple deformation events. Indications are that gold mineralisation is focused on or near to the stratigraphic boundary between the Killaloe and Buldania Formation.</p> <p>The mineralisation modelled at Nanook is situated at or close to the Tertiary / Archaean unconformity, primarily within unconsolidated quartz rich sands and gravel. The mineralisation is interpreted to be either elluvial or alluvial in nature, although a supergene overprint is present.</p> <p>It may be derived from a nearby basement source. Recent drilling has defined a number of potential gold trends to the Northwest associated with sheared mafic and mafic-shale contact as well as to the southwest in and adjacent to the Nanook granodiorite body.</p>
<b>Drill hole Information</b>	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> <li><i>• easting and northing of the drill hole collar</i></li> <li><i>• elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> <li><i>• dip and azimuth of the hole</i></li> <li><i>• down hole length and interception depth</i></li> <li><i>• hole length.</i></li> </ul>	Refer to ASX announcements for information on drill holes.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Data aggregation methods</b>	<i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i>	All reported assays have been length weighted. A nominal 0.2 g/t Au lower cut-off is used to report AC intersections.
	<i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i>	High grade gold intervals internal to broader zones of mineralisation are reported as included intervals.
	<i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	No metal equivalent values are used for reporting exploration results.
<b>Relationship between mineralisation widths and intercept lengths</b>	<p><i>These relationships are particularly important in the reporting of Exploration Results.</i></p> <p><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></p> <p><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></p>	<p>The bedrock trend of mineralisation at Nanook is not known at present due to the lack of deeper drilling and the early stage of exploration.</p> <p>Alluvial/elluvial gold has been defined within two discrete palaeochannel systems trending roughly N-S and NNE.</p> <p>Downhole thicknesses can be regarded as true thickness due to the flat orientation of the palaeochannel deposit.</p> <p>Refer to ASX announcements for information on drill holes.</p>
<b>Diagram</b>	<i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	Refer to Figures in body of text.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Balanced reporting</b>	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	The accompanying document is conserved to represent a balanced report with grades and/or widths reported in a consistent manner.
<b>Other substantive exploration data</b>	<i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	No other exploration data collected to date is considered material or meaningful at this stage.
<b>Further work</b>	<p><i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></p> <p><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive</i></p>	RC follow-up of high grade intercepts to establish the controls and geometry of mineralisation is proposed.

## SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	JORC Code explanation	Commentary
<b>Database integrity</b>	<i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i>	Data templates with lookup tables and fixed formatting are used for logging, spatial and sampling data. Data transfer is electronic via e-mail. Sample numbers are unique and pre-numbered bags are used. These methods all minimise the potential of these types of errors.
	<i>Data validation procedures used.</i>	Data validation checks are run by the database management consultant.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Site visits</b>	<i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i>	A site visit was made to the Nanook deposit by Andy Thompson during AC drilling to verify sampling integrity and recovery. No issues were encountered. Brian Wolfe has not undertaken a site visit as of the data of reporting.
	<i>If no site visits have been undertaken indicate why this is the case.</i>	Not applicable
<b>Geological interpretation</b>	<i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i>	The confidence in the geological interpretation is considered good. The deposit is a palaeochannel elluvial / alluvial gold deposit style typical of the Higginsville area.
	<i>Nature of the data used and of any assumptions made.</i>	Geological logging of the Tertiary sediments and their contact with Archaean basement has been used to model the channel fill deposit. The assays data consists of dominantly 4m composites through the mineralisation.
	<i>The effect, if any, of alternative interpretations on Mineral Resource estimation.</i>	The deposit is well constrained and predictable with clear boundaries which define the mineralised domains. Infill drilling has supported and refined the model and the current geological interpretation is thus considered to be robust.
	<i>The use of geology in guiding and controlling Mineral Resource estimation.</i>	Key features are quartz rubble and sands logged at the Tertiary / Archaean unconformity.
	<i>The factors affecting continuity both of grade and geology.</i>	Geological continuity is strong in the interpreted horizon at the current scale of the drilling. Grade continuity appears good but requires top cutting to reduce the impact of extremely high local grades. A top cut of 8 g/t was used.
<b>Dimensions</b>	<i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i>	The Mineral Resource area has overall dimensions of dimensions of 2700 m (north) by 1100 m (east) with a central core of 900m (north) by 400m (east). The deposit has approximately 40m of cover.



## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Estimation and modelling techniques</b>	<i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i>	The Mineral Resource estimate was generated via OK. Mineralised domain interpretation was completed as described above and as such does not incorporate a lower cutoff grade. The interpretation was coded to the drill hole database and 4m length composites were generated within the mineralisation boundary. A single omni-directional semi-variogram was calculated and was input in preparation for kriging of the gold grade data. Hard boundaries were applied to the kriging. A horizontally orientated search neighbourhood was applied with radii of 150m in the horizontal direction and 25m in the vertical directions respectively. Sample counts for the estimates were set at a minimum of 8 and a maximum of 12. Any blocks not estimated in the first estimation pass were estimated in a second pass with an expanded search neighbourhood to allow the domains to be fully estimated. Extrapolation of the drillhole composite data is generally limited to approximately 50m to 100m beyond the edges of the interpreted mineralisation however is commonly constrained by drilling on adjacent sections. Change of support has not been applied to emulate selectivity at the mining stage.
	<i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i>	This is a maiden Mineral Resource for the Nanook Palaeochannel and no previous mining activity has taken place in this area.
	<i>The assumptions made regarding recovery of by-products.</i>	No by-products are assumed.
	<i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i>	No other elements have been assayed.

## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i>	<p>The parent block size within the estimated domain is 25mN x25mE x 4mRL, with sub-celling to 5mE x 5mN x 1.0mRL for domain volume resolution. The parent block size was chosen based on mineralised bodies dimension and orientation, estimation methodology and relates to a drill section spacing of 100m to 50m and an on-section drill spacing of approximately 40m. The search ellipse was horizontally oriented as previously described.</p> <p>Search ellipse dimensions were chosen to encompass adjacent drillholes on sections and adjacent lines of drilling along strike.</p>
	<i>Any assumptions behind modelling of selective mining units.</i>	No assumption on selective mining were made.
	<i>Any assumptions about correlation between variables.</i>	Not applicable.
	<i>Description of how the geological interpretation was used to control the resource estimates.</i>	The geological model domained the mineralised elluvial material which is situated at the Tertiary / Archaean boundary.
	<i>Discussion of basis for using or not using grade cutting or capping.</i>	A number of extremely high grade composites have been identified which are considered true outliers to the data. Given the relative lack of numbers of very high grade composites and their potential impact on the grade estimate, these samples have been cut to 8g/t Au.
	<i>The process of validation, the checking process used, the comparison of model data to drillhole data, and use of reconciliation data if available.</i>	No mining has taken place; therefore no reconciliation data is available.
<b>Moisture</b>	<i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i>	The tonnages are estimated on a dry basis.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Cut-off parameters</b>	<i>The basis of the adopted cut-off grade(s) or quality parameters applied</i>	<p>A 0.8g/t Au cut-off grade was used to report the Mineral Resources. This cut-off grade is estimated to be the minimum grade required for economic extraction.</p> <p>Additional cut-off grades have been reported at 0.5g/t and 1.0g/t Au.</p>
<b>Mining factors or assumptions</b>	<i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i>	No assumptions have been made as to possible mining method.
<b>Metallurgical factors or assumptions</b>	<i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i>	No metallurgical testwork has been performed.

## Operations Review

Criteria	JORC Code explanation	Commentary
<b>Environmental factors or assumptions</b>	<i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i>	No assumptions have been made.
<b>Bulk density</b>	<i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i>	Dry Bulk Densities have been assumed as 1.8 gm/cm <sup>3</sup> . No direct measurements have been taken.
	<i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit,</i>	Dry Bulk Densities have been estimated as 1.8 gm/cm <sup>3</sup> . No direct measurements have been taken.
	<i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i>	The bulk density values were assigned as a single value in the gravels using data accepted as typical for such deposits.
<b>Classification</b>	<i>The basis for the classification of the Mineral Resources into varying confidence categories.</i>	The Mineral Resource has been entirely classified as Inferred. The classification is based on good confidence in the geological domain countered by high nugget values, sampling method of 4m composites, variable drill spacing and no direct Dry Bulk Density measurements.



## Operations Review

Criteria	JORC Code explanation	Commentary
	<i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i>	<p>The input data is comprehensive in its coverage of the mineralisation and does not favour or misrepresent in-situ mineralisation.</p> <p>The validation of the block model shows good correlation of the input data to the estimated grades.</p>
	<i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i>	The Mineral Resource estimate appropriately reflects the view of the Competent Persons.
<b>Audits or reviews</b>	<i>The results of any audits or reviews of Mineral Resource estimates.</i>	This is the maiden Nanook Palaeochannel gold deposit Mineral Resource estimate.
	<i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate</i>	The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code.
	<i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used</i>	The statement relates to global estimates of tonnes and grade.
	<i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available</i>	No production data is available.

## Directors' Report

The Directors of S2 Resources Ltd ("Directors") present their report on the consolidated entity consisting of S2 Resources Ltd ("the Company" or "S2") and the entities it controlled at the end of, or during, the period ended 30 June 2016 ("Group").

### Directors

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The names and details of the Directors in office during the financial period and until the date of this Report are as follows. Directors were in office for the entire period unless otherwise stated.

Jeff Dowling – appointed on 29 May 2015

Mark Bennett – appointed on 29 May 2015

Anna Neuling – appointed on 29 May 2015

Grey Egerton-Warburton – appointed on 29 April 2016

### Principal Activities

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The principal continuing activity of the Group is mineral exploration.

### Dividends

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No dividends were paid or proposed to be paid to members during the financial period.

## Review of Operations

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### Operating Result

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The loss from continuing operations for the period ended 30 June 2016 after providing for income tax amounted to \$10,823,222.

The loss results from \$4,917,968 of exploration expenditure incurred and expensed, \$4,039,525 of share-based payments expenses, \$1,791,086 of administration costs, \$331,105 of business development costs, \$114,308 depreciation costs and \$370,770 of net income and foreign exchange losses. The exploration expenditure incurred and expensed mainly relates to its Scandinavian projects and to the Polar Bear project, which contains the Baloo and Nanook gold deposits and the Monsoon gold prospect.

## Directors' Report

### Significant Changes in the State of Affairs

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

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

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

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

On inception, the Group held a 100% interest in Sirius Europa Pty Ltd, which in turn held a 67% interest in Norse Exploration Pty Ltd ("Norse"), which in turn held 100% of Sakumpu Exploration Oy ("Sakumpu"), a Finnish registered company that holds exploration assets in Finland and Sweden. The balance of Norse was held by the original vendors of Sakumpu. On 30 November 2015, the Group announced its acquisition of the remaining 33% interest, held by the Sakumpu vendors, in Norse which became a wholly owned subsidiary of S2. The consideration of \$1,260,000 was based on issuing 8,400,000 S2 shares at 15 cents per share.

On 4 March 2016, the Group announced the initial Mineral Resource Estimate for the Baloo gold deposit comprising 1,150,000 tonnes of Indicated material at a grade of 1.9g/t gold containing 69,000 ounces and 1,030,000 tonnes of Inferred material at a grade of 1.6g/t gold containing 54,000 ounces. The total Mineral Resource Estimate for the Baloo gold deposit was 2,170,000 tonnes grading 1.8g/t gold for a contained 123,000 ounces at a cutoff grade of 0.8g/t gold.

On 29 April 2016, the Group appointed Grey Egerton-Warburton as Non-Executive Director.

On 6 May 2016 and in conjunction with the announcement made on 29 June 2016, the Group announced the initial Mineral Resource Estimate for the Nanook palaeochannel gold deposit comprising of an estimated 2,200,000 tonnes Inferred material at a grade of 1.2g/t gold containing 84,000 ounces.

## Directors' Report

### After Balance Date Events

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On 20 July 2016 the Group announced the results of initial metallurgical, engineering, hydrological and environmental studies for the Baloo gold deposit on its Polar Bear project.

On 21 July 2016 the Group announced the discovery of significant gold mineralisation at the Monsoon prospect, which is part of the Polar Bear project.

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

Other than the after balance date events stated above, there has been no matter or circumstance that has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

### Likely Developments and Expected Results of Operations

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In relation to the Baloo gold deposit announced on 4 March 2016, various studies have been performed on the resource for a potential future mining operation since the period ended 30 June 2016. Further exploration drilling has taken place in other areas of the Polar Bear project such as at the Monsoon prospect.

### Environmental Regulation

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

### Information on Directors

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#### Mark Bennett – Chief Executive Officer and Managing Director

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##### *Experience and Expertise*

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

He is a geologist with 25 years' experience in gold, nickel and base metal exploration and mining. He holds a BSc in Mining Geology from the University of Leicester and a PhD from the University of Leeds and is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Geological Society of London, a Fellow of the Australian Institute of Geoscientists and a Member of the Australian Institute of Company Directors.

He has worked in Australia, West Africa, Canada and Europe, predominantly for LionOre Mining International Limited and WMC Resources Limited at locations such as Kalgoorlie, Kambalda, St. Ives, LionOre's nickel and gold mines throughout Western Australia, Wiluna and most recently Nova, the Fraser Range and Polar Bear. Positions held include various technical, operational, executive and board positions including Managing Director, Chief Executive Officer, Executive Director, Exploration Manager and Chief Geologist.



## Directors' Report

Mark is a two times winner of the Association of Mining and Exploration Companies "Prospector Award" for his discoveries which include the Thunderbox Gold Mine, the Waterloo nickel mine and most recently the world class Nova-Bollinger nickel-copper mine.

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

### *Other Directorships*

Dr Bennett has no other directorships of any other public listed company.

### *Former Directorships in the Last Three Years*

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

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

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

Options	12,500,000
Shares	4,595,001

## Jeff Dowling – Non-Executive Chairman

### *Experience and Expertise*

Mr Dowling was recently Sirius' Non-Executive Chairman and is a highly experienced corporate leader with 36 years' experience in professional services with Ernst & Young. Mr Dowling has held numerous leadership roles within Ernst & Young which focused on the mining, oil and gas and other industries.

His professional expertise centres around audit, risk and financial management derived from acting as lead partner on large public company audits, capital raisings and corporate transactions. Mr Dowling's career with Ernst & Young culminated in his appointment as Managing Partner of the Ernst & Young Western Region for a period of 5 years. He also led Ernst & Young's Oceania China Business Group, responsible for building Ernst & Young's Oceania relationships with Chinese Corporations.

Mr Dowling has a Bachelor of Commerce from the University of Western Australia and is a fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

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

### *Other Directorships*

Non-Executive Director of NRW Holdings Ltd since 22 August 2013.

## Directors' Report

### *Former Directorships in the Last Three Years*

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Non-Executive Director of Atlas Iron Ltd from 8 November 2011 to 6 May 2016.

Non-Executive Director of Neptune Marine Services Ltd from 1 December 2011 to 25 June 2013.

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

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

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

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Options	2,500,000
Shares	500,000

## **Anna Neuling – Executive Director**

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### *Experience and Expertise*

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Ms Neuling was the Company Secretary and CFO of Sirius Resources Ltd from the company's inception in 2009 and was Sirius' Executive Director – Corporate and Commercial until its recent merger with Independence Group.

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.

She is responsible for the corporate affairs of the company, the company secretarial function, human resources, public and investor relations functions, and general commercial matters.

Ms Neuling is a member of the Group's Audit & Risk Committee and Remuneration & Nomination Committee which was formed on 19 July 2016.

### *Other Directorships*

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Ms Neuling has no other directorships of any other public listed company.

### *Former Directorships in the Last Three Years*

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

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

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Options	8,750,000
Shares	350,000

## Directors' Report

### Grey Egerton-Warburton – Non-Executive Director

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#### *Experience and Expertise*

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

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

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

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

#### *Other Directorships*

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

#### *Former Directorships in the Last Three Years*

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

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

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Options	1,000,000*
Shares	200,400

\*Subject to shareholder approval. Please see page 73 of the Directors' report.

### Company Secretary

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The Company Secretary is Anna Neuling.

## Directors' Report

### Meetings of Directors

The number of meetings of the Board and of each Board Committee held during the period ended 30 June 2016 and the number of meetings attended by each Director were:

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
Name	A	B	A	B	A	B
Mark Bennett	11	11	–	–	–	–
Anna Neuling	11	11	0	0	0	0
Jeff Dowling	11	11	0	0	0	0
Grey Egerton-Warburton	1	1	0	0	0	0

A Number of meetings attended (including circular resolutions)

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

– Not a member of the relevant Committee

The Audit & Risk Committee and Remuneration & Nomination Committee were formed on 19 July 2016 where Grey Egerton-Warburton, Jeff Dowling and Anna Neuling were appointed on both committees. As these committees were formed after the reporting period, no meetings were held for the period during 30 June 2016.

### Indemnifying of Officers or Auditor

During the period the Group paid a premium in respect of insuring Directors and Officers of the Group against liabilities incurred as a Director or Officer. The insurer shall pay on behalf of the Group or each Director or Officer all losses for which the Director or Officer is not indemnified by the Group arising from a claim against a Director or Officer individually or collectively.

The Group had not, during or since the financial period, indemnified or agreed to indemnify the auditor of the Group against a liability incurred as an auditor.

## Directors' Report

### Options & Rights

Unissued ordinary shares of the Company under options or rights at the date of this Report are as follows:

#### Options

Number	Grant Date	Expiry Date	Exercise Price \$
29,250,000	14/09/2015	14/09/2019	0.31
50,000	09/10/2015	09/10/2019	0.31
400,000	23/10/2015	23/10/2019	0.31
400,000	28/11/2015	28/11/2019	0.31
800,000	18/04/2016	17/04/2020	0.31

There were no shares issued since the end of the financial period on the exercise of options.

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

### Remuneration Report (audited)

This Remuneration Report, which has been audited, outlines the Key Management Personnel (as defined in AASB 124 Related Party Disclosures) ("KMP") remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The KMP covered in this remuneration report are:

- Mark Bennett – CEO and Managing Director
- Anna Neuling – Executive Director
- Jeff Dowling – Non-Executive Chairman
- Grey Egerton-Warburton – Non-Executive Director
- Su-Mei Chan – Chief Financial Officer

The principles adopted have been approved by the Board and have been set out in this Remuneration Report. This audited Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under Accounting Standard AASB 124, Related Party Disclosures.



## Directors' Report

### 1. Principles used to determine the nature and amount of remuneration

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The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework which has been set out in detail under the remuneration structure in this Remuneration Report aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- aligns shareholders and executive interests;
- performance based and aligned to the successful achievement of strategic and tactical business objectives; and
- transparency.

#### *Executive Directors*

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

The executive remuneration and reward framework has three components:

- base pay;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

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

#### *Non-Executive Directors*

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Remuneration to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' remuneration is reviewed annually. For the period ended 30 June 2016, exclusive of superannuation guarantee the annual remuneration for the Non-Executive Director was \$45,000 per annum with the Chairman receiving \$75,000 per annum.

#### *Company Performance*

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As an exploration company the Board does not consider the operating loss after tax as one of the performance indicators when implementing an incentive based remuneration policy. The Board considers that the success of exploration and feasibility programs, safety and environmental performance, the securing of funding arrangements and responsible management of cash resources and the Company's other assets are more appropriate performance indicators to assess the performance of management at this stage of the company's development.

## Directors' Report

### Short-term incentives

To align the remuneration of employees with the company aim of responsible management of cash resources, there were no short-term incentives paid or proposed to be paid for the period ended 30 June 2016. The company's approach in regards to the use of short term cash incentives will be assessed by the Remuneration & Nomination Committee on an ongoing basis as the company evolves.

### Long-term incentives

To align with market practices of peer companies and to provide a competitive total remuneration package, the Board introduced a long-term incentive ("LTI") plan to motivate and reward executives and non-executive directors. The LTI is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan and the Directors Option Plan as approved in September 2015.

The quantum offered under the LTI is determined by the Remuneration & Nomination Committee using a comparison to a peer group of companies similar to S2 Resources Ltd in terms of market capitalisation and sector. The peer group were companies in the Materials sector of the ASX with a market capitalisation of \$50-\$100 million that issued options in relation to the FY 2015.

## 2. Details of Remuneration

### Period Ended 30 June 2016

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

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

## Directors' Report

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

(i) Mr Egerton-Warburton's options were approved by the Board of Directors on 29 April 2016 but are subject to shareholder approval at the Annual General Meeting.

As the Company was incorporated on 29 May 2015, remuneration comparatives have not been disclosed.

There were nil non-monetary benefits paid to the Directors or KMP for the period ended 30 June 2016.

Other than those disclosed above, there were no transactions with related parties to the KMP for the period ended 30 June 2016.

### 3. Service Agreements

For the period ended 30 June 2016, the following service agreements were entered into for the Directors and key management personnel of S2:

On 4 September 2015, an Executive Services Agreement was entered into between the Company and Managing Director and Chief Executive Officer Mark Bennett. Under the terms of the Agreement:

- Dr Bennett was paid a remuneration package of \$325,000 per annum base salary plus statutory superannuation.
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Dr Bennett twelve months' notice.
- Under the general termination of employment provision, Dr Bennett may terminate the Agreement by giving the Company three months' notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

On 10 September 2015, a letter of appointment was entered into between the Company and Non-Executive Chairman Jeff Dowling. Under the terms of the Agreement:

## Directors' Report

- Mr Dowling was paid a remuneration package of \$75,000 per annum base salary plus statutory superannuation.
- Under the general termination of employment provision, either party may terminate the Agreement by the giving of written notice.

On 4 September 2015, an Executive Services Agreement was entered into between the Company and Executive Director Anna Neuling. Under the terms of the Agreement:

- Ms Neuling was appointed as Executive Director, encompassing the role of Company Secretary;
- Ms Neuling was paid a remuneration package of \$120,000 per annum comprising a base salary plus statutory superannuation (based on \$300,000 full time equivalent).
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Ms Neuling twelve months' notice.
- Under the general termination of employment provision, Ms Neuling may terminate the Agreement by giving the Company three months' notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

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

- Mr Egerton-Warburton was paid a remuneration package of \$45,000 per annum base salary plus statutory superannuation.
- Under the general termination of employment provision, either party may terminate the Agreement by the giving of written notice.

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

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

## Directors' Report

### 4. Share-Based Compensation

#### Option holdings

The numbers of options in the Company held during the period ended by each KMP of S2, including their related parties, are set out below:

2016	Balance at the start of the period	Granted during the period	Expired during the period	Other changes	Balance for the period ended
<b>Director</b>					
M Bennett	–	12,500,000	–	–	12,500,000
A Neuling	–	8,750,000	–	–	8,750,000
J Dowling	–	2,500,000	–	–	2,500,000
G Egerton-Warburton (i)	–	1,000,000	–	–	1,000,000
	–	<b>24,750,000</b>	–	–	<b>24,750,000</b>
<b>Other Key Management Personnel</b>					
S Chan	–	800,000	–	–	800,000
	–	<b>25,550,000</b>	–	–	<b>25,550,000</b>

(i) Mr Egerton-Warburton's options were approved by the Board of Directors on 29 April 2016 but are subject to shareholder approval at the Annual General Meeting.

As at 30 June 2016, the number of options that have vested and exercisable were 23,750,000 and the number of options yet to vest and un-exercisable were 800,000. The remaining 1,000,000 options are un-exercisable as they are subject to shareholder approval.

The option terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in the period ended or future reporting years are as follows:

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

\*Options vest a year after grant date. Please refer to note 15 for more information.



## Directors' Report

### Shareholdings

The numbers of shares in the Company held during the period ended by each KMP of S2, including their related parties, are set out below:

2016	Balance at the start of the period	Other changes during the period	Balance for the period ended
<b>Directors</b>			
M Bennett	–	4,595,001	<b>4,595,001</b>
A Neuling	–	350,000	<b>350,000</b>
J Dowling	–	500,000	<b>500,000</b>
G Egerton-Warburton	–	200,400	<b>200,400</b>
<b>Other Key Management Personnel</b>			
S Chan	–	30,000	<b>30,000</b>
	–	<b>5,675,401</b>	<b>5,675,401</b>

There were no shares granted to KMP's during the reporting period as remuneration.

### Use of remuneration consultants

No remuneration consultants were engaged or used for the Group during the period ended 30 June 2016.

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

As the Company was incorporated on 29 May 2015, there was no Annual General Meeting held for the period ended 30 June 2015.

### Share trading policy

The trading of shares issued to participants under any of the Group's employee equity plans is subject to, and conditional upon, compliance with the Group's employee share trading policy as per the Group's Corporate Governance Policy. Executives are prohibited from entering into any hedging arrangements over unvested options under the Group's employee option plan. The Group would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

**This concludes the Remuneration Report, which has been audited.**

## Directors' Report

### Proceedings on behalf of the Group

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

### Auditor

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

### Audit Services

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During the period ended \$34,280 was paid or is payable for audit services provided by the auditors.

### Auditor's Independence Declaration

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A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 76 of the financial report.

### Corporate Governance

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

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



**Mark Bennett**

Director

Perth

19 August 2016

## Auditor's Independence Declaration



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Australia

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

As lead auditor of S2 Resources Limited for the period 29 May 2015 to 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 19 August 2016

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016

	Notes	30 June 2016 \$
Other income		386,173
Salaries and wages		(776,502)
Travel expenditure		(328,171)
Consulting and legal fees		(129,088)
Share and company registry		(77,534)
Listing fees		(158,536)
Office rental and variable outgoings		(215,452)
Insurance		(44,637)
Other office related costs		(61,166)
Business development		(331,105)
Depreciation expense	10	(114,308)
Share-based payments	15	(4,039,525)
Other gain/(losses) – net		(15,403)
Exploration expenditure expensed as incurred	9	(4,917,968)
<b>Loss before income tax</b>		<b>(10,823,222)</b>
Income tax expense		–
<b>Loss after income tax for the period</b>		<b>(10,823,222)</b>
<b>Other comprehensive income</b>		
<i>Items that may be classified to profit or loss</i>		
Exchange differences on translation of foreign operations		14,421
<b>Total comprehensive loss for the period attributable to the members of S2 Resources Ltd</b>		<b>(10,808,801)</b>
<b>Loss per share for loss attributable to the members of S2 Resources Ltd</b>		
Basic loss per share	19(c)	(7.12)

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

## Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	30 June 2016 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	6	15,891,260
Restricted cash	6	244,270
Trade and other receivables	7	194,630
<b>TOTAL CURRENT ASSETS</b>		<b>16,330,160</b>
<b>NON-CURRENT ASSETS</b>		
Exploration and evaluation	9	3,335,880
Property, plant and equipment	10	405,318
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,741,198</b>
<b>TOTAL ASSETS</b>		<b>20,071,358</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	11	1,129,154
Provisions	12	47,952
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,177,106</b>
<b>TOTAL LIABILITIES</b>		<b>1,177,106</b>
<b>NET ASSETS</b>		<b>18,894,252</b>
<b>EQUITY</b>		
Share capital	13	40,728,688
Reserves	14	(11,011,214)
Accumulated losses		(10,823,222)
<b>TOTAL EQUITY</b>		<b>18,894,252</b>

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



## Consolidated Statement of Changes in Equity for the period ended 30 June 2016

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

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

## Consolidated Statement of Cash Flows

for the period ended 30 June 2016

	Notes	30 June 2016 \$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees for administration activities		(1,802,055)
Cash paid to suppliers and employees for exploration activities		(4,380,719)
Interest received		356,612
Interest and other finance costs paid		(5,709)
Foreign exchange gains/(losses)		(15,403)
Income taxes paid		(5,729)
<b>Net cash used in operating activities</b>	18	<b>(5,853,003)</b>
<b>Cash flows from investing activities</b>		
Payment of property, plant and equipment		(519,626)
Payment of exploration activities capitalised		(215,776)
Payment for stamp duty on transfer of tenements		(30,669)
Payment for costs related to purchase of Norse Exploration Pty Ltd 33% interest		(33,694)
Cash acquired upon acquisition of subsidiaries		2,765,347
<b>Net cash derived from investing activities</b>		<b>1,965,582</b>
<b>Cash flows from financing activities</b>		
Proceeds from demerger		20,000,000
Net receipts / (payments) for cash backed guarantees		(221,320)
<b>Net cash from financing activities</b>		<b>19,778,681</b>
Net increase in cash and cash equivalents		15,891,260
Cash and cash equivalents at 29 May 2015		–
<b>Cash and cash equivalents at 30 June</b>		<b>15,891,260</b>

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

## Notes to the Consolidated Financial Statements for the period ended 30 June 2016

S2 Resources Ltd (“Company” or “S2”) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Group as at and for the period ended to 30 June 2016 comprise the Company and its subsidiaries (together referred to as the “Group” or “consolidated entity” and individually as a “Group entity”).

The separate financial statements of the parent entity, S2 Resources Ltd, have not been presented within this financial report as required by the Corporations Act 2001. Summary parent information has been included in note 23.

The financial statements were authorised for issue on 19 August 2016 by the Directors of the Company.

### Note 1. Statement of significant accounting policies

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#### (a) Basis of preparation

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The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company was incorporated on 29 May 2015 and accordingly the financials for the period ended 30 June 2016 have not disclosed comparatives.

#### *Historical cost convention*

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The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

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The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(a)(iii).

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### (a) Basis of preparation (continued)

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###### *(i) Operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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

---

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

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

###### *(iii) Use of estimates and judgements*

---

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

###### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 15.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### (a) Basis of preparation (continued)

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###### *Estimation of useful lives of assets*

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

###### *Exploration and evaluation costs*

Exploration and evaluation costs are capitalised in an identifiable area of interest upon announcement of a JORC 2012 compliant resource and costs will be amortised in proportion to the depletion of the mineral resources at the commencement of production. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

##### (iv) Principles of consolidation

---

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

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

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

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



## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

##### (b) Foreign currency translation

###### *(i) Functional and presentation currency*

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

###### *(ii) Transactions and balances*

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

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

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

###### *(iii) Group companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### (b) Foreign currency translation (continued)

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On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

##### (c) Revenue Recognition

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Interest income is recognised on a time proportion basis using the effective interest method.

##### (d) Income Tax

---

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

## Notes to the Consolidated Financial Statements for the period ended 30 June 2016

### Note 1. Statement of significant accounting policies (continued)

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#### (e) Acquisition of entities under common control

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

The pooling of interest method involves the following:

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

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

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

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

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

#### (f) Impairment of Assets

---

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

#### (g) Cash and Cash Equivalents

---

For the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other shortterm, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (h) Trade and Other Receivables

---

A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to shortterm receivables are not discounted if the effect of discounting is immaterial. The amount of any provision is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### (i) Trade and Other Payables

---

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

##### (j) Exploration and Evaluation

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###### *Exploration and evaluation assets acquired*

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

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

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

###### *Exploration and evaluation expenditure*

---

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

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

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

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

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

## Notes to the Consolidated Financial Statements for the period ended 30 June 2016

### Note 1. Statement of significant accounting policies (continued)

#### (k) Property, plant and equipment

##### *(i) Recognition and measurement*

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

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

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

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

##### *(ii) Subsequent costs*

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

##### *(iii) Depreciation*

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

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

The depreciation rates used for each class of asset are:

- buildings 16.67%
- fixtures and fittings 22.5% – 40%
- leasehold improvements 20%
- plant and equipment 22.5% – 40%
- motor vehicles 20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.



## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### **(l) Leases**

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

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

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

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

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

##### **(m) Interest in Joint Ventures**

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

##### **(n) Financial Instruments**

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###### *Recognition*

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

###### *Loans and receivables*

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

###### *Financial liabilities*

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

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 1. Statement of significant accounting policies (continued)

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#### (n) Financial Instruments (continued)

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##### *Fair value*

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

##### *Impairment*

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

##### *De-recognition*

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

#### (o) Provisions

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##### *General*

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Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### **(p) Employee Benefits**

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###### *(i) Equity Settled Compensation*

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The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

###### *(ii) Short-term obligations*

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Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### *(iii) Other long-term employee benefit obligations*

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The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

###### *(iv) Share-based payments*

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Share-based compensation benefits are provided to employees via the Employee Option Plan.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### (p) Employee Benefits (continued)

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###### *(iv) Share-based payments (continued)*

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Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

###### *(v) Termination benefits*

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Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

##### (q) Issued Capital

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Ordinary shares are classified as equity. Costs associated with capital raisings (exclusive of GST) directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. If the entity reacquires its own equity instruments, e.g. as the result of a share buyback, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs associated with capital raisings (net of income taxes) is recognised directly in equity.

###### *(i) Basic earnings per share*

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Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

###### *(ii) Diluted earnings per share*

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Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 1. Statement of significant accounting policies (continued)

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##### (r) Goods and Services Tax

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Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

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Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

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

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

##### *AASB 9 Financial Instruments*

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

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. There will be no impact on the Company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.



## Notes to the Consolidated Financial Statements for the period ended 30 June 2016

### Note 1. Statement of significant accounting policies (continued)

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

##### *AASB 15 Revenue from Contracts with Customers*

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

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. Due to the recent release of this standard the Company has not yet made an assessment of the impact of this standard.

##### *AASB 16 Leases*

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

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

##### *AASB 2014-3 (issued August 2014) – Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

When an entity acquires an interest in a joint operation whose activities meet the definition of a 'business' in AASB 3 Business Combinations, to the extent of its share of assets, liabilities, revenues and expenses as specified in the contractual arrangement, the entity must apply all of the principles for business combination accounting in AASB 3, and other IFRSs, to the extent that they do not conflict with AASB 11 Joint Arrangements.

This means that it will expense all acquisition-related costs and recognise its share, according to the contractual arrangements, of:

- Fair value of identifiable assets and liabilities, unless fair value exceptions included in AASB 3 or other IFRSs, and
- Deferred tax assets and liabilities that arise from the initial recognition of an asset or liability as required by AASB 3 and AASB 112 Income Taxes.
- Goodwill will then be recognised as the excess consideration over the fair value of net identifiable assets acquired.

Annual periods beginning on or after 1 January 2016.

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions of interests in joint operations.

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 1. Statement of significant accounting policies (continued)

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

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##### *AASB 2014-3 (issued August 2014) – Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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Removes the inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures in accounting for transactions where a parent loses control over a subsidiary that is not a business under AASB 3 Business Combinations, by selling part of its interest to an associate or joint venture, or by selling down part of its interest so that the remaining investment becomes an associate or joint venture. Requires that:

- Gain or loss from measuring the retained interest in the former subsidiary at fair value, as well as gains or losses to be reclassified from other comprehensive income to profit or loss, only be recognised to the extent of the unrelated investor's interest in that associate or joint venture, and
- Remaining gains or losses to be eliminated against the investment in associate or joint venture.

Annual periods beginning on or after 1 January 2016.

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to sales or contributions of assets occurring after the application date.

### Note 2. Financial Risk Management

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The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Board of Directors under policies approved by the Board. The Board identifies and evaluates financial risks and provides written principles for overall risk management.

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

#### Interest Rate Risk

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Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Australian Dollar current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short term deposits.

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 2. Financial Risk Management (continued)

#### Interest Rate Risk (continued)

2016 Financial Instruments	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Fixed interest rate maturing between 1 and 2 years \$	Non- interest bearing \$	Total \$	Weighted average effective interest rate %
(i) Financial assets						
Available cash on hand	2,461,588	10,000,000	–	3,429,672	15,891,260	2.68
Restricted cash	210,966	–	–	33,304	244,270	2.22
Other receivables	–	–	–	194,630	194,630	–
<b>Total financial assets</b>	<b>2,672,554</b>	<b>10,000,000</b>	<b>–</b>	<b>3,657,606</b>	<b>16,330,160</b>	
(ii) Financial liabilities						
Trade and other payables	–	–	–	1,129,154	1,129,154	–
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,129,154</b>	<b>1,129,154</b>	

#### Net Fair Values

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

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

## Note 2. Financial Risk Management (continued)

### Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in interest rates.

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

### Foreign exchange risk

#### Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

Period ended 30 June 2016	EUR \$	USD \$
Cash on hand	3,353,773	75,399
Restricted cash	33,304	–
Other receivables	39,912	–
Trade payables	(174,068)	–
	3,252,921	75,399

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 2. Financial Risk Management (continued)

#### Sensitivity Analysis – Interest Rate Risk (continued)

##### *Amounts recognised in profit or loss and other comprehensive income*

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

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

##### *Sensitivity*

As shown in the table above, the Group is primarily exposed to changes in EUR/\$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from EUR-dollar denominated financial instruments and the impact on other components of equity arises from translation of foreign operations.

	Impact on post tax loss \$	Impact on other components of equity \$
EUR/\$ exchange rate – increase 10%*	(1,540)	(1,934)
EUR/\$ exchange rate – decrease (10%)*	1,540	1,934
*Holding all other variables constant		

The Group's exposure to the USD dollar exchange rate is not disclosed in the table above because it is not material.

#### Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Management monitors rolling forecasts of the Group's cash reserves on the basis of expected development, exploration and corporate cash flows. This ensures that the Group complies with prudent liquidity risk management by maintaining sufficient cash and marketable securities and the availability of funding through the equity markets to meet obligations when due. For the period ended 30 June 2016, the Group has no contractual financial liabilities.



## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 2. Financial Risk Management (continued)

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##### Credit Risk

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

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

##### Price risk

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The Group is not currently exposed to commodity price risk.

#### Note 3. Segment Information

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For management purposes, the Group has three reportable segments as follows:

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

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

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 3. Segment Information (continued)

#### Segment Results

Statement of profit or loss for the period ended 30 June 2016	\$ Scandinavian exploration activities	Australia exploration activities	Unallocated
Other income	–	–	386,173
Administrative expenses	–	–	(2,122,191)
Depreciation expense	–	–	(114,308)
Share-based payments	–	–	(4,039,525)
Other gain/(losses) – net	–	–	(15,403)
Exploration expenditure expensed as incurred	(1,907,826)	(3,010,142)	–
Loss before income tax	(1,907,826)	(3,010,142)	(5,905,254)
Income tax expense	–	–	–
Loss after income tax for the period	(1,907,826)	(3,010,142)	(5,905,254)

#### Segment assets

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

### Note 4. Other income

	30 June 2016 \$
Interest received	386,173

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 5. Income Tax

	30 June 2016 \$
<b>Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	
Current tax	–
Deferred tax	–
Under (over) provided in prior years	–
Total income tax expense per Consolidated Statement of Profit or Loss and Other Comprehensive Income	–
<i>Numerical reconciliation between tax expense and pre-tax net loss</i>	
Net loss before tax	(10,823,222)
Income tax benefit at 30%	(2,659,328)
Income tax expense for overseas entities	(418,312)
<i>Increase in income tax due to:</i>	
Non-deductible expenses	1,213,570
Current year tax losses not recognised	1,864,894
<i>Decrease in income tax due to:</i>	
Movement in unrecognised temporary differences	(824)
	–
<b>Unrecognised deferred tax assets</b>	
<i>Deferred tax assets have not been recognised in respect of the following:</i>	
Deductible temporary differences	200,385
Tax revenue losses	1,664,509
Tax capital losses	–
	1,864,894

Net deferred tax assets have not been brought to account as it is not probable that within the immediate future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 6. Cash and Cash Equivalents

	30 June 2016 \$
<b>Current</b>	
Cash at bank and in hand	15,891,260
Restricted cash	244,270
	<b>16,135,530</b>

### Note 7. Other Receivables

	30 June 2016 \$
GST refund due	87,554
Accrued interest	29,562
Prepayment	73,791
Other	3,723
	<b>194,630</b>

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

### Note 8. Acquisition of commonly controlled entities

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

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

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 8. Acquisition of commonly controlled entities (continued)

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

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



## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 9. Exploration and Evaluation

	30 June 2016 \$
Exploration costs	<b>3,335,880</b>
<b>Movement during the period</b>	
Balance at beginning of the period	–
Exploration expenditure incurred during the period (i)	5,160,331
Exploration expenditure incurred during the period and expensed (i)	(4,917,968)
Exploration expenditure relating to acquisitions (ii)	3,093,517
<b>Balance at end of the period</b>	<b>3,335,880</b>

(i) During the period ended 30 June 2016 the exploration expenditure incurred pertains to the following:

#### Baloo Project

Exploration expenditure incurred for the Baloo project was \$1,777,320 with \$1,543,764 expensed and \$233,556 capitalised in respect of the resource announcement on 4 March 2016.

#### Nanook Project

Exploration expenditure incurred for the Nanook project was \$8,807 and this amount was capitalised in respect of the resource announcement on 6 May 2016.

#### Polar Bear Project

Exploration expenditure incurred and expensed for the Polar Bear Project was \$1,372,481.

#### Eundynie JV Project (80% interest)

Exploration expenditure incurred and expensed for the Eundynie JV was \$71,610.

#### Norcott Project

Exploration expenditure incurred and expensed for the Norcott was \$22,287.

#### Scandinavian Project

Exploration expenditure incurred and expensed for Scandinavia was \$1,907,826.

(ii) As a result of the Demerger transaction on 21 September 2015, the Group acquired exploration assets in the Scandinavian Project valued at \$2,000,000, Polar Bear Project valued at \$400,000 and Eundynie JV Project valued at \$662,848. During the period ended 30 June 2016, a purchase was made for transfer of tenements for the Eundynie JV of \$30,669.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 10. Property, Plant and Equipment

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

#### Note 11. Trade and Other Payables

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

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

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 12. Provisions

	30 June 2016 \$
<b>Current</b>	
Employee benefits	47,952
Carrying amount at start of the period	–
Provisions made during the period	47,952
Carrying amount at end of the period	<b>47,952</b>

Employee benefits are provided for all employees of the Group in line with their employment contracts and the balance for the period ended 30 June 2016 is expected to be settled within 12 months. The measurement and recognition criteria relating to employee benefits have been included in note 1 to this financial report.

### Note 13. Share Capital

	30 June 2016 No. of Shares	30 June 2016 \$
Ordinary shares fully paid	215,801,278	40,728,688
<b>Movement in Share Capital</b>		
<b>Ordinary shares fully paid</b>		
Balance at beginning of period	–	–
Shares issued at \$0.1903 per share at the completion of the Demerger on 21 September 2015.	207,401,278	39,468,688
Shares issued at \$0.15 per share (i)	8,400,000	1,260,000
<b>Balance at period end</b>	<b>215,801,278</b>	<b>40,728,688</b>

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

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 14. Reserves

	30 June 2016 \$
Share-based payments reserve (i)	4,039,525
Other reserve (ii)	144,517
Foreign currency translation reserve (iii)	19,345
Acquisition reserve (iv)	(15,214,601)
	<b>(11,011,214)</b>

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

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

- (ii) The other reserve recognises the remaining non-controlling interest (33%) that was purchased from the Sakumpu vendors on 30 November 2015. Sakumpu Exploration Oy is a registered entity in Finland.

- (iii) Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

- (iv) This acquisition reserve arises from the interest pooling method accounting policy for the purchase of Polar Metals Pty Ltd and Sirius Europa Pty Ltd as described in note 8 of these financials.

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 15. Share-based Payments

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

#### Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price \$	Fair value at Grant Date \$
(1) Issued at 14 September 2015	29,250,000	14/09/2015	14/09/2019	0.31	0.13
(2) Issued at 9 October 2015	50,000	09/10/2015	09/10/2019	0.31	0.13
(3) Issued at 23 October 2015	400,000	23/10/2015	23/10/2019	0.31	0.12
(4) Issued at 29 November 2015	400,000	29/11/2015	28/11/2019	0.31	0.08
(5) Issued at 18 April 2016	800,000	18/04/2016	19/04/2020	0.31	0.14
(6) Issued at 28 April 2016	1,000,000	28/04/2016	29/04/2020	0.35	0.16

- (1) The 29,250,000 options in series 1 comprised 23,750,000 options issued to the Directors of the Group which vested immediately, 3,600,000 options issued to employees under the Employee Share Option Plan which vest one year from grant date and 1,900,000 options issued to service providers which vest one year from grant date. For the service provider options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued.
- (2) The 50,000 options in series 2 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (3) The 400,000 options in series 3 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (4) The 400,000 options in series 4 which vests one year from grant date was issued to employees under the Employee Share Option Plan.
- (5) The 800,000 options in series 5 comprised of 400,000 options were issued to employees under the Employee Share Option Plan which vests one year from grant date, and 400,000 options issued to service providers which vests one year from grant date. For the service provider options, the value of services received was unable to be measured reliably and therefore the value of services received was measured by reference to the fair value of options issued
- (6) The 1,000,000 options in series 6 which vested immediately were issued to a Director of the Group. These options are subject to shareholder approval.

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

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 15. Share-based Payments (continued)

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

	30 June 2016 \$
Options issued under Directors Option Plan	3,351,176
Options issued under Employee Share Plan	409,782
Options issued under Service Provider Plan	278,567
	<b>4,039,525</b>

The weighted average contractual life for options outstanding at the end of the year was 4 years.

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

	Series 1	Series 2	Series 3	Series 4	Series 5
Grant date share price	0.21	0.19	0.19	0.14	0.22
Exercise price	0.31	0.31	0.31	0.31	0.31
Expected volatility	100.00%	100.00%	100.00%	100.00%	100.00%
Option life	4 years	4 years	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Interest rate	3.10%	3.10%	3.10%	3.35%	3.26%

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



## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 15. Share-based Payments (continued)

The following reconciles the outstanding share options granted in the period ended 30 June 2016:

	30 June 2016 No. of Options	30 June 2016 Weighted average exercise price \$
Balance at the beginning of the period	—	—
Granted during the period	31,900,000	0.31
Exercised during the period	—	—
Expired during the period (i)	—	—
<b>Balance at the end of the period</b>	<b>31,900,000</b>	<b>0.31</b>
Un-exercisable at the end of the period	8,150,000	0.31
<b>Exercisable at end of the period</b>	<b>23,750,000</b>	<b>0.31</b>

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

For the period ended 30 June 2016 no options expired or were cancelled.

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

### Note 16. Dividends

There were no dividends recommended or paid during the period ended 30 June 2016.

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 17. Key Management Personnel Disclosures

	30 June 2016 \$
Short term employee benefits	449,498
Post-employment benefits	34,620
Long-term benefits	29,525
Non-monetary benefits	—
Share-based payment	3,458,587
	<b>3,972,230</b>

Detailed remuneration disclosures are provided in the Remuneration Report.

### Note 18. Reconciliation of Profit After Income Tax to Net Cash used in Operating Activities

	30 June 2016 \$
Loss for the period	<b>(10,823,222)</b>
Depreciation	114,308
Equity Settled share-based payment transaction	4,039,525
Increase in trade and other payables	1,129,154
Increase in provisions	47,952
(Increase) in receivables	(360,720)
<b>Net cash outflow from operating activities</b>	<b>(5,853,003)</b>

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 19. Basic Loss per share

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

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

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

### Note 20. Commitments

The Group must meet the following operating lease and tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements and are:

	30 June 2016 \$
Not later than one year	766,580
After one year but less than two years	1,437,225
After two years but less than five years	1,982,220
After five years*	660,740
	<b>4,846,765</b>

\* Per annum

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 21. Related Party Transactions

Other than the Directors and key management personnel salaries and options described in the Remuneration Report, there were no related party transactions for the period ended 30 June 2016.

#### Note 22. Joint Ventures

The Group has interests in the following joint venture operations:

Tenement Area	Activities	2016
Eundynie	Gold	80%

#### Note 23. Parent entity disclosures

##### Financial position

	30 June 2016 \$
<b>Assets</b>	
Current assets	15,518,868
Non-current assets	24,403,244
<b>Total assets</b>	<b>39,922,112</b>
<b>Liabilities</b>	
Current liabilities	1,000,944
Non-current liabilities	–
<b>Total liabilities</b>	<b>1,000,944</b>
<b>Net assets</b>	<b>38,921,168</b>
<b>Equity</b>	
Issued capital	40,728,688
Share-based payments reserve	4,039,525
Accumulated losses	(5,847,045)
<b>Total equity</b>	<b>38,921,168</b>

## Notes to the Consolidated Financial Statements

for the period ended 30 June 2016

### Note 23. Parent entity disclosures (continued)

#### Financial performance

	30 June 2016 \$
Profit/(loss) for the period	(5,847,045)
Other comprehensive income	–
<b>Total comprehensive income</b>	<b>(5,847,045)</b>

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

	30 June 2016 \$
Not later than one year	125,840
After one year but less than two years	115,745
	<b>241,585</b>

\* Per Annum

### Note 24. Subsidiaries

Name of entity	Country of incorporation	Class of Shares	2016
Polar Metals Pty Ltd	Australia	Ordinary	100%
Sirius Europa Pty Ltd	Australia	Ordinary	100%
Norse Exploration Pty Ltd	Australia	Ordinary	100%
Sakumpu Exploration Oy	Finland	Ordinary	100%
S2 Exploration Quebec Inc.	Canada	Ordinary	100%

## Notes to the Consolidated Financial Statements

### for the period ended 30 June 2016

#### Note 25. Events Occurring After the Reporting Period

On 20 July 2016 the Group announced the results of initial metallurgical, engineering, hydrological and environmental studies for the Baloo gold deposit on its Polar Bear project.

On 21 July 2016 the Group announced the discovery of significant gold mineralisation at the Monsoon prospect, which is part of the Polar Bear project.

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

Other than the after balance date events stated above, there has been no matter or circumstance that has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

#### Note 26. Remuneration of Auditors

	30 June 2016 \$
During the period the following fees were paid or payable for services provided by the auditor of the Group:	
Audit services	34,280
<b>Total remuneration for audit services</b>	<b>34,280</b>



## Directors' Declaration

The Directors of the Group declare that:

1. The financial statements and notes as set out on pages 77 to 115 are in accordance with the Corporations Act 2001, and
  - (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position of the Group as at 30 June 2016 and of its performance for the period ended on that date.
2. The financial report also complies with International Financial Reporting Standards as disclosed in note 1 to the financial statements.
3. The Director acting in the capacity of Chief Executive Officer has declared that:
  - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial period comply with the accounting standards; and
  - (c) the financial statements and notes for the financial period give a true and fair view.
4. In the opinion of the Directors there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
5. The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standards AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001.

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



**Mark Bennett**

Director

Perth

19 August 2016

## Independent Auditor's Report



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### INDEPENDENT AUDITOR'S REPORT

To the members of S2 Resources Limited

#### Report on the Financial Report

We have audited the accompanying financial report of S2 Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 29 May 2015 to 30 June 2016, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 287 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 279, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

## Independent Auditor's Report



### Independence

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

### Opinion

In our opinion:

- (a) the financial report of S2 Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the period 29 May 2015 to 30 June 2016; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of S2 Resources Limited for the period 29 May 2015 to 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Jarrad Prue  
Director

Perth, 19 August 2016

## Additional ASX Information

The shareholder information set out below was applicable as at the dates specified.

### Unlisted Securities

#### Options (Current as at 8 August 2016)

	Number on issue	Number of holders
Options expiring 14 September 2019 at an exercise price of \$0.31	29,250,000	18
Options expiring 9 October 2019 at an exercise price of \$0.31	50,000	1
Options expiring 23 October 2019 at an exercise price of \$0.31	400,000	1
Options expiring 28 November 2019 at an exercise price of \$0.31	400,000	1
Options expiring 17 April 2020 at an exercise price of \$0.31	800,000	4

#### Holders of over 20% of unlisted securities

There are the following holders of more than 20% of unlisted securities as at 8 August 2016:

	Number held
Mark Bennett	12,500,000
Anna Neuling	8,750,000

#### Distribution of Equity Securities (Current as at 8 August 2016)

Analysis of numbers of ordinary shareholders by size of holding:

	Number of Shareholders
1 – 1,000	2,488
1,001 – 5,000	1,436
5,001 – 10,000	457
10,001 – 100,000	909
100,001 and over	215
	<b>5,505</b>

There are 2,150 holders holding less than a marketable parcel of ordinary shares based on the closing market price as at 8 August 2016.

## Additional ASX Information

### Substantial Holders (Current as at 8 August 2016)

Substantial holders of equity securities in the Company are set out below:

#### Ordinary Shares

Name	Number held	Percentage of issued shares
Mark Gareth Creasy, Yandal Investments Pty Ltd, Ponton Minerals Pty Ltd, Lake Rivers Gold Pty Ltd and Free CI Pty Ltd	73,146,151	30.67%

Ordinary Shares subject to voluntary escrow (Current as at 8 August 2016)

There are 8,400,00 of ordinary shares subject to voluntary escrow which will end on 18 November 2016.

### Equity Security Holders (Current as at 8 August 2016)

The names of the twenty largest holders of quoted equity securities (ordinary shares) are listed below:

Rank	Name	Units	% of Units
1.	YANDAL INVESTMENTS PTY LTD <INVESTEC A/C>	42,126,761	17.66
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,883,247	5.40
3.	PONTON MINERALS PTY LTD	8,306,464	3.48
4.	FREE CI PTY LTD	8,306,463	3.48
5.	LAKE RIVERS GOLD PTY LTD	8,306,463	3.48
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,433,833	3.12
7.	BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	5,000,000	2.10
8.	DR MARK ANTHONY BENNETT	4,095,000	1.72
9.	NATIONAL NOMINEES LIMITED	3,841,601	1.61
10.	CITICORP NOMINEES PTY LIMITED	3,695,882	1.55
11.	YANDAL INVESTMENTS PTY LTD	3,500,000	1.47
12.	SOUTHERN CROSS CAPITAL PTY LTD	3,475,000	1.46
13.	PERTH SELECT SEAFOODS PTY LTD	3,250,000	1.36
14.	BELLARINE GOLD PTY LTD <RIBBLESDALE SUPER FUND A/C>	3,220,000	1.35
15.	UBS NOMINEES PTY LTD	3,136,392	1.32
16.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	3,118,320	1.31
17.	MR ANDREW JOHN THOMPSON + MRS DELWYN SHIREE THOMPSON <ADJEL THOMPSON FAMILY A/C>	2,150,000	0.90

## Additional ASX Information

### Equity Security Holders (Current as at 8 August 2016) (continued)

Rank	Name	Units	% of Units
18.	MR GRAHAM BROWN	2,100,000	0.88
19.	MR ALAIN CHEVALIER	2,100,000	0.88
20.	MR JAMES COPPARD	2,100,000	0.88
	Total of Top 20	132,145,426	55.41
	Total Remaining Holders Balance	106,355,852	44.59

### Voting Rights

The voting rights attaching to each class of equity securities are set out below:

- (a) *Ordinary Shares*: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) *Options*: These securities have no voting rights.

### On-Market Buy-Back

There is no current on-market buy-back.

### Information required for Listing Rule 4.10.9

The Group has used cash and assets in a form readily convertible to cash that it has at the time of admission in a way consistent with its business objectives from listing until 30 June 2016.



## Additional ASX Information

### Tenement Schedule

Polar Bear		
Tenement	Status	Ownership Interest
E15/1298	Granted	100%
E15/1461	Granted	100%
E63/1142	Granted	100%
E63/1712	Granted	100%
E63/1725	Granted	100%
E63/1756	Granted	100%
E63/1757	Granted	100%
E63/1791	Application	When granted – 100%
M15/651	Granted	100%
M15/710	Granted	100%
M15/1814	Application	When granted – 100%
M63/230	Granted	100%
M63/255	Granted	100%
M63/269	Granted	100%
M63/279	Granted	100%
P15/5167	Granted	100%
P15/5168	Granted	100%
P15/5171	Granted	100%
P15/5638	Granted	100%
P15/5639	Granted	100%
P15/5640	Granted	100%
P15/5958	Granted	100%
P15/5959	Granted	100%
P63/1587	Granted	100%
P63/1588	Granted	100%
P63/1589	Granted	100%
P63/1590	Granted	100%
P63/1591	Granted	100%
P63/1592	Granted	100%
P63/1593	Granted	100%
P63/1594	Granted	100%
E15/1541	Application	When granted – 100%

## Additional ASX Information

### Tenement Schedule (continued)

Eundynie JV		
Tenement	Status	Ownership Interest
E15/1458	Granted	100%
E15/1459	Granted	100%
E15/1464	Granted	100%
E63/1726	Granted	100%
E63/1727	Granted	100%
E63/1738	Granted	100%

Norcott		
Tenement	Status	Ownership Interest
E15/1487	Granted	100%
E63/1728	Granted	100%

Sweden		
Tenement	Status	Ownership Interest
Rengård nr 401	Granted	100%
Svansele nr 401	Granted	100%
Gallejaur nr 401	Granted	100%
Svansele nr 402	Granted	100%
Brännäs nr 401	Granted	100%
Laxselmyran nr 401	Granted	100%
Svansele nr 403	Granted	100%
Båtfors nr 401	Granted	100%
Holmtjärn nr 401	Granted	100%
Tjåluträsk nr 401	Granted	100%
Laxselmyran nr 402	Granted	100%
Laxselmyran nr 403	Granted	100%
Hästkomyran nr 401	Granted	100%
Rengård nr 402	Granted	100%
Udden nr 401	Granted	100%
Udden nr 402	Granted	100%
Vallen nr 401	Granted	100%

## Additional ASX Information

### Tenement Schedule (continued)

Sweden		
Tenement	Status	Ownership Interest
Lindbacka nr 401	Granted	100%
Brännäs nr 402	Granted	100%
Petikträsk nr 401	Granted	100%
Näsvattnet nr 401	Granted	100%
Laxselmyran nr 404	Granted	100%
Svansele nr 404	Granted	100%
Malånäset nr 401	Granted	100%
Malånäset nr 404	Granted	100%
Malånäset nr 402	Granted	100%
Malånäset nr 403	Granted	100%
Laxselmyran nr 405	Granted	100%
Vargfors nr 401	Granted	100%
Malånäset nr 405	Application	100% when granted

Finland		
Reservation	Status	Ownership Interest
Kuivasalmi	Granted	100%
Kaarestunturi	Granted	100%
Paana	Granted	100%
Torvinen	Granted	100%
Selkä	Granted	100%
Siila	Granted	100%
Silmä	Granted	100%
Pahka	Granted	100%
Sisnakka	Granted	100%
Majava	Granted	100%
Jänes	Application	100% when granted

## Additional ASX Information

### Tenement Schedule (continued)

Finland		
Exploration License	Status	Ownership Interest
Mantovaara	Granted	100%
Kerjonen	Granted	100%
Lammasvuoma	Application	100% when granted
Utsamo	Application	100% when granted
Nuokkio	Application	100% when granted
Kuusi	Application	100% when granted
Kerjonen	Application	100%

## Competent Persons Statement

The information in this report that relates to Australian Exploration Results is based on information compiled by John Bartlett who is an employee of the company. Mr Bartlett is a member of the Australasian Institute of Mining and Metallurgy. Mr Bartlett has sufficient experience of relevance to the style of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bartlett consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Scandinavian Exploration Results is based on information compiled by James Coppard who is a consultant to the company. Mr Coppard is a Chartered Geologist, European Geologist and Fellow of the Geological Society of London. Mr Coppard has sufficient experience of relevance to the style of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Coppard consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Mineral Resource estimation is based on information compiled by Mr Brian Wolfe, Principal Consultant Geologist – IRS Pty Ltd and Mr Andrew Thompson, an employee and shareholder of the Company. Mr Wolfe and Mr Thompson are members of the Australasian Institute of Mining and Metallurgy and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Wolfe and Mr Thompson consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.