

## Corporate Governance Statement

### Financial Year ending 30 June 2017

This statement describes the corporate governance practices of S2 Resources Limited (**S2** or the **Company**) as at 5 September 2017.

The Company was admitted to the Official List of the Australian Securities Exchange (**ASX**) on 19 October 2015. As part of the Company's application for admission to the Official List of ASX, the Company prepared a Corporate Governance Statement, disclosing the extent to which the Company would comply with the 3rd Edition of the *ASX Corporate Governance Council Principles and Recommendations (Recommendations)* and, if any Recommendations were not to be complied with, the reasons for non-compliance.

The Board of Directors of the Company (**Board**) remains committed to achieving high standards of corporate governance. The Board considers that an effective corporate governance regime is integral to the culture of the Company. The Board acknowledges that the adoption of certain Recommendations is still not appropriate or practical for the Company, given the size, scale and nature of its operations and this is only the Company's second reporting period as a listed entity. Where the Company is not currently in compliance with a Recommendation, the Company has provided an explanation and information in relation to the alternative governance practices the Company has in place. The Company regularly reviews its corporate governance practices to ensure that they are adequate and remain appropriate for the Company's circumstances.


Charters and policies referred to in this Corporate Governance Statement are available on S2's website within the "Company" section, under "Corporate Governance".


### Corporate Governance Compliance



This statement is current as at 5 September 2017 and has been approved by the Board.

The Company's main corporate governance policies and practices are summarised in the table below.

Copies of the Company's Constitution and the Board's formal charter (**Board Charter**), Audit & Risk Committee Charter, Remuneration & Nomination Committee Charter and policies referred to in this Corporate Governance Statement are available in the "Corporate Governance" section of the Company's website at [www.s2resources.com.au](http://www.s2resources.com.au).


ASX RECOMMENDATION	COMMENT	COMPLIANCE
<b>PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
<p><b>ASX Recommendation 1.1:</b> A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>The Board has adopted the Board Charter, which sets out the respective functions and responsibilities of the Board and management. Under the Board Charter, the Board is responsible for all matters relating to the running of the Company and, more specifically, all matters relating to the policies, practices, management and operations of the Company. Those matters that the Board is responsible for (and which cannot be delegated to management) include:</p> <ul style="list-style-type: none"> <li>• Directors acquiring or selling shares of the Company;</li> <li>• issuing shares of the Company;</li> <li>• acquiring, selling or otherwise disposing of property in excess of the amount set out in the Company's approval matrix;</li> <li>• founding, acquiring or selling subsidiaries of or any company within the Company, participating in other companies or dissolving or selling the Company's participation in other companies (including project joint ventures);</li> <li>• acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company;</li> <li>• founding, dissolving or relocating branch offices or other offices, plants and facilities;</li> <li>• starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;</li> <li>• approving and/or altering the annual business plan (including financial planning) for the Company or any part of the Company;</li> <li>• taking or granting loans which exceed the amount set out in the Company's approval matrix;</li> <li>• granting securities of any type;</li> <li>• granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;</li> <li>• entering into agreements for recurring, voluntary, or additional social</li> </ul>	



ASX RECOMMENDATION	COMMENT	COMPLIANCE
	<p>benefits, superannuation agreements or agreements for general wage and salary increases;</p> <ul style="list-style-type: none"> <li>• determining the total amount of bonuses and gratuities for Company officers and employees;</li> <li>• determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board; and</li> <li>• granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company.</li> </ul> <p>The detail of some Board functions is handled through Board Committees. As at the date of this Corporate Governance Statement, the Company had established an Audit and Risk Committee and a Remuneration and Nomination Committee. However, the Board as a whole is responsible for determining the extent of powers residing in each Board Committee and is ultimately responsible for accepting, modifying or rejecting Board Committee recommendations.</p> <p>The Board has delegated the Managing Director / CEO of the Company responsibility for the effective leadership and day-to-day operations and administration of the Company.</p> <p>The Board Charter sets out further information about the responsibilities of the Board as a whole, the Chair, the Company Secretary, individual Directors and senior executives.</p> <p>Copies of the Board Charter, the Audit and Risk Committee Charter and the Remuneration and Nomination Committee Charter are available at <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>.</p>	
<p><b>ASX Recommendation 1.2:</b> A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and</p> <p>(b) provide security holders with all material information in</p>	<p>The Board Charter requires the Board to undertake appropriate background checks prior to nominating a candidate for election or re-election as a Director. The Remuneration and Nomination Committee is responsible for undertaking these background searches, reviewing the results and providing recommendations to the Board based on the results.</p>	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
<p>its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>All material information relevant to the election or re-election of a director will be provided to the Company's shareholders in the form of a Notice of Meeting (and accompanying explanatory memorandum) for any general meeting at which the election or re-election of a director is proposed.</p>	
<p><b>ASX Recommendation 1.3:</b> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Under the Board Charter, the Company must have a written agreement with each Director and senior executive of the Company, setting out the terms of their appointment.</p> <p>As at the date of this Corporate Governance Statement:</p> <ul style="list-style-type: none"> <li>• S2's Independent Non-Executive Directors, Jeff Dowling and Grey Egerton-Warburton each have a letter of appointment;</li> <li>• S2's Executive Directors, Mark Bennett and Anna Neuling (see Note below), each have an executive services agreement; and</li> <li>• the following senior management personnel have employment or service agreements with S2: <ul style="list-style-type: none"> <li>- Company Secretary, Tony Walsh</li> <li>- Chief Financial Officer, Su-Mei Chan;</li> <li>- General Manager – Exploration, John Bartlett; and</li> <li>- General Manager – Sweden, Andy Thompson.</li> </ul> </li> </ul> <p>Other than as mentioned above, the Company does not currently employ any other senior executives.</p> <p><u>Note:</u> Anna Neuling was an Executive Director up to the end of December 2016 and at year end is currently a Non-Executive Director while she is on approximately 12 months parental leave from her executive responsibilities.</p>	
<p><b>ASX Recommendation 1.4:</b> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary has primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Board Charter states that "The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board".</p>	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
<p><b>ASX Recommendation 1.5:</b> A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>The Company strives to foster a culture that encourages diversity in the composition of the Company's Directors, executives and employees. Due to the size of the Company, and the number of executives and employees it employs, the Company has not yet established a formal diversity policy or set any measurable objectives for achieving gender diversity in accordance with Recommendation 1.5 at this time.</p> <p>The Company currently comprises of the following percentage of females:</p> <ul style="list-style-type: none"> <li>• 25% of the Board;</li> <li>• 50% of Executive Directors (see Note below);</li> <li>• 33% of senior management (where "senior management" is defined as Directors of the Company and any employees reporting directly to the Managing Director or Executive Director)<sup>1</sup>; and</li> <li>• 36% of the Company's total workforce.</li> </ul> <p>The proportion of females on the Board, employed as Non-Executive Directors, in senior management positions and in the Company's total workforce are outlined in the Company's 2017 Annual Report.</p> <p><u>Note:</u> Anna Neuling was an Executive Director up to the end of December 2016 and at year end is currently a Non-Executive Director while she is on approximately 12 months parental leave from her executive responsibilities.</p>	<p style="text-align: center;"><b>X</b></p> <p><u>Note:</u> The Company has provided the disclosure that complies with paragraph (c)(1)</p>
<p><b>ASX Recommendation 1.6:</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the</p>	<p>The Board Charter sets out the process for evaluating the Board, its committees and individual directors, which involves an annual self-assessment of the ongoing development and improvement of the Board's (and individual Directors') performance.</p> <p>Whilst no formal performance evaluations have taken place as at the date of this corporate governance statement, the Company is constantly</p>	<p style="text-align: center;"><b>✓</b></p>

ASX RECOMMENDATION	COMMENT	COMPLIANCE
<p>reporting period in accordance with that process.</p>	<p>reviewing the performance of the Company, the board's performance and assessing the Company's asset mix. During the year the Company completed an organizational review and following this review has rationalized its exploration and business development teams. Employees' performance have been reviewed. For the second year in a row, employees' salaries have remained unchanged.</p> <p>The Company continues to perform formal and informal evaluations in accordance with the process set out in the Board Charter in the financial year ended June 2018. Details of the performance evaluations that will be undertaken by the end of the 2018 financial year will be set out in the Company's 2018 Annual Report.</p> <p>A copy of the Board Charter is available in the "Corporate Governance" section of the Company's website at <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>.</p>	
<p><b>ASX Recommendation 1.7:</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board Charter sets out the process for evaluating its senior executives' performance on an annual basis. The Board Charter requires the senior executives to establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements of the position. In the case of the Managing Director / CEO, these targets are negotiated between the Managing Director / CEO and the Board and approved by the whole Board.</p> <p>An informal assessment of progress is carried out throughout the year. A full evaluation of an executive's performance takes place annually.</p> <p>The Company has performed informal evaluations in accordance with the process set out in the Board Charter for this financial year. The informal evaluation process was performed for the year ended June 2017. Since the 2016 Corporate Governance statement, the Company has restructured its exploration, business development and corporate functions, reducing its ongoing administration and corporate costs.</p> <p>Details of the performance evaluations that will be undertaken by the end of the current financial year will be set out in the Company's 2018 Annual</p>	<p style="text-align: center;">✓</p>


ASX RECOMMENDATION	COMMENT	COMPLIANCE
	<p>Report.</p> <p>A copy of the Board Charter is available in the "Corporate Governance" section of the Company's website at <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>.</p>	
<b>PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE</b>		
<p><b>ASX Recommendation 2.1:</b> The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board has established a Remuneration and Nomination Committee. The purpose of the Remuneration and Nomination committee is to assist the Board by making recommendations in respect of:</p> <ul style="list-style-type: none"> <li>• the composition, performance and effectiveness of the Board; and</li> <li>• the Company's remuneration policy.</li> </ul> <p>Once the size and scale of the Company's activities, and therefore the size of the Board, permit, the Remuneration and Nomination Committee will consist of only non-executive directors, a majority of whom will be independent (as assessed by the Board in accordance with the Board Charter), in compliance with Recommendation 2.1(a). At present, the Committee will comprise a majority of independent non-executive directors and one Non-Executive Director who is not independent, and is chaired by an independent director.</p> <p>The Board has adopted a charter with respect to the Remuneration and Nomination Committee, which sets out the role and responsibilities of the Remuneration and Nomination Committee and the authority delegated by the Board to the Remuneration and Nomination Committee.</p> <p>The Board, with the assistance of the Remuneration and Nomination Committee, is responsible for ensuring that the appropriate balance of skills, knowledge, experience, independence and diversity are represented on the Board, in part by utilising the Board skills matrix (as set out in the Board Charter) as part of the procedure for the nomination of persons for election or re-election as Directors.</p> <p>The Board will continue to review its framework and practices in this regard to ensure they remain appropriate to the Company's circumstances.</p>	


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<p><b>ASX Recommendation 2.2:</b> A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board Charter incorporates a Board skills matrix, which lists the following areas of knowledge as required by the Board as a whole:</p> <ul style="list-style-type: none"> <li>• geology;</li> <li>• health, safety and environment;</li> <li>• commercial;</li> <li>• legal;</li> <li>• corporate governance;</li> <li>• communications;</li> <li>• accounting and finance.</li> </ul> <p>The Board believes that having a diverse mix of experience, gender and culture across the Board leads to better outcomes for the Company and the Company's shareholders.</p>																					
<p><b>ASX Recommendation 2.3:</b> A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>As at the date of this Corporate Governance Statement, the Board consisted of:</p> <table border="1" data-bbox="958 762 1794 1129"> <thead> <tr> <th data-bbox="958 762 1155 850">Name</th> <th data-bbox="1155 762 1352 850">Role</th> <th data-bbox="1352 762 1585 850">Independent?</th> <th data-bbox="1585 762 1794 850">Date appointed</th> </tr> </thead> <tbody> <tr> <td data-bbox="958 850 1155 922">Jeff Dowling</td> <td data-bbox="1155 850 1352 922">Non-Executive Chairman</td> <td data-bbox="1352 850 1585 922">Yes</td> <td data-bbox="1585 850 1794 922">May 2015</td> </tr> <tr> <td data-bbox="958 922 1155 994">Mark Bennett</td> <td data-bbox="1155 922 1352 994">Managing Director / CEO</td> <td data-bbox="1352 922 1585 994">No</td> <td data-bbox="1585 922 1794 994">May 2015</td> </tr> <tr> <td data-bbox="958 994 1155 1066">Anna Neuling (see Note)</td> <td data-bbox="1155 994 1352 1066">Non-Executive Director</td> <td data-bbox="1352 994 1585 1066">No</td> <td data-bbox="1585 994 1794 1066">May 2015</td> </tr> <tr> <td data-bbox="958 1066 1155 1129">Grey Egerton-Warburton</td> <td data-bbox="1155 1066 1352 1129">Non-Executive Director</td> <td data-bbox="1352 1066 1585 1129">Yes</td> <td data-bbox="1585 1066 1794 1129">April 2016</td> </tr> </tbody> </table> <p><u>Note:</u> Anna Neuling was an Executive Director up to the end of December 2016 and at year end is currently a Non-Executive Director while she is on approximately 12 months parental leave from her executive responsibilities.</p>	Name	Role	Independent?	Date appointed	Jeff Dowling	Non-Executive Chairman	Yes	May 2015	Mark Bennett	Managing Director / CEO	No	May 2015	Anna Neuling (see Note)	Non-Executive Director	No	May 2015	Grey Egerton-Warburton	Non-Executive Director	Yes	April 2016	
Name	Role	Independent?	Date appointed																			
Jeff Dowling	Non-Executive Chairman	Yes	May 2015																			
Mark Bennett	Managing Director / CEO	No	May 2015																			
Anna Neuling (see Note)	Non-Executive Director	No	May 2015																			
Grey Egerton-Warburton	Non-Executive Director	Yes	April 2016																			



ASX RECOMMENDATION	COMMENT	COMPLIANCE
<p><b>ASX Recommendation 2.4:</b> A majority of the board of a listed entity should be independent directors.</p>	<p>As set out in the table above, since April 2016, the Board has consisted of:</p> <ul style="list-style-type: none"> <li>two Independent Non-Executive Directors (Jeff Dowling and Grey Egerton-Warburton); and</li> <li>two Directors who were Executive Directors during the year (Mark Bennett and Anna Neuling). Anna Neuling was an Executive Director up to the end of December 2016 and at year end is currently a Non-Executive Director.</li> </ul> <p>Under the Board Charter, the Board's policy is that, at a time when the size of the Company and its activities warrants such a structure (in the opinion of the Board, from time to time), the Board will consist of a majority of independent, non-executive Directors. Mr. Grey Egerton-Warburton was appointed to the Board in April 2016 as an Independent Non-Executive director, such that the Board now comprises 50% independent directors (compared with 33% on listing in October 2015). Going forward, the Company will review the composition of the Board periodically to ensure its size and composition remains appropriate to the Company's circumstances.</p> <p>In addition, the Board Charter states that each Director is expected to exercise considered and independent judgment on all matters before them. To assist with this, the Company provides each Director with access to independent professional advice on such matters. Prior to seeking independent professional advice, a Director must inform the Chair (who is independent) about the nature of the opinion or information sought, the reason for the advice the terms of reference of the advice and the estimated cost. Board approval must be sought if costs are likely to exceed \$10,000.</p>	<p style="text-align: center; color: red;">x</p>


ASX RECOMMENDATION	COMMENT	COMPLIANCE
<p><b>ASX Recommendation 2.5:</b> The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The role of Chairman and CEO are not exercised by the same person. Jeff Dowling is the Chairman, and Mark Bennett is the Managing Director / and CEO of the Company.</p> <p>Jeff Dowling (the Chairman) is considered by the Board to be independent.</p>	<p style="text-align: center;">✓</p>
<p><b>ASX Recommendation 2.6:</b> A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>The Board Charter requires that all new directors go through an induction process which includes meeting with key executives, tours of the premises (including site), an induction package and presentations. The Board Charter also provides for continuing professional education programs and requires each Director to undertake at least 2 days of professional development each year. This reflects the Company's commitment to the continuing development of its Directors and executives.</p>	<p style="text-align: center;">✓</p>
<p><b>PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b></p>		
<p><b>ASX Recommendation 3.1:</b> A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>The Company fosters a governance culture where all employees are expected not only to comply with their legal obligations, but also to act ethically and responsibly. The Company is committed to integrity and fair dealing in its business affairs and recognises its duty of care to all employees, clients and stakeholders in this regard.</p> <p>Given the size of the Company's operations, and the number of employees and officers currently employed by the Company, the Board does not consider it appropriate to establish a formal code of conduct in respect of all employees at this time. However, the Company has established a code of conduct that applies to Directors and senior executives of the Company as part of the Board Charter. This code of conduct sets out the principles covering appropriate conduct and the minimum standard of behaviour expected from Directors and senior executives.</p> <p>The Board has also adopted a Securities Trading Policy, which sets out the Company's policy on trading of the Company's securities by key management personnel.</p>	<p style="text-align: center;">✗</p>



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	Copies of the Board Charter and the Company's Securities Trading Policy are available in the "Corporate Governance" section of the Company's website at <a href="http://www.s2resources.com.au">www.s2resources.com.au</a> .	
<b>PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>		
<p><b>ASX Recommendation 4.1:</b> The board of a listed entity should;</p> <p>(a) have an audit committee which;</p> <p style="padding-left: 20px;">(i) has a least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p style="padding-left: 20px;">(ii) is chaired by an independent director, who is not the chair of the board,</p> <p style="padding-left: 20px;">(iii) and disclose;</p> <p style="padding-left: 20px;">(iv) the charter of the committee;</p> <p style="padding-left: 20px;">(v) the relevant qualifications and experience of the members of committee; and</p> <p style="padding-left: 20px;">(vi) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment, and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board has established an Audit and Risk Committee. The purpose of the Audit and Risk Committee is to, among other things, assist the Board in the effective discharge of its responsibilities for financial and corporate reporting and audit matters.</p> <p>Once the size and scale of the Company's activities, and therefore the size of the Board, permit, the Audit and Risk Committee will consist of only non-executive directors, a majority of whom will be independent (as assessed by the Board in accordance with the Board Charter), in compliance with Recommendation 4.1(a). At present, the Committee will comprise a majority of independent non-executive directors and one Non-Executive Director who is not independent.</p> <p>The chairman of the Audit and Risk Committee is an independent director (as assessed by the Board in accordance with the Board Charter), who is not the chair of the Board.</p> <p>The Board has adopted a charter with respect to the Audit and Risk Committee, which sets out the role and responsibilities of the audit and Risk Committee and the authority delegated by the Board to the Audit and Risk Committee.</p> <p>The ultimate responsibility for the Company's financial statements rests with the Board.</p> <p>The Board, with the assistance of the Audit and Risk Committee, will review the Company's financial statements and reports, focusing on (among other things) any changes in accounting policies and practices, significant adjustments and compliance with accounting policies and standards and</p>	

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	<p>legal requirements.</p> <p>The Board has appointed BDO Audit (WA) Pty Ltd as its external auditor. The Board Charter requires that the Board will annually review the appointment of the external auditor, its independence, the audit fee and any matters regarding its resignation or dismissal (with the assistance of the Audit and Risk Committee). The Audit and Risk Committee is also responsible for (among other things) meeting with the external auditor at least twice in each financial year, ensuring that no management restrictions are being placed on the external auditor, reviewing the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation to those, and reviewing the external auditor's management letter and management's response.</p> <p>The Board Charter also sets out the Company's policy in relation to rotation of the audit engagement partner and the S2 Constitution sets out the process for appointing and removing the external auditor.</p> <p>Copies of the S2 Constitution and Board Charter are available in the "Corporate Governance" section of the Company's website at <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>.</p> <p><u>Note:</u> Committee member, Anna Neuling was an Executive Director up to the end of December 2016 and at year end is currently a Non-Executive Director while she is on approximately 12 months parental leave from her executive responsibilities.</p>	
<p><b>ASX Recommendation 4.2:</b> The board of a listed entity should, before it approves the entity's financial statements for a financial period, received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of</p>	<p>Under the Board Charter, the Board must receive a declaration from the Managing Director / CEO and CFO of the nature described in Recommendation 4.2 prior to the Board approving any of the Company's financial statements.</p> <p>The Board has received declarations from the Managing Director / CEO and CFO in respect of its financial statements in respect to all financial period during the financial year ended 30 June 2017.</p>	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
a sound system of risk management and internal control which is operation effectively.		
<b>ASX Recommendation 4.3:</b> A listed entity that has an AGM should ensure that its external auditors attend its AGM and is available to answer questions from security holders relevant to the audit.	As set out in the Board Charter, it is the Company's policy that its external auditor attends the Company's AGM and is available to answer questions from shareholders in relation to its audit.	✓
<b>PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE</b>		
<p><b>ASX Recommendation 5.1:</b> A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Board recognises that, as a company listed on ASX, the Company is required to comply with the ASX Listing Rules which (among other things) requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company is committed to complying with its continuous disclosure obligations, so that investors have equal and timely access to material information concerning the Company.</p> <p>Given the size of the Company and the number of employees currently employed by the Company, the Board does not consider it appropriate to establish a formal written policy in relation to the Company's continuous disclosure policies at this time.</p> <p>The Company has a clear authority matrix and internal procedure that ensure ASX announcements and any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the entity's securities, are released to ASX in compliance with its ASX and Corporations Law obligations.</p>	✓
<b>PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS</b>		
<b>ASX Recommendation 6.1:</b> A listed entity should provide information about itself and its governance to investors via its website.	The Company has a website, that is accessible at: <a href="http://www.s2resources.com.au">www.s2resources.com.au</a> . This website contains information about the Company's corporate governance measures, including links to the S2 Constitution, Board Charter and Securities Trading Policy.	✓

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	The website also contains further information about the Company, including: strategy and projects, composition and profiles of the Board and senior executives, annual reports and financial statements, ASX announcements and notices of meeting.	
<p><b>ASX Recommendation 6.2:</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communications with investors.</p>	<p>The Board aims to ensure that shareholders are informed of all major developments affecting the Company.</p> <p>The Company keeps investors informed through its website, <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>, which contains information on the Company, the Board and the corporate governance policies and procedures. Investors will also be able to access copies of the Company's financial reports, ASX announcements and notices of meeting on its website.</p>	✓
<p><b>ASX Recommendation 6.3:</b> A listed entity should disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The Company encourages shareholders to attend and ask questions at annual general meetings and general meetings. As set out in the Board Charter, it is the Company's policy that its external auditor attends the Company's AGM and is available to answer questions from shareholders in relation to its audit. The Company continues to review and reassess the need for a formal shareholder communications strategy.</p>	✓
<p><b>ASX Recommendation 6.4:</b> A listed entity should give security holders the option to receive communication from and send communications to, the entity and its security registry electronically.</p>	<p>The Company provides information through its website to enable shareholders to email the Company, and to receive Company announcements by email.</p> <p>The Company's share registry, Computershare Investor Services, also offers services to shareholders through an online service available on its website. The Computershare contact details are available through the "Share Registry Service" page on the Company website: <a href="http://www.s2resources.com.au/investor-registry.php">www.s2resources.com.au/investor-registry.php</a></p>	✓
<b>PRINCIPLE 7: RECOGNISE AND MANAGE RISK</b>		
<p><b>ASX Recommendation 7.1:</b> The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p>	<p>The Board has established an Audit and Risk Committee.</p> <p>The purpose of the Audit and Risk Committee is to, among other things, assist the Board in the effective discharge of its responsibilities for risk</p>	✓


ASX RECOMMENDATION	COMMENT	COMPLIANCE
<p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>management and compliance.</p> <p>Once the size and scale of the Company's activities, and therefore the size of the Board, permit, the Audit and Risk Committee will consist of only non-executive directors, a majority of whom will be independent (as assessed by the Board in accordance with the Board Charter), in compliance with Recommendation 7.1(a). At present, the Committee will comprise a majority of independent non-executive directors and one Non-Executive Director who is not independent, and is chaired by an independent director.</p> <p>The Board has adopted a charter with respect to the Audit and Risk Committee, which sets out the role and responsibilities of the audit and Risk Committee and the authority delegated by the Board to the Audit and Risk Committee. The Company is committed to the identification, monitoring and management of risks associated with its business activities.</p> <p>Under the Board Charter, the Board, with the assistance of the Audit and Risk Committee, is responsible for overseeing, reviewing and ensuring the integrity and effectiveness of the Company's risk and compliance systems. The risk management systems cover operational, financial and compliance risks.</p> <p><u>Note:</u> Committee member, Anna Neuling was an Executive Director up to the end of December 2016 and at year end is currently a Non-Executive Director while she is on approximately 12 months parental leave from her executive responsibilities.</p>	
<p><b>ASX Recommendation 7.2:</b> The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Under the Board Charter, the Board, with the assistance of the Audit and Risk Committee, is responsible for reviewing all major strategies and purchases for their impact on the risks facing the Company.</p> <p>The Company, via the Audit and Risk Committee, undertakes an annual review of the effectiveness of its risk management framework and operations to update its risk profile, which normally occurs in conjunction with the strategic planning process.</p>	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	<p>The Company conducted a review of its risk management framework during the financial year and has established the Audit and Risk Committee.</p> <p>Copies of the charter of the Audit and Risk Committee are available in the "Corporate Governance" section of S2's website:  <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>.</p>	
<p><b>ASX Recommendation 7.3:</b> A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not employ an internal audit function at this time, and the Board considers that this approach is appropriate for a company of S2's size and the nature of its operations. The Board has established an Audit and Risk Committee which will assist the Board in reviewing the Company's requirement for an internal audit function periodically.</p> <p>Under the Board Charter, responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the MD / CEO. The MD / CEO is required to assess risk management and associated internal compliance and control procedures and report to the Board via the Audit and Risk Committee on whether any risks are being managed ineffectively.</p>	
<p><b>ASX Recommendation 7.4:</b> A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages or intends to manage those risks</p>	<p>The Board has identified areas of risks that have the potential to have material adverse impact on the Company's business, including:</p> <ul style="list-style-type: none"> <li>• operational;</li> <li>• environmental;</li> <li>• insurance;</li> <li>• litigation;</li> <li>• financial;</li> <li>• treasury and finance; and</li> <li>• compliance.</li> </ul>	



ASX RECOMMENDATION	COMMENT		COMPLIANCE
	<b>Area of Risk</b>	<b>Details</b>	
	Security of tenure and necessary approvals	There is a risk that the necessary land use approvals (including, in respect of any native title rights and cultural heritage sites) and environmental permits may not be obtained, granted or renewed, or may be obtained, granted or renewed on terms not satisfactory to S2, or may be obtained, granted or renewed but not within the timeframes anticipated by S2.	
	Operating history	S2 does not currently conduct mining production operations. There can be no assurance that it can bring any of its other future projects into production or operate any such project profitably.  While the Company aims to generate working capital through future mining operations, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for further exploration and development programs.	
	Future capital requirements	There can also be no assurance that the Company will be able to obtain additional equity financing when required on acceptable terms.  Although the Company believes that additional capital can be obtained, no assurance can be made that appropriate capital or funding, if and when needed, will be available on terms acceptable to S2. If S2 is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have a material adverse effect on its activities.	
	Reliance on key personnel and employees	Retaining and recruiting personnel is critical to the Company's success and growth prospects. If S2 cannot retain and attract qualified personnel it could adversely	

ASX RECOMMENDATION	COMMENT		COMPLIANCE
		affect S2's current exploration program and its future growth plans.	
	The Audit and Risk Committee established by the Board is responsible for overseeing and monitoring, by receiving reports from management, the establishment and maintenance, by management, of processes to ensure there is a process to identify and manage any material exposure to economic, environmental and social sustainability risks.		
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY			
<p><b>ASX Recommendation 8.1:</b> The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(i) the charter of the committee;</p> <p>(ii) the members of the committee; and</p> <p>(iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;</p> <p>or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has established a Remuneration and Nomination Committee. The purpose of the Remuneration and Nomination committee is to assist the Board by making recommendations in respect of:</p> <ul style="list-style-type: none"> <li>the composition, performance and effectiveness of the Board; and</li> <li>the Company's remuneration policy.</li> </ul> <p>Once the size and scale of the Company's activities, and therefore the size of the Board, permit, the Remuneration and Nomination Committee will consist of only non-executive directors, a majority of whom will be independent (as assessed by the Board in accordance with the Board Charter), in compliance with Recommendation 8.1. At present, the Committee will comprise a majority of independent non-executive directors and one Non-Executive Director who is not independent, and is chaired by an independent director.</p> <p>The Board has adopted a charter with respect to the Remuneration and Nomination Committee, which sets out the role and responsibilities of the Remuneration and Nomination Committee and the authority delegated by the Board to the Remuneration and Nomination Committee.</p> <p>Copies of the Board Charter and the Remuneration and Nomination Committee Charter are available in the "Corporate Governance" section of the Company's website at <a href="http://www.s2resources.com.au">www.s2resources.com.au</a>.</p> <p><u>Note:</u> Committee member, Anna Neuling was an Executive Director up to</p>		<p style="text-align: center;">✓</p>

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	<p>the end of December 2016 and at year end is currently a Non-Executive Director while she is on approximately 12 months parental leave from her executive responsibilities.</p>	
<p><b>ASX Recommendation 8.2:</b> A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>The objective of the Group's non-executive and executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework is designed to align 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:</p> <ul style="list-style-type: none"> <li>(i) competitiveness and reasonableness;</li> <li>(ii) aligns shareholders and executive interests;</li> <li>(iii) performance based and aligned to the successful achievement of strategic and tactical business objectives; and</li> <li>(iv) transparency.</li> </ul> <p>Mr. Jeff Dowling and Mr. Grey Egerton-Warburton are each paid a fixed annual cash fee for their services to the Company as Non-Executive Directors. Since becoming a Non-Executive Director, Ms. Anna Neuling has been paid a fixed annual fee for her services to the Company as Non-Executive Director.</p> <p>Executives of the Company (being Executive Directors and other senior executives) typically receive remuneration comprising an appropriate balance of:</p> <ul style="list-style-type: none"> <li>• fixed remuneration (including a base salary component and other fixed benefits based on the terms of their employment agreements with the Company); and</li> <li>• performance-based remuneration (such as the ability to participate in the Company's long-term incentive plan).</li> </ul>	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	<p>In addition to cash based remuneration, to preserve the Company's cash, 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.</p> <p>The quantum offered under the LTI is determined by the Remuneration &amp; 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 ASX listed companies in the Materials sector with a market capitalisation of \$25-\$150 million that issued options in relation to the FY 2016 and FY 2017. Directors can only participate in the LTI if prior shareholder approval is received.</p> <p>Details of the remuneration of Directors and senior executives are outlined in the Company's 2017 Annual Report.</p>	
<p><b>ASX Recommendation 8.3:</b> A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Company currently has three equity-based remuneration schemes; one for directors, another for employees and another for service providers. The key terms of these incentive plans, as well as initial offers under these plans were disclosed in the Demerger Scheme Booklet and released to ASX in October 2015.</p>	