



S2 Resources Ltd ACN 606 128 090

INFORMATION MEMORANDUM

In relation to the application for admission of S2 Resources Ltd to the official list of the Australian Securities Exchange

CONTENTS

CLAUSE	PAGE
1. PURPOSE OF THE INFORMATION MEMORANDUM.....	3
2. INFORMATION IN RELATION TO S2 RESOURCES.....	3
3. WAIVERS	3
4. INCORPORATION OF THE DEMERGER SCHEME BOOKLET	4
5. ASX.....	5
6. CAPITAL STRUCTURE.....	5
7. DISCLOSURE OF INTERESTS	5
7.1 Directors.....	5
7.2 Experts.....	5
8. CONSENTS	6
9. ASX LISTING RULE 10.15A REQUIREMENTS	7
10. CAPITAL RAISING	9
11. CORPORATE GOVERNANCE.....	9
12. SUPPLEMENTARY INFORMATION	9
13. FINANCIAL INFORMATION AND WORKING CAPITAL REQUIREMENTS	9
14. AUTHORISATION	11

ANNEXURES

DEMERGER SCHEME BOOKLET

S2 RESOURCES CORPORATE GOVERNANCE STATEMENT

1. PURPOSE OF THE INFORMATION MEMORANDUM

This Information Memorandum has been prepared by S2 Resources in connection with its application for:

- (a) admission to the official list of ASX; and
- (b) S2 Shares to be granted official quotation on the stock market conducted by ASX.

This Information Memorandum will apply in relation to S2 Resources' application for admission to the official list of the ASX if the Demerger Scheme is approved and implemented.

This Information Memorandum should be read in conjunction with the Demerger Scheme Booklet dated 31 July 2015, which is annexed as Annexure A. The Demerger Scheme Booklet contains detailed information in relation to the Transaction, including in relation to S2 Resources (see Section 4 of the Demerger Scheme Booklet).

This document is not a prospectus or disclosure document lodged with ASIC under the Corporations Act.

This document does not constitute or contain any offer of S2 Shares for subscription or purchase or any invitation to subscribe for or buy S2 Shares.

This Information Memorandum is dated 21 September 2015.

2. INFORMATION IN RELATION TO S2 RESOURCES

The Demerger Scheme was announced on Monday, 25 May 2015 as part of the Transaction, and involves a Demerger to create a new mining exploration entity, S2 Resources.

As a result of the Demerger, S2 Resources holds the S2 Assets, including the Polar Bear Project and the Scandinavian Assets. More information on the S2 Assets is set out in Sections 4.6 and 4.7 of the Demerger Scheme Booklet.

S2 Resources is expected to have approximately A\$22 million in working capital, and more information on the sources and uses of the working capital is set out in Section 4.5 of the Demerger Scheme Booklet.

S2 Resources' objective is to generate 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. For more information on S2 Resources' objectives and business strategy, see Section 4.3 of the Demerger Scheme Booklet. For more information on the S2 Board and senior management, see Section 4.9 of the Demerger Scheme Booklet.

3. WAIVERS

S2 Resources has sought and obtained a waiver from ASX in relation to a number of ASX Listing Rules. Further details in relation to this relief is set out in Section 13.9 of the Demerger Scheme Booklet. As part of that relief, ASX has stated that for the purposes of ASX Listing Rule 1.1, Condition 3, S2 Resources may provide an information memorandum that satisfies the requirements set out in ASX Listing Rule 1.4, in lieu of a prospectus.

4. INCORPORATION OF THE DEMERGER SCHEME BOOKLET

- (a) Capitalised terms defined in the Demerger Scheme Booklet prepared by Sirius dated 31 July 2015 (a copy of which is included as Annexure A to this Information Memorandum) have the same meaning where used in this Information Memorandum (unless the context otherwise requires).
- (b) The following parts of the Demerger Scheme Booklet are taken to be included in this Information Memorandum:
 - (i) Important Notices to the extent that it relates to S2 Resources;
 - (ii) Important Dates and Expected Timetable for the Demerger Scheme to the extent that it relates to S2 Resources;
 - (iii) Letter from Chairman of Sirius to the extent that it relates to S2 Resources;
 - (iv) Section 2 (S2 Resources Investment Highlights);
 - (v) Section 3 (Frequently Asked Questions) to the extent that it relates to S2 Resources;
 - (vi) Section 4 (Profile of S2 Resources if the Demerger is Implemented);
 - (vii) Section 5 (Investigating Accountant's Report) to the extent that it relates to S2 Resources;
 - (viii) Section 6 (Summary of the Demerger Scheme) to the extent that it relates to S2 Resources;
 - (ix) Section 8 (Risk Factors) to the extent that it relates to S2 Resources;
 - (x) Section 9 (Profile of Sirius) to the extent that it relates to S2 Resources;
 - (xi) Section 11 (Taxation Implications for Sirius Shareholders) to the extent that it relates to S2 Resources;
 - (xii) Section 12 (Implementation of the Demerger Scheme) to the extent that it relates to S2 Resources;
 - (xiii) Section 13 (Additional Information) to the extent that it relates to S2 Resources;
 - (xiv) Section 14 (Glossary and Interpretation);
 - (xv) Annexure A (Summary of Terms of Demerger Implementation Deed);
 - (xvi) Annexure B (Summary of Terms of Demerger Transition Deed);
 - (xvii) Annexure C (Demerger Deed Poll);
 - (xviii) Annexure D (Demerger Scheme);
 - (xix) Annexure G (Independent Expert's Report) to the extent that it relates to S2 Resources;
 - (xx) Annexure H (Independent Geological Report) to the extent that it relates to S2 Resources; and
 - (xxi) Annexure I (List of Tenements Held by S2 Resources).

5. ASX

- (a) The persons who have signed this Information Memorandum believe that this Information Memorandum (incorporating the parts of the Demerger Scheme Booklet referred to in Section 4(b) of this Information Memorandum) contains all the information which would have been required under section 710 of the Corporations Act if the Information Memorandum were a prospectus in respect of an offering by S2 Resources of the same number of S2 Shares as will be transferred to Scheme Participants pursuant to the Demerger Scheme.
- (b) Neither ASX nor any of its officers take any responsibility for the contents of this Information Memorandum. The fact that ASX may admit S2 Resources to its official list is not to be taken in any way as an indication of the merits of S2 Resources.

6. CAPITAL STRUCTURE

The current and proposed capital structure of S2 Resources immediately post-Listing is set out in the table below.

Class of securities	No. on issue	No. proposed to be issued between the date of this Information Memorandum and Listing	No. on issue on Listing	No. to be issued post-Listing in accordance with material contracts
Fully paid ordinary shares	207,401,278	Nil	207,401,278	Nil
Options	28,700,000	Nil	28,700,000	Nil

7. DISCLOSURE OF INTERESTS

7.1 Directors

Other than as set out in this Information Memorandum or in the Demerger Scheme Booklet, no S2 Director or proposed S2 Director, nor any entity in which the S2 Director or proposed S2 Director is member or partner, has at the date of this Information Memorandum, or has had within two years before the date of this Information Memorandum, any interest in the promotion of S2 Resources or in any property acquired or proposed to be acquired by S2 Resources and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any S2 Director or proposed S2 Director, or to any entity in which an S2 Director or proposed S2 Director is a member or partner, either to induce them to become, or to qualify them as, an S2 Director, or otherwise for services rendered by them or by the entity in connection with the promotion or formation of S2 Resources.

7.2 Experts

- (a) Except as set out in this Information Memorandum or in the Demerger Scheme Booklet, no expert named in this Information Memorandum or entity in which any such expert is a partner or member has any interest in the promotion of S2 Resources or in any property acquired or proposed to be acquired by S2 Resources and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any such expert or to any entity in which any such expert is a partner or member for services rendered by him or her or the entity in connection with the promotion or formation of S2 Resources.

- (b) The parties listed in the Demerger Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Demerger Scheme Booklet are:
 - (i) BDO Corporate Finance (Independent Expert);
 - (ii) Optiro (Independent Geologist);
 - (iii) Hartleys Limited (Corporate adviser to Sirius)
 - (iv) Ashurst Australia (Legal adviser to Sirius);
 - (v) KPMG (as Australian tax adviser to Sirius);
 - (vi) BDO Audit (Investigating Accountant); and
 - (vii) Computershare Investor Services Pty Ltd (Share Registry to Sirius).

Each of them will be entitled to receive professional fees as set out in Section 13 of the Demerger Scheme Booklet and elsewhere, charged in accordance with their normal basis of charging.

8. CONSENTS

- (a) The parties listed in Section 7.2(b) of this Information Memorandum have given and have not, before the lodgement of this Information Memorandum with ASX, withdrawn their written consent:
 - (i) to be named in the Demerger Scheme Booklet in the form and context in which they are named; and
 - (ii) if applicable, to the inclusion of each statement made by them (and each statement based on statements made by them) (if any) in the form and context in which these statements appear in the Demerger Scheme Booklet.
- (b) The following parties have given and have not, before the lodgement of this Information Memorandum with ASX, withdrawn their written consent to the inclusion of the following information in the Demerger Scheme Booklet in the form and context in which it is included and to all references in the Demerger Scheme Booklet to that information in the form and context in which they appear:
 - (i) BDO Corporate Finance has consented to the inclusion of the Independent Expert's Report in the form and context in which it appears in Annexure G and references to the Independent Expert's Report in the form and context in which they appear;
 - (ii) Optiro has consented to the inclusion of the Independent Geological Report in the form and context in which it appears as an annexure to the Independent Expert's Report and references to the Independent Geological Report in the form and context in which they appear;
 - (iii) BDO Audit has consented to the inclusion of the Investigating Accountant's Report in the form and context in which it appears in Section 5 of the Demerger Scheme Booklet and references to the Investigating Accountant's Report in the form and context in which they appear; and
 - (iv) KPMG has consented to the inclusion of Section 11 of the Demerger Scheme Booklet and references to the information set out in Section 13 of the Demerger Scheme Booklet in the form and context in which they appear.

- (c) Each party listed in Section 7.2(b) of this Information Memorandum:
- (i) does not make or purport to make any statement in the Demerger Scheme Booklet or any statement on which a statement in the Demerger Scheme Booklet is based, other than a statement included in the Demerger Scheme Booklet with the consent of that person;
 - (ii) to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of the Demerger Scheme Booklet, other than a reference to its name and any statement or report which has been included in the Demerger Scheme Booklet with the consent of that person; and
 - (iii) has not authorised or caused the issue of the Demerger Scheme Booklet.

9. ASX LISTING RULE 10.15A REQUIREMENTS

As set out in Section 4.12(a) of the Demerger Scheme Booklet, S2 Resources has issued S2 Options to the S2 Directors pursuant to the terms of the S2 DIP, the key terms of which have been summarised in Section 4.12(a) of the Demerger Scheme Booklet.

S2 Resources has established the S2 DIP (along with the S2 ESOP) to attract, retain and motivate the S2 Directors and employees, and to align the interests of S2 Directors and employees with the company's interests and the interests of the holders of S2 Shares.

The S2 DIP in particular is open to the S2 Directors to participate by invitation. Under the S2 DIP, S2 Directors will be offered S2 Options, which will be issued for nil cash consideration.

As part of the Demerger Scheme, and as mentioned in Section 3 of this Information Memorandum above, ASX has granted S2 Resources a waiver from the requirement in ASX Listing Rule 10.14 to obtain shareholder approval for an issue of S2 Options to S2 Directors, subject to a number of conditions. One such condition is that S2 Resources complies with the requirements set out in ASX Listing Rule 10.15A. S2 Resources complied with the majority of the requirements in ASX Listing Rule 10.15A in the Demerger Scheme Booklet. However, for ease of reference, the following table sets out the relevant information required by ASX Listing Rule 10.15A and / or where to find the information in the Demerger Scheme Booklet.

ASX Listing Rule	Requirement	Location in Demerger Scheme Booklet / information
10.15A.1	If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained.	Not applicable – all persons receiving S2 Options under the S2 DIP are S2 Directors.
10.15A.2	The maximum number of securities that may be acquired by all persons for whom approval is required, including the formula (if one is used) for calculating the number of securities to be issued.	See Section 4.12(a) of the Demerger Scheme Booklet.
10.15A.3	The price (including a statement whether the price will be, or be	The S2 Options will be issued for nil

	based on, the VWAP market price or closing market price), or the formula for calculating the price, for each security to be acquired under the scheme.	cash consideration. For details in relation to the exercise price of the S2 Options, see Section 4.12(a) of the Demerger Scheme Booklet.
10.15A.4	The names of all persons referred to in ASX Listing Rule 10.14 who received securities under the scheme since the last approval, the number of securities received and the acquisition price for each security.	Not applicable – no S2 Options have previously been issued under the S2 DIP.
10.15A.5	The names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the scheme.	All S2 Directors, Jeff Dowling, Mark Bennett and Anna Neuling.
10.15A.6	A voting exclusion statement.	Not applicable.
10.15A.7	The terms of any loan in relation to the acquisition.	Not applicable.
10.15A.8	A statement to the effect set out in the rule itself.	Details of the S2 DIP are set out in Section 4.12(a) of the Demerger Scheme Booklet. Details of any S2 Options issued under S2 DIP will be published in each annual report of S2 Resources relating to a period in which: (a) the S2 Options have been issued; and (b) the waiver from ASX providing relief from the requirement to obtain approval for the issue of the S2 Options under ASX Listing Rule 10.14 has been relied upon. Any additional persons who become entitled to participate in the S2 DIP in the future and who are not named in the Demerger Scheme Booklet will not participate until approval is obtained under ASX Listing Rule 10.14.
10.15A.9	The date by which the entity will issue the securities, which must be no later than three years after the meeting.	As stated in Section 4.12(a) of the Demerger Scheme Booklet, S2 Resources intends to issue the S2 Options under the S2 DIP prior to Listing.

10. CAPITAL RAISING

S2 Resources is not seeking to raise funds under either the Demerger Scheme Booklet or this Information Memorandum.

This Information Memorandum has been prepared by S2 Resources in connection with its application for admission to the official list of ASX of S2 Shares.

S2 Resources has not issued any equity capital for the three months before the date of issue of this Information Memorandum, other than for the purposes of the Internal Restructuring (as set out in Section 12.2 of the Demerger Scheme Booklet). S2 Resources will not need to raise any equity capital in the three months after the date of issue of this Information Memorandum.

11. CORPORATE GOVERNANCE

- (a) Ms Anna Neuling has been appointed as Company Secretary of S2 Resources, and is the person responsible for communication with ASX in relation to ASX Listing Rule matters in accordance with ASX Listing Rule 1.1, Condition 12.
- (b) S2 Resources' corporate governance statement is set out as Annexure B to this Information Memorandum.

12. SUPPLEMENTARY INFORMATION

S2 Resources will issue a supplementary Information Memorandum if it becomes aware of any of the following between the date of this Information Memorandum and the date the S2 Shares are quoted on ASX:

- (a) a material statement in this Information Memorandum is misleading or deceptive;
- (b) a material omission from this Information Memorandum;
- (c) a significant change affecting a matter included in this Information Memorandum; or
- (d) a significant new circumstance has arisen and it would have been required to be included in this Information Memorandum if it had arisen before the date of this Information Memorandum.

13. FINANCIAL INFORMATION AND WORKING CAPITAL REQUIREMENTS

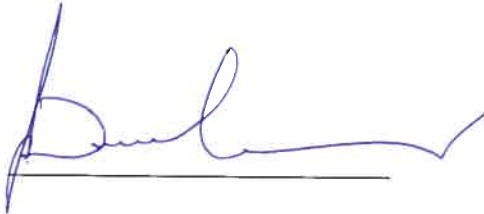
- (a) Section 5 of the Demerger Scheme Booklet contains the Investigating Accountant's Report, including a statement of profit or loss and other comprehensive income, and a pro forma consolidated statement of financial position, derived from the historical financial information of Polar Metals and Sirius Europa as at 31 December 2014, and adjusted for certain subsequent events as set out in the Investigating Accountant's Report.
- (b) Annexures G and H of the Demerger Scheme Booklet contain the Independent Expert's Report and the Independent Geological Report, respectively, in relation to S2 Resources and the S2 Assets.
- (c) Section 4.2(c) of the Demerger Scheme Booklet summarises S2 Resources' funding strategy and financial status. Section 4.5 of the Demerger Scheme Booklet sets out information in relation to S2 Resources' proposed sources and uses of its working capital for the nine months to 30 June 2016, and for the two to three

years following 30 June 2016. As noted in that Section, these proposed sources and uses are anticipated, and are indicative only.

- (d) The S2 Resources Directors believe that S2 Resources has enough working capital to carry out its stated objectives. For more information in relation to S2 Resources' stated business strategy, see Section 4.3 of the Demerger Scheme Booklet.

AUTHORISATION

The Information Memorandum is authorised by each of the S2 Directors, who consent to its lodgement with ASX and its issue.

A handwritten signature in blue ink, appearing to be 'J. Dowling', written over a horizontal line.

Jeff Dowling, Non-Executive Chairman

A handwritten signature in blue ink, appearing to be 'M. Bennett', written over a horizontal line.

Mark Bennett, Managing Director /
Chief Executive Officer

A handwritten signature in blue ink, appearing to be 'A. Neuling', written over a horizontal line.

Anna Neuling, Executive Director

Date:

ANNEXURE A
DEMERGER SCHEME BOOKLET



Sirius Resources NL ACN 009 150 083
Demerger of S2 Resources Ltd ACN 606 128 090

DEMERGER SCHEME BOOKLET

A RECOMMENDED SCHEME OF ARRANGEMENT
IN RELATION TO THE PROPOSED DEMERGER
OF S2 RESOURCES LTD

Your Sirius Directors unanimously recommend that you **VOTE IN FAVOUR** of the Demerger Scheme, in the absence of a Superior Proposal.

Your Sirius Directors intend to **VOTE IN FAVOUR** of the Demerger Scheme in respect of the Sirius Shares over which they have voting control, in the absence of a Superior Proposal.

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Demerger Scheme. If you are in any doubt as to how to deal with this Demerger Scheme Booklet, you should consult your broker or your financial adviser, legal or other professional adviser immediately.

If you have any questions in relation to this Demerger Scheme Booklet or the Demerger Scheme, you should call the Sirius Shareholder Information Line on 1800 992 793 (within Australia) or +61 1800 992 793 (from outside Australia) on week days between 6.30am and 5.30pm (Perth time).



Contents

	Important Notices	2
	Important Dates and Expected Timetable for the Demerger Scheme	4
	Letter from Chairman of Sirius	5
Section		
	1. Considerations Relevant to Your Vote on the Demerger Scheme	7
	2. S2 Resources Investment Highlights	15
	3. Frequently Asked Questions	17
	4. Profile of S2 Resources if the Demerger is Implemented	31
	5. Investigating Accountant's Report	58
	6. Summary of the Demerger Scheme	76
	7. How to Vote at the Demerger Scheme Meeting and the General Meeting?	81
	8. Risk Factors	85
	9. Profile of Sirius	91
	10. What if the Demerger Scheme is Not Implemented?	93
	11. Taxation Implications for Sirius Shareholders	95
	12. Implementation of the Demerger Scheme	102
	13. Additional Information	110
	14. Glossary and Interpretation	124
Annexure		
	A. Summary of Terms of Demerger Implementation Deed	138
	B. Summary of Terms of Demerger Transition Deed	142
	C. Demerger Deed Poll	147
	D. Demerger Scheme	156
	E. Notice of Demerger Scheme Meeting	169
	F. Notice of General Meeting	174
	G. Independent Expert's Report	178
	H. Independent Geological Report	229
	I. List of Tenements Held by S2 Resources	260
	Corporate Directory	265

IMPORTANT NOTICES

Nature of this document

This Demerger Scheme Booklet is important. Sirius Shareholders should carefully read this Demerger Scheme Booklet in its entirety before deciding how to vote on the Demerger Scheme Resolution and the Capital Reduction Resolution.

This Demerger Scheme Booklet provides Sirius Shareholders with information about the proposed Demerger of S2 Resources from Sirius, by way of a scheme of arrangement between Sirius and Sirius Shareholders under Part 5.1 of the Corporations Act.

This Demerger Scheme Booklet constitutes an explanatory statement pursuant to section 412(1) of the Corporations Act and contains certain information which is material to the decision of Sirius Shareholders to vote in favour of, or against, the Demerger Scheme Resolution at the Demerger Scheme Meeting. It also provides all the information known to the Sirius Board that is material to Sirius Shareholders in deciding how to vote on the Capital Reduction Resolution at the General Meeting.

The Notice of Demerger Scheme Meeting is contained in Annexure E of this Demerger Scheme Booklet. The Pink Proxy Form accompanying this Demerger Scheme Booklet should be used in respect of voting on the Demerger Scheme Resolution at the Demerger Scheme Meeting. The Notice of General Meeting is contained in Annexure F of this Demerger Scheme Booklet. The Green Proxy Form accompanying this Demerger Scheme Booklet should be used in respect of voting on the Capital Reduction Resolution at the General Meeting.

If you require further information or have questions regarding the Demerger Scheme, please call the Sirius Shareholder Information Line on 1800 992 793 (within Australia) or +61 1800 992 793 (from outside Australia) on week days between 6.30am and 5.30pm (Perth time). If you are in doubt about anything in this Demerger Scheme Booklet, please contact your legal, financial or other professional adviser.

If you no longer hold any Sirius Shares, please disregard this Demerger Scheme Booklet.

Purpose of this Demerger Scheme Booklet

This Demerger Scheme Booklet is the explanatory memorandum issued by Sirius in connection with the proposed demerger of S2 Resources from Sirius, pursuant to which each Scheme Participant will receive the Demerger Scheme Consideration.

This Demerger Scheme Booklet is not a prospectus under Chapter 6D of the Corporations Act in respect of S2 Shares. Section 708(17) of the Corporations Act provides that an offer of securities does not need disclosure under Chapter 6D of the Corporations Act if it is made pursuant to a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court under section 411(1) or 411(1A) of the Corporations Act.

Responsibility for information

Except as provided below, the information in this Demerger Scheme Booklet has been prepared by Sirius and is the sole responsibility of Sirius.

The Independent Expert, with assistance from the Independent Geologist, has prepared the Independent Expert's Report in relation to the Demerger Scheme and takes responsibility for that Report. Sirius does not assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report. The Independent Expert's Report is set out in Annexure G.

KPMG has prepared the taxation implications section of this Demerger Scheme Booklet, set out in Section 11 and takes responsibility for that Section only.

The Investigating Accountant has prepared the Investigating Accountant's Report set out in Section 5 of this Demerger Scheme Booklet and takes responsibility for that Investigating Accountant's Report only.

Regulatory information and role of ASIC and ASX

A copy of the proposed Demerger Scheme is included in this Demerger Scheme Booklet as Annexure D.

A copy of this Demerger Scheme Booklet has been provided to ASIC in accordance with section 411(2)(b) of the Corporations Act. This Demerger Scheme Booklet was then registered by ASIC under section 412(6) of the

Corporations Act before being sent to Sirius Shareholders.

ASIC has examined a copy of this Demerger Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Demerger Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date because it is only at this time that ASIC will have been able to observe the entire Demerger Scheme process. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court Date. Neither ASIC nor any of its officers take any responsibility for the contents of this Demerger Scheme Booklet.

A copy of this Demerger Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Demerger Scheme Booklet.

Court order

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Demerger Scheme Meeting be convened and has approved the Demerger Scheme Booklet required to accompany the Notice of Demerger Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Demerger Scheme or as to how Sirius Shareholders should vote (on this matter Sirius Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, this Demerger Scheme Booklet.

Forward looking statements and intentions

Certain statements in this Demerger Scheme Booklet are about the future. Such statements and information are not based solely on historical facts, but rather reflect the current expectations of Sirius concerning future results, events or other matters.

Sirius Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Sirius or S2 Resources to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could

cause the future conduct, results, performance or achievements to be materially different from historical conduct, results, performance or achievements.

These risks, uncertainties, assumptions and other important factors include, among other things, the risks set out in Section 8 of this Demerger Scheme Booklet.

Neither Sirius, nor any of its directors, officers or advisers, or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Demerger Scheme Booklet will actually occur.

Sirius Shareholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Demerger Scheme Booklet reflect views held only as at the date of this Demerger Scheme Booklet.

Subject to the Corporations Act and any other applicable laws, Sirius disclaims any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Demerger Scheme Meeting and which the Sirius Directors consider is material to the making of a decision regarding whether or not to vote in favour of the Demerger Scheme.

This document is not investment advice

This Demerger Scheme Booklet does not take into account the investment objectives, financial situation and particular needs of each individual Sirius Shareholder or any other person. Before making any investment decision in relation to the Demerger Scheme, you should consider, with or without the assistance of an independent securities adviser, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances.

Sirius Shareholders outside Australia

This Demerger Scheme Booklet and the Demerger Scheme itself are subject to Australian disclosure requirements, which may differ from the applicable requirements in other jurisdictions. The information contained in this Demerger Scheme Booklet may not be the same as that which would have been disclosed if this Demerger Scheme Booklet had been prepared in accordance with laws and regulations outside Australia. This

Demerger Scheme Booklet and the Demerger Scheme do not constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

A Scheme Participant:

- who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than Australia or New Zealand and their respective external territories; or
- who is recorded in the Sirius Register at the Scheme Record Date as having a registered address outside Australia or New Zealand,

will be a Sirius Overseas Shareholder for the purposes of the Demerger Scheme.

Sirius Overseas Shareholders should refer to Section 12.8 of this Demerger Scheme Booklet to determine whether they are eligible to receive the S2 Shares as the Demerger Scheme Consideration, or whether they are Ineligible Overseas Shareholders. Ineligible Overseas Shareholders will not be issued S2 Shares. Instead, they will receive the net proceeds from the sale of the S2 Shares to which they would otherwise have been entitled to receive. Ineligible Overseas Shareholders should refer to Section 12.8 for further information. Any Sirius Shareholders that are resident outside Australia for taxation purposes should seek individual advice from their professional tax advisers in relation to the taxation implications of their participation in the Demerger Scheme.

Privacy

Sirius may need to collect personal information to effect the Demerger Scheme.

The personal information may include the names, contact details and details of holdings of Sirius Shareholders, together with the contact details of individuals appointed as proxies, attorneys or corporate representatives for the Demerger Scheme Meeting.

The collection of some of this information is required or authorised by the Corporations Act.

The information may be disclosed to Sirius and its Related Bodies Corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to effect the Demerger Scheme.

Sirius Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected

about them. Sirius Shareholders may contact the Share Registry if they wish to exercise these rights.

If the information outlined above is not collected, Sirius may be hindered or prevented from conducting the Demerger Scheme Meeting or implementing the Demerger Scheme. Sirius Shareholders who appoint an individual as their proxy, attorney or corporate representative to vote at the Demerger Scheme Meeting should inform that individual of the matters outlined above.

External websites

Unless expressly stated otherwise, the content of Sirius' website does not form part of this Demerger Scheme Booklet and Sirius Shareholders should not rely on any such content.

Glossary and defined terms

Capitalised terms used in this Demerger Scheme Booklet are defined in the Glossary in Section 14 of this Demerger Scheme Booklet. Section 14.2 also sets out rules of interpretation which apply to this Demerger Scheme Booklet. Unless expressly stated otherwise, the definitions of the capitalised terms in the Glossary do not apply to the capitalised terms set out in any of the Annexures to this Demerger Scheme Booklet.

The calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Demerger Scheme Booklet are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Demerger Scheme Booklet

Date of this Demerger Scheme Booklet

This Demerger Scheme Booklet is dated 31 July 2015.

Important Dates and Expected Timetable for the Demerger Scheme

Key Dates

Announcement date of the Demerger Scheme	Monday, 25 May 2015
Date of this Demerger Scheme Booklet	Friday, 31 July 2015
Deadline for receipt of the Pink Proxy Form or powers of attorney by the Share Registry for the Demerger Scheme Meeting	9.00am on Tuesday, 1 September 2015
Deadline for receipt of the Green Proxy Form or powers of attorney by the Share Registry for the General Meeting	11.00am on Tuesday, 1 September 2015
Time and date for determining eligibility to vote at the Demerger Scheme Meeting	5.00pm on Tuesday, 1 September 2015
Demerger Scheme Meeting to be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia	9.00am on Thursday, 3 September 2015
General Meeting to be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia	11.00am on Thursday, 3 September 2015

If the Demerger Scheme is approved by Sirius Shareholders

Second Court Hearing for approval of the Demerger Scheme	Wednesday, 9 September 2015
Effective Date Court order lodged with ASIC and announcement to ASX Last day of trading in Sirius Shares on ASX	Thursday, 10 September 2015
Scheme Record Date for determining entitlements to Demerger Scheme Consideration	5.00pm on Tuesday, 15 September 2015
Demerger Scheme Implementation Date Transfer of Demerger Scheme Consideration to Scheme Participants	Monday, 21 September 2015
Listing of S2 Resources	Targeted to be within six to eight weeks of the Demerger Scheme Implementation Date, with the application for Listing lodged within seven days after the Demerger Scheme Implementation Date

All dates following the date of the Demerger Scheme Meeting are indicative only and, among other things, are subject to receipt of all necessary approvals from the Court and any other Government Agency. The actual timetable will depend on many factors outside the control of Sirius and S2 Resources, including the Court approval process and satisfaction of other Conditions. Sirius reserves the right to vary the times and dates set out above. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced on ASX and set out on Sirius' website at www.siriusresources.com.au.

Letter from Chairman of Sirius

Friday, 31 July 2015

Dear Sirius Shareholder

Recommended Demerger Scheme of Arrangement

On behalf of the Board of Directors of Sirius, I am pleased to present you with this Demerger Scheme Booklet.

On Monday, 25 May 2015, Sirius announced two separate but inter-conditional schemes of arrangement, being the Acquisition Scheme, whereby IGO would acquire all of your Sirius Shares, and the Demerger Scheme, under which certain of Sirius' exploration assets would be transferred to and developed by a new company, S2 Resources Ltd, which will apply for listing on ASX within seven days after the Demerger Scheme Implementation Date (together, the Transaction).

Under the Demerger Scheme, Sirius Shareholders will receive one S2 Share for every two Sirius Ordinary Shares held.

Your Sirius Directors believe that the Demerger Scheme is in the best interests of Sirius Shareholders and, therefore, unanimously recommend that you vote in favour of the Demerger Scheme and also the Capital Reduction (which is a separate, but necessary step in the process of effecting the Demerger). Each Sirius Director intends to vote in favour of the Demerger Scheme and the Capital Reduction in respect of the Sirius Shares they own or control.

Should the Demerger Scheme be approved by Sirius Shareholders, then the Acquisition Scheme will be put to a vote of Sirius Shareholders. Full details of the Acquisition Scheme can be found in the Acquisition Scheme Booklet, which has been sent to Sirius Shareholders at the same time as this Demerger Scheme Booklet.

Overview of S2 Resources

The Demerger Scheme will give Sirius Shareholders ownership of a new, well-funded exploration company led by Dr Mark Bennett and his highly experienced and successful exploration team, with a portfolio of early stage exploration projects and prospects.

S2 Resources' portfolio will include the 100% owned Polar Bear Project in Western Australia, and a 67% interest in a portfolio of gold and base metals exploration properties in Sweden and Finland.

The Polar Bear Project was Sirius' flagship exploration project prior to the discovery of the Nova-Bollinger Project. It includes the Halls Knoll, Taipan and Taipan North Nickel Prospects, the Monsoon, Nanook and Earlobe Gold Prospects and the recently discovered Baloo Gold Deposit. The Polar Bear Project covers an area of more than 150 square kilometres between the multi-million ounce gold camps at Norseman, St Ives and Higginsville in the Eastern Goldfields region of Western Australia. The Polar Bear Project area is prospective for the discovery of gold, base metal and platinum group metal deposits. S2 Resources also holds an additional 294 square kilometres of ground under application adjacent to the Polar Bear Project and at the nearby Norcott Project tenement application, as well as an 80% interest in 103 square kilometres of tenement applications that comprise the adjacent Eundynie Joint Venture.

In Sweden and Finland, S2 Resources will hold a 67% interest in Norse Exploration Pty Ltd which holds a 100% interest in a private Finnish company Sakumpu, one of the largest mineral title holders in the Highly Prospective Central Lapland Greenstone Belt of Finland and the Skellefteå Belt of Sweden. These districts are considered prospective for the discovery of gold and base metals deposits. Sakumpu is headed by accomplished explorers, Graham Brown, James Coppard and Alain Chevalier.

Dr Mark Bennett, founding and current Managing Director of Sirius, will become Managing Director of S2 Resources. Dr Bennett led the discovery and financing of the Nova-Bollinger Project and is a two-time AMEC Prospector of the Year winner for his discovery of the Thunderbox gold and Waterloo nickel mines as well as the Nova nickel mine. A number of other key members of Sirius' original exploration team are also expected to join S2 Resources. Through the creation of S2 Resources, Sirius Shareholders will continue to have exposure to any future exploration success achieved by this management team.

Anna Neuling, Sirius' Executive Director, will be appointed as an Executive Director of S2 Resources and I will be appointed as Non-Executive Chairman.

Letter from Chairman of Sirius (cont)

On implementation of the Demerger Scheme, S2 Resources will have approximately A\$22 million in cash for working capital purposes, no debt and the capacity to continue to undertake a focussed exploration program on its tenements.

The advantages and reasons to vote in favour of the Demerger Scheme are set out in detail in Section 1.3. The disadvantages and reasons why you may choose to vote against the Demerger Scheme are set out in Section 1.4.

A group structure chart showing the group structure of S2 Resources (assuming that the Demerger Scheme is implemented) is set out in Section 4.2(b) of this Demerger Scheme Booklet.

If the Demerger Scheme is not implemented

If the Demerger Scheme is not implemented, the Acquisition Scheme will not be put to a Sirius Shareholder vote. Sirius will continue to be an independent entity listed on ASX and Sirius Shareholders will not receive the Acquisition Scheme Consideration and the Demerger Scheme Consideration. If the Transaction does not proceed and no alternative proposal emerges, the Sirius Directors consider that the market price of Sirius Shares is likely to trade at a lower price than the current Sirius Share price level, in the absence of exploration success or substantially improved market conditions.

Demerger Scheme Meeting

The Demerger Scheme must be approved by Sirius Shareholders and is subject to a number of Conditions. These Conditions include approval by the Court and are summarised in Section 6.7 and Annexure A of this Demerger Scheme Booklet.

The Demerger Scheme Meeting is scheduled to be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia on Thursday, 3 September 2015 at 9.00am.

General Meeting

The Capital Reduction requires separate Sirius Shareholder approval, and is a necessary step in the process of effecting the Demerger (in addition to the Demerger Scheme).

The General Meeting to approve the Capital Reduction Resolution is also scheduled to be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia on Thursday, 3 September 2015 at 11.00am.

Your vote is important for the Demerger Scheme, and the Transaction, to proceed

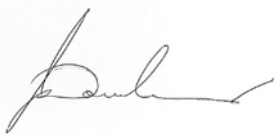
Your vote is important and I strongly encourage you to vote on this important Transaction at the Demerger Scheme Meeting, the Acquisition Scheme Meeting and the General Meeting.

For details of how you may vote at the Demerger Scheme Meeting and the General Meeting, refer to the Notice of Demerger Scheme Meeting and the Notice of General Meeting contained in Annexure E and Annexure F, respectively, of this Demerger Scheme Booklet.

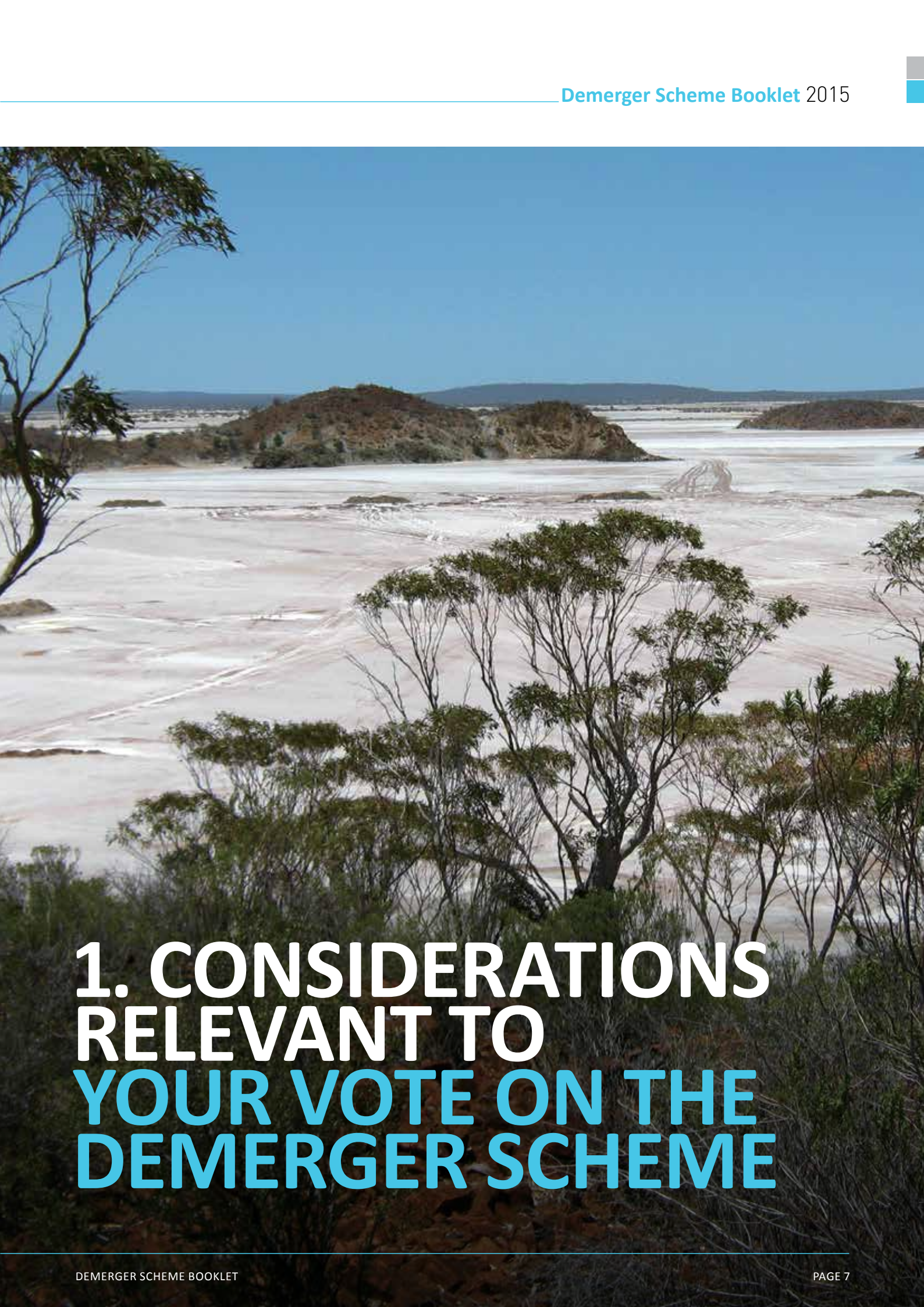
I encourage you to read this Demerger Scheme Booklet carefully and in its entirety as it contains important information that will need to be considered before you vote on the Demerger Scheme and the Capital Reduction.

If you have any questions about the Demerger Scheme or the Capital Reduction, please contact the Sirius Shareholder Information Line on 1800 992 793 (within Australia) or +61 1800 992 793 (from outside Australia) on week days between 6.30am and 5.30pm (Perth time).

Yours sincerely



Jeff Dowling
Chairman
Sirius Resources NL



1. CONSIDERATIONS RELEVANT TO YOUR VOTE ON THE DEMERGER SCHEME

1. Considerations Relevant to Your Vote on the Demerger Scheme

1.1 Summary

Advantages of the Demerger Scheme

✓	The Independent Expert has concluded that the Demerger Scheme is in the best interests of Sirius Shareholders, in the absence of a Superior Proposal
✓	The Demerger Scheme will create a distinct and well-capitalised exploration company focussed on the S2 Assets, comprising the Polar Bear Project in Western Australia and a range of gold and base metals exploration assets in Finland and Sweden, which the S2 Board considers to be Highly Prospective
✓	S2 Resources will benefit from the corporate knowledge and skills of a dedicated Board and management team, all of whom have a demonstrated track record in management of exploration companies and project development
✓	S2 Resources will have a dedicated and very successful exploration team, comprising the core of the original Sirius exploration team, including Dr Mark Bennett
✓	The Demerger Scheme, if implemented, will enable a greater market focus on the exploration activities at the S2 Assets, and may result in a more appropriate market valuation of the S2 Assets over time
✓	The Demerger Scheme, if implemented, positions S2 Resources with an appropriate capital structure and a strong balance sheet
✓	As a result of the Demerger, sophisticated and institutional investors will have a higher degree of awareness of S2 Resources than might ordinarily be the case for a small market capitalisation mining exploration entity
✓	The Demerger of S2 Resources may provide Sirius Shareholders with greater financial leverage to any exploration success than would otherwise be the case if the S2 Assets continued to be held within Sirius, or were transferred to the Merged Group as part of the Acquisition Scheme
✓	The Demerger Scheme and the Acquisition Scheme are inter-conditional, therefore, if the Demerger Scheme is not approved, the Acquisition Scheme cannot proceed
✓	The Demerger will provide Sirius Shareholders with greater flexibility in structuring their investment portfolio to align with their individual investment goals
✓	No brokerage or stamp duty will be payable under the Demerger Scheme

These reasons are discussed in more detail in Section 1.3.

Disadvantages of the Demerger Scheme

✗	S2 Resources will be significantly smaller than Sirius and will be focussed on higher risk (but potentially higher reward) exploration activities
✗	S2 Resources will no longer have financial support from Sirius to fund its exploration activities
✗	The implementation of the Demerger Scheme may result in additional ongoing costs for S2 Resources
✗	S2 Resources will not be included in the S&P/ASX 200 Index and is expected to have significantly lower liquidity than Sirius

These reasons are discussed in more detail in Section 1.4.

1. Considerations Relevant to Your Vote on the Demerger Scheme (cont)

1.2 Recommendation

The Sirius Directors unanimously recommend that Sirius Shareholders vote in favour of the Demerger Scheme, in the absence of a Superior Proposal, by voting in favour of the Demerger Scheme Resolution to be put at the Demerger Scheme Meeting and the Capital Reduction Resolution to effect the Demerger, which will be put at the General Meeting.

The Sirius Directors who hold or control Sirius Shares intend to vote their shares in favour of the Demerger Scheme Resolution and the Capital Reduction Resolution, in the absence of a Superior Proposal.

1.3 Advantages of the Demerger Scheme

The Sirius Directors have taken into account a number of factors in recommending the Demerger Scheme to Sirius Shareholders, and consider that the advantages of the Demerger Scheme outweigh its disadvantages. Those factors include the following key advantages of the Demerger Scheme:

(a) The Independent Expert has concluded that the Demerger Scheme is in the best interests of Sirius Shareholders, in the absence of a Superior Proposal

The Sirius Directors appointed the Independent Expert to prepare an Independent Expert's Report, including an opinion as to whether the implementation of the Demerger Scheme, which will result in S2 Resources being spun out of Sirius on the basis of 1 S2 Share for every 2 Sirius Shares held as at the Scheme Record Date, is in the best interests of Sirius Shareholders. The Independent Expert considers that the advantages of the Demerger Scheme outweigh its disadvantages and, accordingly, has concluded that the Demerger Scheme is in the best interests of Sirius Shareholders.

The Independent Expert's Report is included in Annexure G of this Demerger Scheme Booklet. The Sirius Directors encourage Sirius Shareholders to read the Independent Expert's Report in full.

(b) The Demerger Scheme will create a distinct and well-capitalised exploration company focussed on the S2 Assets, comprising the Polar Bear Project in Western Australia, and a range of gold and base metals exploration assets in Finland and Sweden, which the S2 Board considers to be Highly Prospective

If the Demerger Scheme is implemented, Sirius Shareholders will own 100% of S2 Resources through the pro rata distribution of 1 S2 Share for every 2 Sirius Shares held as at the Scheme Record Date. S2 Resources will be a separate entity to Sirius with approximately A\$22 million in cash for working capital purposes from the Demerger Scheme Implementation Date, and a portfolio of gold and base metals exploration assets located in Western Australia, Finland and Sweden, which the S2 Board considers will be Highly Prospective.

S2 Resources:

- (i) intends to apply for admission to the official list of ASX as soon as practicable and, in any event, within seven days after the Demerger Scheme Implementation Date; and
- (ii) aims to be listed within six to eight weeks after that application.

Listing is at ASX's discretion, and there is a risk that S2 Resources may not meet the requirements for admission to the official list of ASX. Should this occur, the S2 Shares received by Scheme Participants as Demerger Scheme Consideration will not be able to be traded on ASX until such time as the requirements for Listing can be met (if at all), and Scheme Participants will hold shares in a public unlisted company. The Sirius Board expects, however, that S2 Resources will be admitted to the official list of ASX within the timeframe referred to above.

1. Considerations Relevant to Your Vote on the Demerger Scheme (cont)

S2 Resources' portfolio will include the 100% owned Polar Bear Project, which itself includes the Halls Knoll, Taipan and Taipan North Nickel Prospects, Monsoon, Nanook and Earlobe Gold Prospects and the recently discovered Baloo Gold Deposit.

In the context of Sirius, the S2 Assets must compete with the Nova-Bollinger Project development and Sirius' Fraser Range exploration activities for priority in terms of management time and capital allocation.

Implementation of the Demerger Scheme will enable S2 Resources to focus on exploration of the S2 Assets without being impacted by the primary development activities of Sirius and Sirius' Fraser Range exploration program.

S2 Resources' strategy will focus on defining JORC compliant Mineral Resources at the Polar Bear Project using its own personnel, and also progressing early stage exploration of its Finnish and Swedish exploration assets using Sakumpu's personnel. In Finland and Sweden, S2 Resources intends to progress reconnaissance exploration to define drill-ready targets by the end of the 2016 calendar year. For more information in relation to S2 Resources' exploration plan for the S2 Assets, please see Section 4.3 of this Demerger Scheme Booklet.

(c) S2 Resources will benefit from the corporate knowledge and skills of a dedicated Board and management team, all of whom have a demonstrated track record in management of exploration companies and project development

If the Demerger Scheme is implemented, S2 Shareholders will benefit from the expertise of key members of Sirius' management team and Board who will join S2 Resources.

The corporate management of S2 Resources will be led by Dr Mark Bennett (founding Managing Director of Sirius) and Ms Anna Neuling (Director – Corporate and Commercial, Sirius), who will also take up executive positions on the S2 Board.

In addition, if the Demerger Scheme is implemented, the current Chairman of Sirius, Mr Jeff Dowling, will take up the position of Non-Executive Chairman of S2 Resources.

Dr Bennett, Ms Neuling and Mr Dowling have served on the Sirius Board during a period of time in which Sirius raised over A\$272 million in equity capital, and negotiated and executed numerous key agreements for the purposes of developing the Nova-Bollinger Project. These agreements include the Fraser Range Joint Venture, the acquisition of the Creasy Group's 30% interest in the Nova-Bollinger Project (to deliver 100% ownership of the Nova-Bollinger Project to Sirius Shareholders), the Mining Agreement with the Ngadju People, the project financing for the development of the Nova-Bollinger Project, product offtake agreements with BHP Billiton Limited and Trafigura Beheer B.V., statutory permitting and development approvals and major construction contracts. Most recently, it included the Scheme Implementation Deed for the purposes of the Acquisition Scheme, pursuant to which IGO has agreed to acquire Sirius for the Acquisition Scheme Consideration, representing a 47% premium to the two-month VWAP.

The proposed S2 Board and management team have a proven track record through their work at Sirius and other companies and, if the Demerger Scheme is implemented, they will utilise their expertise to drive S2 Resources' growth strategy and exploration plan.

1. Considerations Relevant to Your Vote on the Demerger Scheme (cont)

(d) S2 Resources will have a dedicated and very successful exploration team, comprising the core of the original Sirius exploration team, including Dr Mark Bennett

If the Demerger Scheme is implemented, Sirius Shareholders will continue to benefit from the expertise of key members of Sirius' successful exploration team, who will join S2 Resources. The S2 Resources exploration team will have a detailed understanding of the S2 Assets, having overseen the exploration program of those assets at Sirius.

In addition, S2 Resources' exploration program will be led by Dr Mark Bennett, one of Australia's most successful and award-winning exploration geologists. Dr Bennett has twice received the AMEC "Prospector of the Year" award for his discoveries of the Nova-Bollinger nickel-copper mine, the Thunderbox gold mine and the Waterloo nickel mine.

Dr Bennett will be joined at S2 Resources by key members of Sirius' original exploration team, including John Bartlett (Sirius' current Exploration Manager) and Jeffrey Foster (Sirius' current New Projects Manager, and former Exploration Director).

(e) The Demerger Scheme, if implemented, will enable a greater market focus on the exploration activities at the S2 Assets, and may result in a more appropriate market valuation of the S2 Assets over time

Following implementation of the Demerger Scheme, S2 Resources will be a well-capitalised exploration company with a portfolio of exploration assets that the S2 Board considers to be Highly Prospective, and a partially delineated gold deposit at Baloo.

In the context of Sirius, the size and quality of the Nova-Bollinger Project may potentially overshadow the merits of Sirius' other assets, including the S2 Assets. Demerging the S2 Assets into a separate exploration-focussed company that intends to apply for admission to the official list of ASX as soon as practicable and, in any event, within seven days after the Demerger Scheme Implementation Date, may result in a more specific market focus on the S2 Assets going forward than is reasonable to expect while these assets are held as part of a portfolio that includes the Nova-Bollinger Project.

In addition, the Sirius Directors do not believe that the Sirius Share price currently ascribes full value to the S2 Assets. The Sirius Directors consider that the specific market focus on the S2 Assets and future exploration results that could result from the Demerger Scheme (if implemented) could potentially unlock greater value for Sirius Shareholders in time, as opposed to if the S2 Assets were retained within Sirius or transferred to IGO as part of the Acquisition Scheme.

(f) The Demerger Scheme, if implemented, positions S2 Resources with an appropriate capital structure and a strong balance sheet

Over the course of the progression of the Nova-Bollinger Project from discovery to development, Sirius has made certain decisions in relation to its capital structure and funding arrangements which allow it to best pursue development of the Nova-Bollinger Project, as opposed to the earlier-stage S2 Assets. The Demerger Scheme, if implemented, positions S2 Resources with an appropriate capital structure and strong balance sheet to enable it to pursue the business strategy outlined in Section 4.3 of this Demerger Scheme Booklet.

(g) As a result of the Demerger, sophisticated and institutional investors will have a higher degree of awareness of S2 Resources than might ordinarily be the case for a small market capitalisation mining exploration entity

If the Demerger Scheme is implemented, sophisticated and institutional investors will have a higher degree of awareness of S2 Resources than might ordinarily be the case for a small market capitalisation mining exploration entity, because S2 Resources will have been demerged from Sirius (a company which had a market capitalisation of A\$1.336 billion as at the Announcement Date and which is included in the S&P/ASX200 Index).

S2 Resources may benefit from the support of sophisticated and institutional investors as a result of the Demerger Scheme and its general market profile (although there is no guarantee that any sophisticated and institutional investors that are currently on the Sirius Register will continue to hold any S2 Shares after implementation of the Demerger Scheme, or that any other sophisticated and institutional investors will acquire S2 Shares in the future).

1. Considerations Relevant to Your Vote on the Demerger Scheme (cont)

(h) The Demerger of S2 Resources may provide Sirius Shareholders with greater financial leverage to any exploration success than would otherwise be the case if the S2 Assets continued to be held within Sirius, or were transferred to the Merged Group as part of the Acquisition Scheme

The Sirius Directors believe that the Demerger Scheme will put investors in a more informed position from which to evaluate the merits of the exploration assets held by S2 Resources. Being a standalone entity will also lead to greater market attention on the exploration results from the Polar Bear Project and the other S2 Assets. Therefore, S2 Shareholders may have greater financial leverage to any exploration success of the S2 Assets than if these assets remained within Sirius as a standalone entity, or were transferred to IGO as part of the Acquisition Scheme.

(i) The Demerger Scheme and the Acquisition Scheme are inter-conditional, therefore, if the Demerger Scheme is not approved, the Acquisition Scheme cannot proceed

The Demerger Scheme is conditional (among other things) on the Requisite Majorities of Sirius Shareholders also voting in favour of the Acquisition Scheme. Therefore, if the Demerger Scheme does not proceed, the Acquisition Scheme will not proceed, and Sirius Shareholders will not receive the Acquisition Scheme Consideration or the Demerger Scheme Consideration.

The Sirius Directors unanimously recommend that Sirius Shareholders vote in favour of both the Acquisition Scheme and the Demerger Scheme. For more information in relation to the Acquisition Scheme see the Acquisition Scheme Booklet, which was sent to you at the same time as this Demerger Scheme Booklet.

(j) The Demerger Scheme (if implemented) will provide Sirius Shareholders with greater flexibility in structuring their investment portfolio to align with their individual investment goals

If the Demerger Scheme and Acquisition Scheme are implemented, Sirius Shareholders will own 100% of S2 Resources and approximately 53.2% of the IGO Shares on issue. This will mean that Sirius Shareholders can deal with their holdings in S2 Resources and IGO separately, allowing Sirius Shareholders to tailor their exposure to each company, based on the companies' activities and risk profiles, and their own risk appetite and individual investment objectives.

If the Demerger Scheme is implemented, Sirius Shareholders will have the flexibility to manage their exposure to S2 Resources by:

- (i) holding shares in S2 Resources to retain their exposure;
- (ii) buying shares in S2 Resources to increase their exposure; or
- (iii) selling shares in S2 Resources to reduce their exposure.

In addition, provided that S2 Resources achieves a Listing on ASX, new investors who are seeking direct exposure to the S2 Assets and the expertise of the S2 Board and management may be attracted to the S2 Register.

(k) No brokerage or stamp duty will be payable under the Demerger Scheme

You will not incur any brokerage or stamp duty on the distribution of S2 Shares to you pursuant to the Demerger Scheme.

1.4 Disadvantages of the Demerger Scheme

Factors which may lead Sirius Shareholders to vote against the Demerger Scheme include the following:

(a) S2 Resources will be significantly smaller than Sirius and will be focussed on higher risk (but potentially higher reward) exploration activities

If the Demerger Scheme is implemented, S2 Resources will be a significantly smaller company than Sirius in terms of both market capitalisation and human resources. S2 Resources will hold a portfolio of exploration assets at a much earlier stage in the development process than Sirius' advanced Nova-Bollinger Project,

1. Considerations Relevant to Your Vote on the Demerger Scheme (cont)

which is currently under construction and expected to be in production in 2016, and which, following implementation of the Acquisition Scheme, will be owned by the Merged Group.

S2 Resources will be focussed on exploration activities at its gold and base metals projects located in Western Australia, Sweden and Finland, which the S2 Board considers to be Highly Prospective. By their nature, these activities are higher risk than more advanced projects, but they also have the potential for higher reward. For that reason, the S2 Share price could potentially experience greater volatility when compared with the Sirius Share price.

In addition, the S2 Share price is expected to be significantly leveraged to both positive and negative results received from exploration activities at the S2 Assets. When held within Sirius, the impact of exploration results relating to the S2 Assets was overshadowed by the results from, and the value investors attributed to, the Nova-Bollinger Project.

(b) **S2 Resources will no longer have financial support from Sirius to fund its exploration activities**

If the Demerger Scheme is implemented, S2 Resources will hold approximately A\$22 million in cash for working capital purposes on the Demerger Scheme Implementation Date, and the S2 Assets. S2 Resources' cash position will provide significant capital to fund its exploration activities over the coming two to three years.

As S2 Resources will not hold any production assets, it will not generate any cash flow from producing assets. Furthermore, S2 Resources will not have the benefit of financial support from Sirius to fund its exploration activities. Therefore, S2 Resources may be required to raise new capital to fund corporate and exploration expenses beyond an initial A\$22 million working capital amount to be held by S2 Resources as at the Demerger Scheme Implementation Date. Additionally, any funding obtained by S2 Resources may be on less favourable terms than the funding that could be obtained by Sirius.

Sirius Shareholders may consider that the level of uncertainty associated with S2 Resources' ability to access future funding and raise new capital, if required, is a factor relevant to their decision to vote against the Demerger Scheme.

(c) **The implementation of the Demerger Scheme may result in additional ongoing costs for S2 Resources**

If the Demerger Scheme is implemented, S2 Resources will apply for admission to the official list of ASX as soon as practicable, but, in any event, within seven days of the Demerger Scheme Implementation Date. Following a Listing, S2 Resources would incur corporate costs associated with running an ASX-listed company, including maintaining a separate Board of directors and management team, a registered office, a share registry, information technology, reporting systems and other corporate functions.

(d) **S2 Resources will not be included in the S&P/ASX 200 Index and is expected to have significantly lower liquidity than Sirius**

Sirius is currently a member of the S&P/ASX 200 Index. If the Demerger Scheme is implemented, S2 Resources will not be included in the S&P/ASX 200 Index due to its significantly lower market capitalisation.

This is likely to result in lower institutional investor interest in S2 Resources overall relative to Sirius' institutional investor interest prior to the Demerger. This may result in Sirius Shareholders selling their S2 Shares following Listing of S2 Resources because they do not wish to, or their investment mandate renders them unable to, invest in companies outside of the S&P/ASX 200 Index. In turn, this may put downwards pressure on the S2 Share price.

Due to the size of S2 Resources and the early stage of development of the S2 Assets, S2 Resources is expected to have significantly lower liquidity, in terms of average daily turnover of S2 Shares on the ASX, relative to Sirius. This may also limit institutional shareholder interest in S2 Resources.

1. Considerations Relevant to Your Vote on the Demerger Scheme (cont)

1.5 Other relevant considerations

(a) CGT demerger rollover relief

If the Demerger Scheme is implemented, those Scheme Participants who are eligible may benefit from Australian CGT demerger rollover relief. Sirius has applied to the ATO for a Class Ruling on behalf of Scheme Participants to confirm the key tax outcomes for Scheme Participants, including the availability or otherwise of CGT demerger rollover relief.

There is a risk that CGT demerger rollover relief may not be available or that the tax consequences may not be suitable to the individual circumstances of Scheme Participants. The tax consequences of the Demerger Scheme will differ for each Scheme Participant, and Scheme Participants should consult their independent taxation advisers to seek advice which considers their individual circumstances.

The implementation of the Demerger Scheme is not conditional on the outcome of the Class Ruling. In addition, the outcome of the Class Ruling may not be known at the time the Scheme Participants are expected to vote on the Demerger Scheme at the Demerger Scheme Meeting. Therefore, Sirius Shareholders may not have certainty in relation to the taxation consequences of the Demerger Scheme at the Demerger Scheme Meeting.

For further information in relation to the general Australian taxation consequences of the Demerger Scheme, see Section 11 of this Demerger Scheme Booklet.

(b) Transaction and other costs

Transaction and other costs incurred (or expected to be incurred) by Sirius in relation to the implementation of the Demerger Scheme include fees payable to financial, legal, technical, accounting and tax advisers, independent experts and costs relating to printing and dispatch of the Demerger Scheme Booklet.

If the Demerger Scheme does not proceed, Sirius is still expected to incur significant costs in relation to the Transaction. For more information in relation to transaction costs, see Section 6.6 of this Demerger Scheme Booklet.

(c) The Demerger Scheme may proceed even if you vote against it

The Demerger Scheme will be implemented if it is approved by the Requisite Majorities of Sirius Shareholders at the Demerger Scheme Meeting and by the Court, irrespective of whether you do not vote or you vote against the Demerger Scheme.

If this occurs, you will be transferred S2 Shares as your Demerger Scheme Consideration on the Demerger Scheme Implementation Date.

(d) Conditions precedent

The Demerger Scheme is subject to a number of conditions. These conditions are summarised in Section 6.7 and Annexure A of this Demerger Scheme Booklet.

If these conditions are not satisfied or waived (if permitted), the Demerger Scheme will not proceed, even if it is approved by Sirius Shareholders at the Demerger Scheme Meeting.

As at the date of this Demerger Scheme Booklet, the Sirius Board is not aware of any matter or circumstance that would result in the non-fulfilment of any of the conditions to the Scheme.



2. S2 RESOURCES INVESTMENT HIGHLIGHTS

2. S2 Resources Investment Highlights

Strong cash position with approximately A\$22 million in cash and no debt.

Control of a Highly Prospective portfolio of gold and base metals exploration assets in Western Australia, Finland and Sweden.

100% ownership of the Baloo Gold Deposit in Western Australia where a maiden Mineral Resource estimate is targeted in early 2016.

A strong pipeline of gold and base metals exploration projects that will be the subject of a systematic exploration program. Exploration projects include:

- Baloo Gold Deposit in Western Australia;
- Monsoon, Nanook and Earlobe Gold Prospects in Western Australia;
- Halls Knoll and Taipan Nickel Prospects in Western Australia; and
- Extensive exploration properties in the Central Lapland Greenstone Belt of Finland and the Skellefteå Belt of Sweden.

A dedicated and successful exploration team, with a proven track record, led by Dr Mark Bennett.

A board of directors with a depth of corporate experience and a demonstrated track record in management of exploration companies and project development.



A full-page background image showing a construction worker in a white hard hat and orange high-visibility shirt working on a yellow metal structure in a wooded area. The worker is looking down at a large metal pipe. The scene is outdoors with trees and foliage in the background.

3. FREQUENTLY ASKED QUESTIONS

3. Frequently Asked Questions

This Section answers some questions you may have about the Demerger Scheme. It is not intended to address all relevant issues for Sirius Shareholders. This Section should be read together with the other parts of this Demerger Scheme Booklet.

No.	Question	Answer	Where to find more information?
OVERVIEW OF THE TRANSACTION			
1.	Why have I received this Demerger Scheme Booklet?	You have been sent this Demerger Scheme Booklet because you are a Sirius Shareholder. On Monday, 25 May 2015, Sirius and IGO announced the Transaction to ASX. The Demerger Scheme is part of the Transaction. The purpose of this Demerger Scheme Booklet is to explain the terms of the proposed Demerger Scheme, and provide you with information to assist you in making a decision as to whether or not to vote in favour of the Demerger Scheme at the Demerger Scheme Meeting.	
2.	What is the Transaction?	On Monday, 25 May 2015, Sirius and IGO announced the Transaction to ASX. The Acquisition Scheme, Demerger Scheme and Capital Reduction are together referred to as the Transaction. The Transaction will be implemented by way of two inter-conditional schemes of arrangement and a capital reduction to effect the Demerger. For more information in relation to the Transaction, see Section 6.1 of this Demerger Scheme Booklet.	Section 6.1
3.	What is the Acquisition Scheme?	The Acquisition Scheme is a scheme of arrangement between Sirius and Sirius Shareholders. If the Acquisition Scheme becomes Effective: • IGO will issue and pay to the Scheme Participants the Acquisition Scheme Consideration; • IGO will acquire all of the Sirius Shares; and • Sirius will become a wholly-owned subsidiary of IGO and will subsequently be delisted from ASX. To become Effective, a number of conditions must be satisfied or, if permitted, waived. A summary of the conditions to the Acquisition Scheme is set out in Annexure A of the Acquisition Scheme Booklet. Details of the Acquisition Scheme are not included in this Demerger Scheme Booklet. For more information, Sirius Shareholders should refer to the Acquisition Scheme Booklet, which was dispatched to you at the same time as this Demerger Scheme Booklet.	Annexure A of the Acquisition Scheme Booklet
4.	What is the Demerger Scheme?	The Demerger Scheme involves the creation of a new company, S2 Resources, which is currently a wholly owned subsidiary of Sirius. S2 Resources will hold certain of Sirius' exploration assets, including the Polar Bear Project and the Scandinavian Assets, as well as approximately A\$22 million in cash for working capital purposes. S2 Resources intends to apply for admission to the official list of ASX within seven days after the Demerger Scheme Implementation Date. More information in relation to the Demerger Scheme is set out in Section 6.	Section 6

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
5.	What is S2 Resources?	S2 Resources is currently a wholly owned subsidiary of Sirius. S2 Resources will hold certain of Sirius' exploration assets, including the Polar Bear Project and the Scandinavian Assets as well as approximately A\$22 million in cash for working capital purposes. For more information on S2 Resources, see Section 4.	Section 4
6.	What is the Capital Reduction?	The Capital Reduction is a return of capital on your Sirius Shares. The Capital Reduction is a necessary step for the Demerger Scheme. Both the Acquisition Scheme and the Demerger Scheme are conditional on the Capital Reduction Resolution being approved by a majority of Sirius Shareholders. You will not receive any cash from the Capital Reduction. More information in relation to the Capital Reduction is set out in Section 12.3(a) of this Demerger Scheme Booklet.	Section 12.3(a)
7.	What is a scheme of arrangement?	A scheme of arrangement is a statutory procedure that can be used among other things, to enable a company to implement a demerger. It requires a vote in favour of the scheme by the Requisite Majorities at a meeting of shareholders and Court approval.	Section 7.1

OVERVIEW OF THE DEMERGER SCHEME

8.	What is the effect of approving the Demerger Scheme?	If the Demerger Scheme is approved by the Requisite Majorities at the Demerger Scheme Meeting, subsequently approved by the Court and all other conditions to the Demerger Scheme are satisfied (including the approval of the Acquisition Scheme by the Requisite Majorities at the Acquisition Scheme Meeting) or, if permitted, waived, the Demerger Scheme will be implemented.	Section 6.8
9.	Who is entitled to participate in the Demerger Scheme?	Persons who are the registered holders of Sirius Shares as at the Scheme Record Date will participate in the Demerger Scheme.	Section 6.8(b)
10.	Do I need to make any payments or do anything else in order to be eligible to participate in the Demerger Scheme?	No, you do not need to make any payments or do anything further to be eligible to participate in the Demerger Scheme.	N/A

THE DEMERGER SCHEME CONSIDERATION

11.	What consideration will I receive if the Demerger Scheme is implemented?	If the Demerger Scheme is implemented, you will receive the Demerger Scheme Consideration, being: • 1 S2 Share for every 2 Sirius Ordinary Shares held by a Sirius Ordinary Shareholder; and • 0.95 of an S2 Share for every 2 Sirius Partly Paid Shares held by a Sirius Partly Paid Shareholder, held on the Scheme Record Date (unless you are an Ineligible Overseas Shareholder). The Demerger Scheme Consideration is subject to the terms of the Demerger Scheme, and is subject to change at the sole discretion of Sirius, or as required by ASX in order to achieve Listing.	Section 6.4
-----	---	---	-------------

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
12.	Is Sirius bound to distribute the Demerger Scheme Consideration?	Yes. Pursuant to the terms of the Demerger Deed Poll set out in Annexure C of this Demerger Scheme Booklet, Sirius is bound to distribute the S2 Shares that constitute the Demerger Scheme Consideration. Under the Demerger Scheme, Scheme Participants appoint Sirius as their agent and attorney to enforce the Demerger Deed Poll on their behalf.	Annexure C
13.	Will I be able to trade the S2 Shares on ASX?	If the Demerger Scheme is implemented, S2 Resources will apply for Listing within seven days after the Demerger Scheme Implementation Date. Listing is at ASX's discretion, and there is a risk that S2 Resources may not meet the requirements for admission to the official list of ASX. Should this occur, the S2 Shares received by Scheme Participants as Demerger Scheme Consideration will not be able to be traded on ASX until such time as the requirements for Listing can be met (if at all), and Scheme Participants will hold shares in an unlisted public company. The Sirius Board expects, however, that S2 Resources will be admitted to the official list of ASX within six to eight weeks after the Demerger Scheme Implementation Date. If the Demerger Scheme is implemented on the Demerger Scheme Implementation Date, it is expected that Listing will occur six to eight weeks after the Demerger Scheme Implementation Date.	Section 12.10
14.	How will fractional shares be treated?	If, pursuant to the calculation of your Demerger Scheme Consideration, you would be entitled to a fraction of a S2 Share, the number of S2 Shares to which you would be entitled will, after aggregating all of your holdings of Sirius Shares, be rounded up in the case of an entitlement to half of a S2 Share or otherwise rounded up or down to the nearest whole number of S2 Shares.	Section 12.7
15.	Can I keep my Sirius Shares?	If the Acquisition Scheme and the Demerger Scheme are approved by the Requisite Majorities and subsequently implemented, your Sirius Shares will be transferred to IGO. This will be the case even if you did not vote or you voted against the Acquisition Scheme and the Demerger Scheme.	Acquisition Scheme Booklet Section 13.4
16.	Can I sell my Sirius Shares on ASX?	Yes, you can sell your Sirius Shares on ASX up to and including the Effective Date. Trading in Sirius Shares will be suspended following close of trading on the Effective Date, so you will not be able to sell your shares on ASX after this time. If you sell your Sirius Shares on ASX prior to the Effective Date: • you may pay brokerage on the sale; • you will not receive the Demerger Scheme Consideration; and • there may be different tax consequences compared with those that would arise if the Demerger Scheme is implemented.	Section 6.8(a)

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
17.	When will I receive the Demerger Scheme Consideration?	If the Demerger Scheme becomes Effective, the Scheme Participants will have their names entered into the S2 Register, and will receive the Demerger Scheme Consideration, on the Demerger Scheme Implementation Date. You should be aware that if the Demerger Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the payment of the Demerger Scheme Consideration will also be delayed.	Section 6.4
18.	How will I receive the S2 Shares?	Sirius will transfer S2 Shares as the Demerger Scheme Consideration, and enter your name on the S2 Register as the holder of: • 1 S2 Share for every 2 Sirius Ordinary Shares held by you if you are a Sirius Ordinary Shareholder; and • 0.95 S2 Shares for every 2 Sirius Partly Paid Shares held by a Sirius Partly Paid Shareholder, on the Scheme Record Date (unless you are an Ineligible Overseas Shareholder). If you are an Ineligible Overseas Shareholder, you will receive the net proceeds of the sale of the S2 Shares to which you would have otherwise been entitled. For more information in relation to Ineligible Overseas Shareholders, see Section 12.8 of this Demerger Scheme Booklet.	Section 6.8(b)
19.	What are the tax implications of the Demerger Scheme?	A general outline of the Australian tax implications of the Demerger Scheme is set out in Section 11 of this Demerger Scheme Booklet. As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to vote in favour of the Demerger Scheme.	Section 11
20.	What if I am a Sirius Overseas Shareholder?	If you are a Sirius Overseas Shareholder who is an Ineligible Overseas Shareholder, the number of S2 Shares to which you would have become entitled to on implementation of the Demerger Scheme will be transferred to a nominee appointed by S2 Resources. The nominee will sell those S2 Shares as soon as practicable, but, in any case, within one month after Listing and remit to you the proceeds received within ten Business Days of settlement of all the sales of the S2 Shares after deducting any applicable fees, brokerage, taxes and charges. All other Sirius Overseas Shareholders will receive the Demerger Scheme Consideration in the form of S2 Shares. Sirius Overseas Shareholders should refer to Section 12.8 of this Demerger Scheme Booklet to determine whether they will be an Ineligible Overseas Shareholder.	Section 12.8

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
21.	Can I choose to receive cash instead of S2 Shares?	No, there is no option for Scheme Participants to elect to receive cash instead of S2 Shares. However, once received, you may sell some or all of your S2 Shares. Alternatively, you may choose to sell your existing Sirius Shares prior to the Effective Date.	N/A
DEMERGER SCHEME MEETING, VOTING AND APPROVALS			
22.	When and where will the Demerger Scheme Meeting be held?	The Demerger Scheme Meeting will be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia on Thursday, 3 September 2015 at 9.00am. The Acquisition Scheme Meeting and the General Meeting will be held on the same day as the Demerger Scheme Meeting.	Annexure E
23.	What am I being asked to vote on?	You are being asked to vote on whether to approve the Demerger Scheme by voting in favour of, or against, the Demerger Scheme Resolution at the Demerger Scheme Meeting. The text of the Demerger Scheme Resolution is set out in the Notice of Demerger Scheme Meeting in Annexure E of this Demerger Scheme Booklet.	Annexure E
24.	What vote is required to approve the Demerger Scheme?	For the Demerger Scheme to be approved, the Demerger Scheme Resolution must be passed by the Requisite Majorities, being: - a majority in number (ie more than 50%) of Sirius Shareholders present and voting on the Demerger Scheme Resolution at the Demerger Scheme Meeting (either in person or by proxy or representative); and - at least 75% of the total number of votes cast on the Demerger Scheme Resolution at the Demerger Scheme Meeting by Sirius Shareholders (either in person or by proxy or representative). If approved by the Requisite Majorities, the Demerger Scheme will only become Effective if it is approved by the Court and the other outstanding conditions are satisfied or, if permitted, waived.	Step 1 Section 12.4
25.	What are the voting restrictions?	Sirius Shareholders who are registered on the Sirius Register at 5.00pm on Tuesday, 1 September 2015 are entitled to vote at the Demerger Scheme Meeting.	Section 7.3

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
26.	How do I vote?	You may vote: • in person, by attending the Demerger Scheme Meeting; • by proxy, by completing and lodging the Pink Proxy Form accompanying this Demerger Scheme Booklet so that it is received by 9.00am on Tuesday, 1 September 2015; or • by a corporate representative (in the case of a corporate Sirius Shareholder). Voting is not compulsory. For further information in relation to voting at the Demerger Scheme Meeting, see Section 7.4 and the Notice of Demerger Scheme Meeting in Annexure E.	Section 7.4 Annexure E
27.	Why should I vote at the Demerger Scheme Meeting?	Your vote is important in determining whether the Transaction will proceed. The Demerger Scheme may be implemented even if you have not voted for or against the Demerger Scheme. The Sirius Board recommends that you vote in favour of the Transaction, including the Demerger Scheme, in the absence of a Superior Proposal and after reading this Demerger Scheme Booklet carefully.	Section 1
28.	What happens if I do not vote, or vote against the Demerger Scheme?	If you do not vote or you vote against the Demerger Scheme, the Demerger Scheme may still be implemented if the Demerger Scheme Resolution is passed by the Requisite Majorities and the other conditions to the Demerger Scheme are satisfied or, if applicable, waived. This means that you may still be bound by the Demerger Scheme even though you have not voted or voted against the Demerger Scheme.	Section 1.5(c)
29.	When will the result of the Demerger Scheme Meeting be available?	The result of the Demerger Scheme Meeting will be announced to ASX shortly after its conclusion.	N/A
GENERAL MEETING, VOTING AND APPROVALS			
30.	When and where will the General Meeting be held?	The General Meeting will be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia on Thursday, 3 September 2015 at 11.00am. The Acquisition Scheme Meeting and the Demerger Scheme Meeting will be held on the same day and at the same location as the General Meeting.	Annexure F

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
31.	What am I being asked to vote on?	You are being asked to vote on whether to approve the Capital Reduction by voting in favour of, or against, the Capital Reduction Resolution at the General Meeting. The Capital Reduction requires Sirius Shareholder approval separate from the Demerger Scheme, and is a necessary step in the process of effecting the Demerger. The Demerger Scheme can only be implemented if the Capital Reduction Resolution is approved by a simple majority of Sirius Shareholders at the General Meeting. The text of the Capital Reduction Resolution is set out in the Notice of General Meeting in Annexure F of this Demerger Scheme Booklet.	Annexure F
32.	What vote is required to approve the Capital Reduction?	For the Capital Reduction to be approved, the Capital Reduction Resolution must be passed by an ordinary resolution, namely, more than 50% of the votes cast on the Capital Reduction Resolution.	Step 3 Section 12.4
33.	What are the voting restrictions?	Sirius Shareholders who are registered on the Sirius Register at 5.00pm on Tuesday, 1 September 2015 are entitled to vote at the General Meeting.	Section 7.3
34.	How do I vote?	You may vote: • in person, by attending the General Meeting; • by proxy, by completing and lodging the Green Proxy Form accompanying this Demerger Scheme Booklet so that it is received by 11.00am on Tuesday, 1 September 2015; or • by a corporate representative (in the case of a corporate Sirius Shareholder). Voting is not compulsory. For further information in relation to voting at the General Meeting, see Section 7.4 and the Notice of General Meeting in Annexure F.	Section 7.4 Annexure F
35.	When will the result of the General Meeting be available?	The result of the General Meeting will be announced to ASX shortly after its conclusion.	N/A

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
VOTING CONSIDERATIONS FOR THE DEMERGER SCHEME RESOLUTION			
36.	What do the Sirius Directors recommend?	The Sirius Directors unanimously recommend that Sirius Shareholders vote in favour of the Demerger Scheme, in the absence of a Superior Proposal. Each Sirius Director intends to vote in favour of the Demerger Scheme in respect of the Sirius Shares over which they have voting control, in the absence of a Superior Proposal.	Section 1.2
37.	What is the opinion of the Independent Expert?	BDO Corporate Finance was commissioned by the Sirius Board to act as the Independent Expert and to assess the merits of the Acquisition Scheme and the Demerger Scheme. The Independent Expert has concluded that the Demerger Scheme is in the best interests of Sirius Shareholders, in the absence of a Superior Proposal. The Independent Expert's Report is set out in Annexure G.	Annexure G
38.	How does the Creasy Group intend to vote on the Demerger Scheme?	Mr Mark Creasy of the Creasy Group has advised Sirius that the entities he controls, who hold a 34.59% Relevant Interest in Sirius, intend to vote in favour of the Demerger Scheme (and the other Transaction Resolutions), in the absence of a superior proposal.	N/A
39.	What interest in S2 Resources will be held by the Creasy Group?	If the Demerger Scheme is implemented, the Creasy Group will hold approximately 34.59% of S2 resources immediately following implementation.	N/A

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
40.	Why should I vote in favour of the Demerger Scheme? (cont)	Reasons why you should consider voting in favour of the Demerger Scheme are set out in Section 1.3 of this Demerger Scheme Booklet, and include: • your Sirius Directors unanimously recommend you vote in favour of the Demerger Scheme, in the absence of a Superior Proposal; • the Independent Expert has concluded that the Demerger Scheme is in the best interests of Sirius Shareholders, in the absence of a Superior Proposal; • the Demerger Scheme will create a distinct and well-capitalised exploration company focussed on the S2 Assets, comprising the Polar Bear Project in Western Australia, and a range of gold and base metals exploration assets in Finland and Sweden, which the S2 Board considers will be Highly Prospective; • S2 Resources will benefit from the corporate knowledge and skills of a dedicated Board and management team, all of whom have a demonstrated track record in management of exploration companies and project development; • S2 Resources will have a dedicated and very successful exploration team, comprising the core of the original Sirius exploration team, including Dr Mark Bennett; and • the Demerger Scheme, if implemented, will enable a greater market focus on the exploration activities at the S2 Assets, and may result in a more appropriate market valuation of the S2 Assets over time. For more information in relation to the advantages of the Demerger Scheme, see Section 1.3 of this Demerger Scheme Booklet.	Section 1.3

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
41.	Why might I consider not voting in favour of the Demerger Scheme?	Reasons why you might choose to vote against the Demerger Scheme are set out in Section 1.4 of this Demerger Scheme Booklet, including: • S2 Resources will be significantly smaller than Sirius and will be focussed on higher risk (but potentially higher reward) exploration activities; • S2 Resources will no longer have financial support from Sirius to fund its exploration activities; • the implementation of the Demerger Scheme may result in additional ongoing costs for S2 Resources; and • S2 Resources will not be included in the S&P/ASX 200 Index and is expected to have significantly lower liquidity than Sirius. For more information in relation to the disadvantages of the Demerger Scheme, see Section 1.4 of this Demerger Scheme Booklet.	Section 1.4
42.	What are the potential risks associated with the Demerger Scheme?	Investment in S2 Resources will be subject to a range of risks. These risks may have a negative impact on the future operating or financial performance, prospects, investment returns or value of the S2 Shares. A detailed description of the risks associated with the Demerger Scheme is set out in Section 8.	Section 8
43.	Is the Sirius Board aware of a Competing Proposal?	As at the date of this Demerger Scheme Booklet, no Competing Proposal has emerged, and the Sirius Board is not aware of any Competing Proposal that may emerge.	N/A
44.	What happens if a Competing Proposal emerges?	Until the Demerger Scheme is approved by the Court, there is nothing preventing other parties from making unsolicited acquisition proposals for Sirius. If a Competing Proposal for Sirius emerges prior to the Second Court Hearing, the Sirius Board will carefully consider the proposal and determine whether it is a Superior Proposal. Your Sirius Board will keep you informed of any material developments.	N/A

3. Frequently Asked Questions (cont)

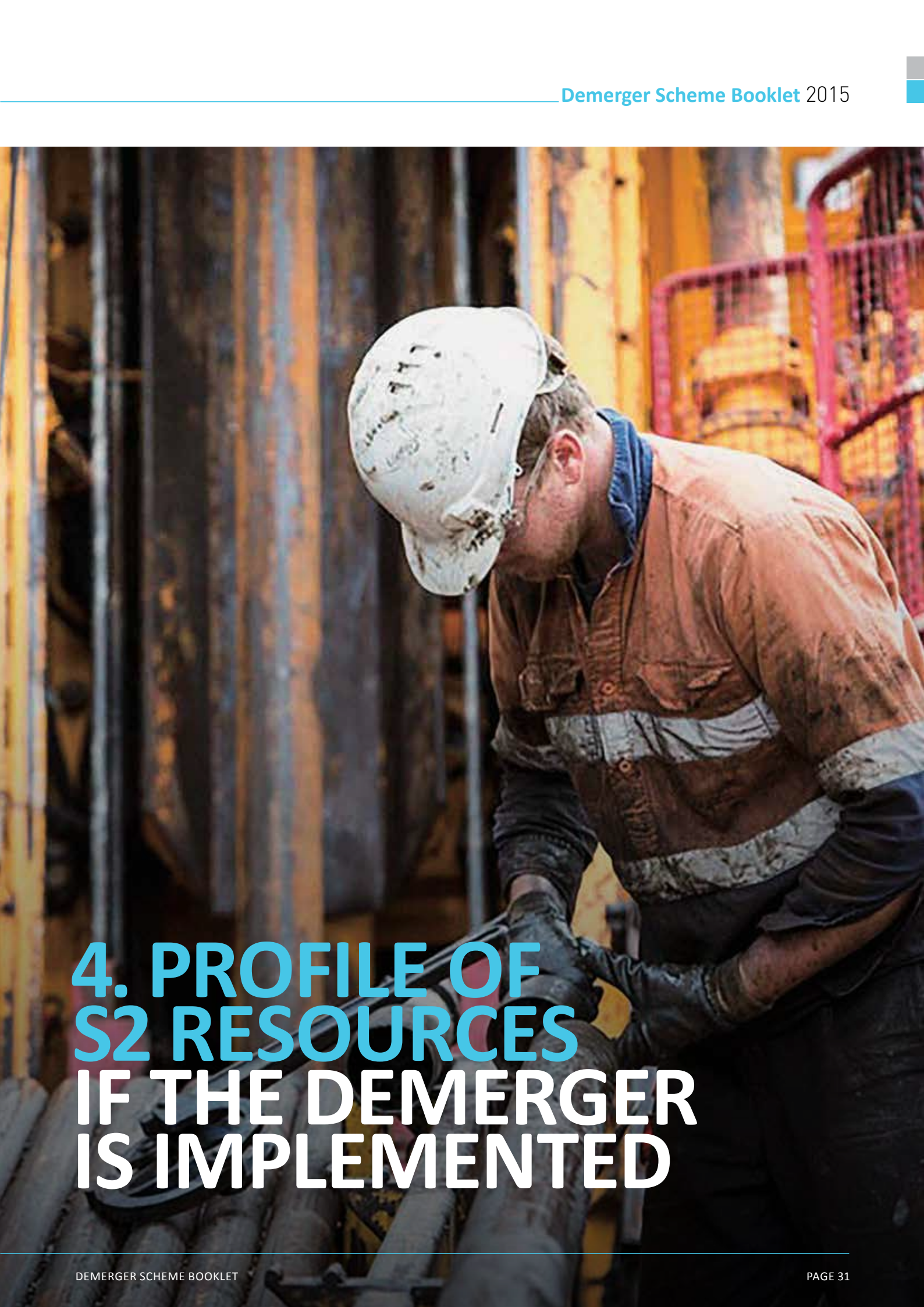
No.	Question	Answer	Where to find more information?
CONDITIONS AND IMPLEMENTATION OF THE DEMERGER SCHEME			
45.	What are the conditions to the Demerger Scheme?	The Demerger Scheme is subject to a number of conditions, including: - the Demerger Scheme being approved by the Requisite Majorities at the Demerger Scheme Meeting; - the Capital Reduction Resolution being approved at the General Meeting; - the Acquisition Scheme being approved by the Requisite Majorities at the Acquisition Scheme Meeting; - the Acquisition Scheme being approved by the Court at the Second Court Hearing; and - the Demerger Scheme being approved by the Court at the Second Court Hearing. A summary of the conditions to the Demerger Scheme is set out in Section 6.7 and Annexure A of this Scheme Booklet.	Section 6.7 Annexure A
46.	When will the Demerger Scheme become Effective?	The Demerger Scheme will become Effective on the date on which the Court order approving the Demerger Scheme is lodged with ASIC. The Demerger Scheme is expected to become Effective on Thursday, 10 September 2015. If the conditions to the Demerger Scheme are satisfied or, if permitted, waived, Sirius will apply to the Court to approve the Demerger Scheme at the Second Court Hearing. The Second Court Hearing is scheduled to be held on Wednesday, 9 September 2015.	Section 6.8(a)
47.	What happens on the Demerger Scheme Implementation Date?	On the Demerger Scheme Implementation Date: - Sirius will reduce the capital of each Scheme Share by the Capital Reduction Amount in accordance with the Capital Reduction Resolution and the Demerger Scheme; and - Sirius will transfer the S2 Shares from Sirius to: - the Scheme Participants; or - a nominee appointed by S2 Resources in respect of Ineligible Overseas Shareholders, and register the transfer in the S2 Register. The Demerger Scheme Implementation Date is expected to be on Monday, 21 September 2015.	Section 6.8(c)
48.	What happens if not all of the Transaction Resolutions are approved?	If not all of the Transaction Resolutions are approved at the Transaction Meetings, then the Demerger Scheme will not proceed. All of the Transaction Resolutions are inter-conditional, which means that they must all receive approval to the relevant threshold by Sirius Shareholders in order for the Demerger Scheme to proceed. For more information on the inter-conditionality of the Transaction Resolutions, see Section 12.3(d) of this Demerger Scheme Booklet.	Section 13.3(d)

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
49.	What happens if the Demerger Scheme is not implemented?	If the Demerger Scheme is not implemented: • you will not receive the Demerger Scheme Consideration (or the Acquisition Scheme Consideration); • Sirius and IGO will not undertake the Acquisition Scheme; • Sirius will continue to operate as a stand-alone entity and remain listed on ASX; • S2 Resources will continue to be a subsidiary of Sirius; • you will retain your Sirius Shares and continue to participate in the benefits of, and continue to be exposed to the risks associated with, an investment in Sirius; and • the price of Sirius Shares on ASX is likely to fall.	Section 10
INFORMATION ABOUT S2 RESOURCES			
50.	What will S2 Resources strategy be?	S2 Resources' objective is to provide investment returns through 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 Resources is focussed on mainstream commodities such as gold and base metals in politically stable jurisdictions such as Australia and Europe, and potentially, North America. For more information on the strategy of S2 Resources, and all other information in relation to S2 Resources, see Section 4.3 of this Demerger Scheme Booklet.	Section 4.3
51.	Who will be on the board of S2 Resources?	If the Demerger Scheme is implemented: • Mark Bennett (current Managing Director and Chief Executive Officer of Sirius) will be appointed as Managing Director and Chief Executive Officer; • Anna Neuling (current Director – Corporate and Commercial of Sirius) will be appointed as an Executive Director; and • Jeff Dowling (current Non-Executive Chairman of Sirius) will be appointed as the Non-Executive Chairman, of S2 Resources. The Creasy Group (which will hold approximately 34.59% of S2 Resources) has not sought to nominate a non-executive nominee director to the S2 Board at this time, but may seek to do so in the future.	Section 4.9(a)

3. Frequently Asked Questions (cont)

No.	Question	Answer	Where to find more information?
52.	Who will be the senior management of S2 Resources?	If the Demerger Scheme is implemented: • Mark Bennett will be the Managing Director and Chief Executive Officer; • Anna Neuling will be an Executive Director; • John Bartlett will be the General Manager – Exploration; • Jeff Foster will be the General Manager – Project Generation; and • Su-Mei Chan will be the Chief Financial Officer, of S2 Resources.	Section 4.9
ADDITIONAL INFORMATION			
53.	Will I need to pay any brokerage or stamp duty?	Scheme Participants will not incur any brokerage or stamp duty on the transfer to them of their S2 Shares under the Demerger Scheme.	N/A
54.	Will I be entitled to demerger CGT rollover relief as part of the Demerger Scheme?	Sirius has applied for a class ruling from the ATO in relation to demerger relief for Scheme Participants. For more information, see Section 11 of this Demerger Scheme Booklet.	Section 11
55.	Is there a number that I can call if I have further queries about the Demerger Scheme?	If, after reading this Demerger Scheme Booklet, you have any questions regarding the Demerger Scheme, please contact the Sirius Shareholder Information Line on week days between 6.30am and 5.30pm (Perth time) on 1800 992 793 (within Australia) or +61 1800 992 793 (from outside Australia).	N/A

A full-page background image showing a male worker in profile, wearing a white hard hat and an orange high-visibility work shirt with reflective silver stripes. He is wearing black gloves and is focused on working with a large, dark industrial pipe or valve. The background is filled with vertical metal structures and industrial equipment, suggesting an oil or gas extraction site.

4. PROFILE OF S2 RESOURCES IF THE DEMERGER IS IMPLEMENTED

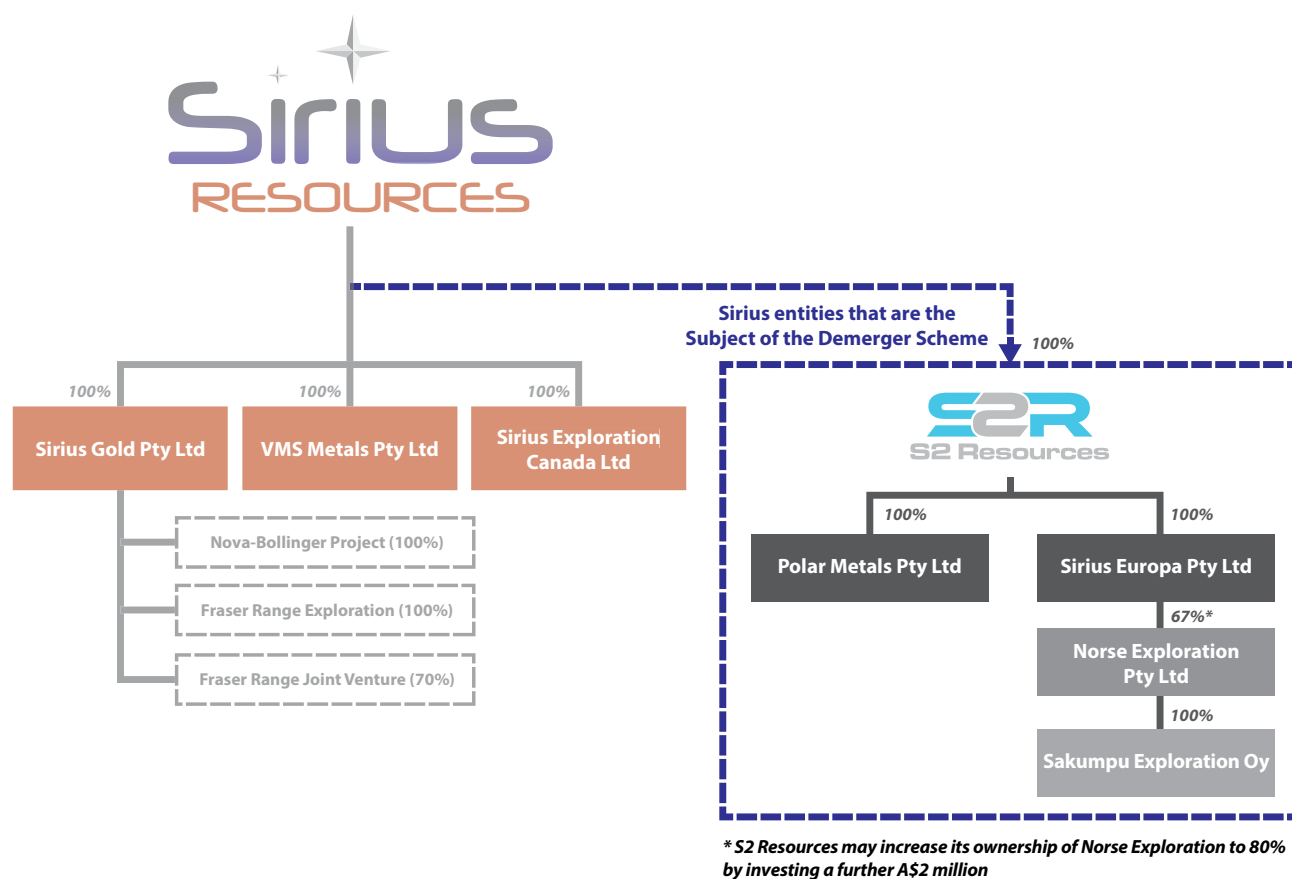
4. Profile of S2 Resources if the Demerger is Implemented

This Section 4 sets out information in relation to S2 Resources if the Demerger Scheme is implemented.

Subject to the implementation of the Demerger Scheme (among other things), S2 Resources intends to apply for admission to the official list of ASX as soon as practicable after the Demerger Scheme Implementation Date. S2 Resources has reserved "S2R" with ASX to use as its ASX ticker code.

4.1 Background

S2 Resources was incorporated in Western Australia on 29 May 2015 as "S2 Resources Ltd" as a public company limited by shares. S2 Resources is currently a wholly owned subsidiary of Sirius. The following diagram sets out the subsidiaries of Sirius that will be demerged as S2 Resources:



4. Profile of S2 Resources if the Demerger is Implemented (cont)

4.2 Profile of S2 Resources if the Demerger Scheme is implemented

(a) Capital structure and ownership

As at the date of this Demerger Scheme Booklet, there is 1 S2 Share on issue. Sirius is the legal and beneficial owner of that S2 Share. Pursuant to the Demerger Scheme, Scheme Participants will receive the Demerger Scheme Consideration on the Demerger Scheme Implementation Date, being:

- (i) 1 S2 Share for every 2 Sirius Ordinary Shares; and
- (ii) 0.95 S2 Shares for every 2 Sirius Partly Paid Shares,

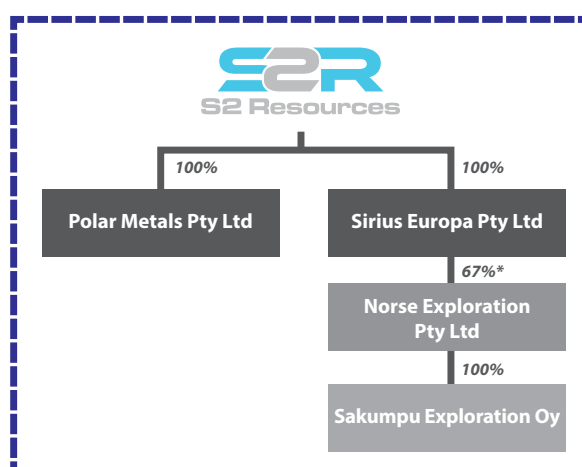
held as at the Scheme Record Date (except in the case of Ineligible Overseas Shareholders).

Sirius will ensure that the share capital of S2 Resources on the Demerger Scheme Implementation Date is such that S2 Resources has the correct number of shares on issue to distribute the Demerger Scheme Consideration to Sirius Shareholders, in accordance with the ratios referred to above.

For further information in relation to the proposed capital structure of S2 Resources, see Section 4.12 of this Demerger Scheme Booklet.

(b) Corporate structure

S2 Resources will own 100% of Polar Metals and 100% of Sirius Europa. S2 Resources' corporate structure after implementation of the Demerger Scheme is shown in the following diagram:



Polar Metals owns 100% of the Polar Bear Project, which includes the Baloo Gold Deposit, the Monsoon, Nanook and Earlobe Gold Prospects, the Halls Knoll and Taipan Nickel Prospects, together with 100% of various geographically proximal tenements, including those that comprise the Norcott Project, and also an 80% interest in various tenements which comprise the Eundynie Joint Venture.

Sirius Europa currently has a 67% ownership of Norse Exploration, which owns 100% of Sakumpu. Details of the 33% minority shareholding in Norse Exploration are set out in Section 4.8(a) of this Demerger Scheme Booklet.

For further details in relation to the S2 Assets, see Sections 4.6 and 4.7 of this Demerger Scheme Booklet.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(c) Funding strategy / financial status

As part of the Demerger, Sirius will transfer A\$20 million in cash to S2 Resources for working capital purposes. This amount may be reduced by certain items such as any duty payable on the Demerger pursuant to the Demerger Transaction Documents. For a full summary of the Demerger Transaction Documents, see Annexure A, Annexure B, Annexure C and Annexure D of this Demerger Scheme Booklet. S2 Resources has prepared a detailed expenditure plan which it intends to adopt, if the Demerger Scheme is implemented.

In addition, Sirius Europa currently holds A\$2 million in cash, which will be used to sole-fund Sakumpu's exploration program through until 2016.

As such, it is currently anticipated that S2 Resources will hold approximately A\$22 million in cash for working capital purposes on the Demerger Scheme Implementation Date.

For further details in relation to S2 Resources' funding and expenditure strategy, see Sections 4.3 and 4.5 of this Demerger Scheme Booklet.

4.3 S2 Resources business strategy

S2 Resources' objective is to generate 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 Resources will be focused on mainstream commodities such as gold and base metals in politically stable jurisdictions such as Australia and Europe and, potentially, North America.

S2 Resources will be 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, as follows:

- (a) The Baloo Gold Deposit is an advanced prospect within the 100% owned Polar Bear Project near Norseman in Western Australia. Infill drilling of the oxide zone mineralisation is planned for late 2015 with the aim of defining a maiden JORC Mineral Resource estimate early in 2016. A primary objective of S2 Resources is to progress the Baloo Gold Deposit and other prospects within the Polar Bear Project.
- (b) The depth extensions of the Baloo Gold Deposit will be drilled in 2016 to assess the scale and continuity of the primary gold mineralisation beneath the oxide zone, if present, to better understand the potential for a larger overall resource and mining operation.
- (c) In addition to the Baloo Gold Deposit, the Polar Bear Project contains several partially drilled gold prospects such as the Monsoon, Nanook and Earlobe Gold Prospects. These will be subject to follow up drilling in 2016 to assess the overall gold potential of the Polar Bear Project area.
- (d) Continued exploration drilling of the Halls Knoll Nickel Prospect and the Taipan Nickel Prospects (also within the Polar Bear Project) will be undertaken with the aim of locating a significant ultramafic-hosted nickel sulphide deposit capable of supporting a stand-alone operation or providing satellite feed to other nickel operations nearby.
- (e) Reconnaissance gold and nickel exploration will commence at the adjacent 80% owned Eundynie Joint Venture and at the nearby 100% owned Norcott Project once these tenements are granted.
- (f) S2 Resources' growth pipeline also includes extensive exploration properties in the Central Lapland Greenstone Belt of Finland and the Skellefteå Belt of Sweden, through its 67% ownership of Norse Exploration and Norse Exploration's 100% owned subsidiary, Sakumpu. Sakumpu is part way through the first year of a two year reconnaissance exploration program aimed at defining new prospects in previously unexplored areas around various significant gold, copper-zinc and nickel mines/deposits. Providing certain conditions are met, S2 Resources will fund the remainder of this program to increase its ownership of Norse Exploration (and Sakumpu) to 80%.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

- (g) At the outset, S2 Resources will have approximately A\$22 million cash for working capital purposes, and will be well placed to achieve its objectives without the need for additional equity funding for the subsequent two to three years.
- (h) Should the Baloo Gold Deposit prove to be viable and mining commence, this may provide additional ongoing cash flow to continue to fund S2 Resources beyond this period.
- (i) S2 Resources will be managed by key founding members of Sirius, who have a high level of corporate and equity capital markets experience, and a strong track record of creating value for shareholders.
- (j) S2 Resources' exploration and evaluation activities will be managed by key founding members of Sirius, who have a high level of technical and practical expertise and experience in the resources industry, with a high success rate of discovery.
- (k) Sakumpu's Finnish and Swedish exploration will be managed by a team of four ex-Anglo American plc and Lundin Mining Corporation executives who have a proven history of discovery, and extensive local knowledge, experience and contacts. They are also shareholders of Norse Exploration and, therefore are, financially motivated.
- (l) In addition, S2 Resources aims to leverage its global knowledge and networks to identify additional appropriate acquisition opportunities.

The S2 Resources team intends to retain and build on the corporate culture and ethos it created at Sirius, namely, to optimise effectiveness and efficiency by maximising the money going into the ground and minimising overheads, and to shorten the time frame to success by staying focussed and actively exploring.

S2 Resources is also committed to ensuring a safe workplace for its employees and contractors, wherever it operates; to comply with all environmental requirements and minimise the impact of its activities in the areas in which it operates; and to engage with the local communities to ensure its activities are compatible with the expectations and requirements of these communities are beneficial to them.

4.4 Meaning of "Highly Prospective"

As stated in Section 4.3 above, S2 Resources is well positioned to achieve its business strategy as it has a portfolio of Highly Prospective exploration ground.

The S2 Board's assessments of prospectivity are based on a combination of known mineral endowment of the surrounding district, the extent and effectiveness of exploration on the ground in question, and the amount of direct indications or evidence of mineralisation in the exploration that has been undertaken to date on the ground in question. Where the S2 Board considers that the combination of these factors with respect to particular exploration ground are sufficiently encouraging, an asset may be referred to as "highly prospective" in the opinion of the S2 Board (**Highly Prospective**).

"Endowment" is the sum of past production from mines and current mineral resources in the surrounding district, not on the ground in question, but where the geology is broadly similar.

The extent and particularly the effectiveness of exploration is a judgement made by geologists, which determines the residual opportunity (or lack of it). Exploration may be extensive but not effective.

Direct indications include elevated levels of minerals as expressed in geochemical anomalies, geophysical anomalies, rock sampling and drilling.

The Polar Bear Project is considered Highly Prospective because it is located in a district which has an estimated endowment of 30 million ounces of gold, the ground itself is sparsely and/or ineffectively explored, and Sirius has identified numerous instances of mineralisation in the limited work undertaken to date.

The Scandinavian Assets are considered Highly Prospective because they are located in districts which have numerous large gold, nickel, copper and zinc deposits and mines, and the ground holdings themselves are

4. Profile of S2 Resources if the Demerger is Implemented (cont)

sparsely and/or ineffectively explored. Sirius has not yet identified whether there are any instances of mineralisation because it has only just commenced work.

4.5 S2 Resources funding strategy

S2 Assets are currently in the exploration stage and they are therefore not yet generating positive cash flow. S2 Resources' funding strategy is to maintain adequate cash reserves to follow its business strategy and meet annual expenditure commitments required to ensure that its tenements are maintained in good standing.

As at the implementation of the Demerger Scheme, S2 Resources is expected to have unrestricted cash reserves of approximately A\$22 million.

S2 Resources' proposed sources and uses of funds are set out below:

	1 Sept 2015 to 30 June 2016 A\$m	30 June 2016 onwards A\$m
Sources		
Cash obtained at completion of Demerger Scheme	22.0	–
Uses		
Listing fees and other Listing associated costs	(0.3)	–
Corporate costs	(2.0)	(4.10)
Exploration expenditure	(6.0)	(9.6)
Breakdown of exploration expenditure by project (indicative only)		
Polar Bear Project (and surrounding exploration tenements)	75%	90%
Scandinavian Assets	25%	10%

The table above shows the breakdown of S2 Resources' anticipated expenditure for the first nine months to 30 June 2016 (including estimated costs of Listing), following the Demerger Scheme Implementation Date, and then the use of the remainder of S2 Resources' working capital for the two to three years following 30 June 2016. In relation to exploration expenditure, a percentage allocation of expenditure across the S2 Assets has been provided.

Depending on the success of the proposed exploration or identification of appropriate acquisition opportunities, S2 Resources may need to raise further funding, being by way of additional equity, debt or a combination of the two.

4.6 Detailed information in relation to the S2 Assets located in Australia

This Section 4.6 is intended to provide an overview of the S2 Assets and an update on the exploration activity in relation to each particular S2 Asset. For a list of all of the S2 Assets located in Australia, see Annexure H of this Demerger Scheme Booklet.

(a) Polar Bear Project (S2 Resources: 100%)

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 Gold Plc (10 million ounces), St Ives Gold Mine (12 million ounces) and Metals X Limited's Higginsville gold operations (2 million ounces). In addition, S2 Resources has over 38 square kilometres of ground under application adjacent to the Polar Bear project.

Large parts of the area are relatively underexplored 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 gold mineralisation elsewhere in the district.

The Polar Bear Project also contains southern extensions of the Kambalda and Widgiemooltha ultramafic stratigraphy, which hosts a number of world class nickel sulphide mines along strike to the north.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(b) Baloo Gold Deposit

Reconnaissance aircore drilling of the Baloo gold target at the northern end of the Polar Bear Project undertaken in December 2014 was successful in identifying a significant zone of gold mineralisation 10 kilometres east of the Higginsville gold mine. The Baloo Gold Deposit is located on a major gold mineralised trend known as the Zuleika shear zone.

The Baloo Gold Deposit mineralisation occurs beneath a thin veneer of salt lake sediment, is up to 100 metres wide, 40 metres thick and has so far been defined over a north-south trending strike length of 700 metres. The oxide gold zone at Baloo occurs from a depth of 3 metres, immediately beneath the transported sediments of Lake Cowan. The gold occurs in a thick easterly dipping zone of quartz veining with associated arsenopyrite alteration and elevated levels of tellurium.

The oxide gold zone at Baloo is in variably weathered rock and not merely in transported sediments, suggesting that this may be the top of an extensive mineralised bedrock system. The gold occurs in a thick westerly dipping zone of quartz veining with associated arsenopyrite alteration and elevated levels of tellurium.

Subsequent diamond drilling has intersected thick, high grade zones of primary gold mineralisation in fresh rock beneath and to the south of the oxide gold zone at Baloo. The intercepts have defined a mineralised shoot which plunges gently to the south from beneath the oxide zone. Multiple drill holes have intersected quartz veining with pyrite and arsenopyrite alteration. The mineralised shoot is up to 10 metres thick and 70 metres across, and remains open down plunge to the south. Key intercepts, considering approximate true width, include 7.6m @ 8.35g/t gold from 125.2 metres and 9.8m @ 4.97g/t gold from 111.5 metres.

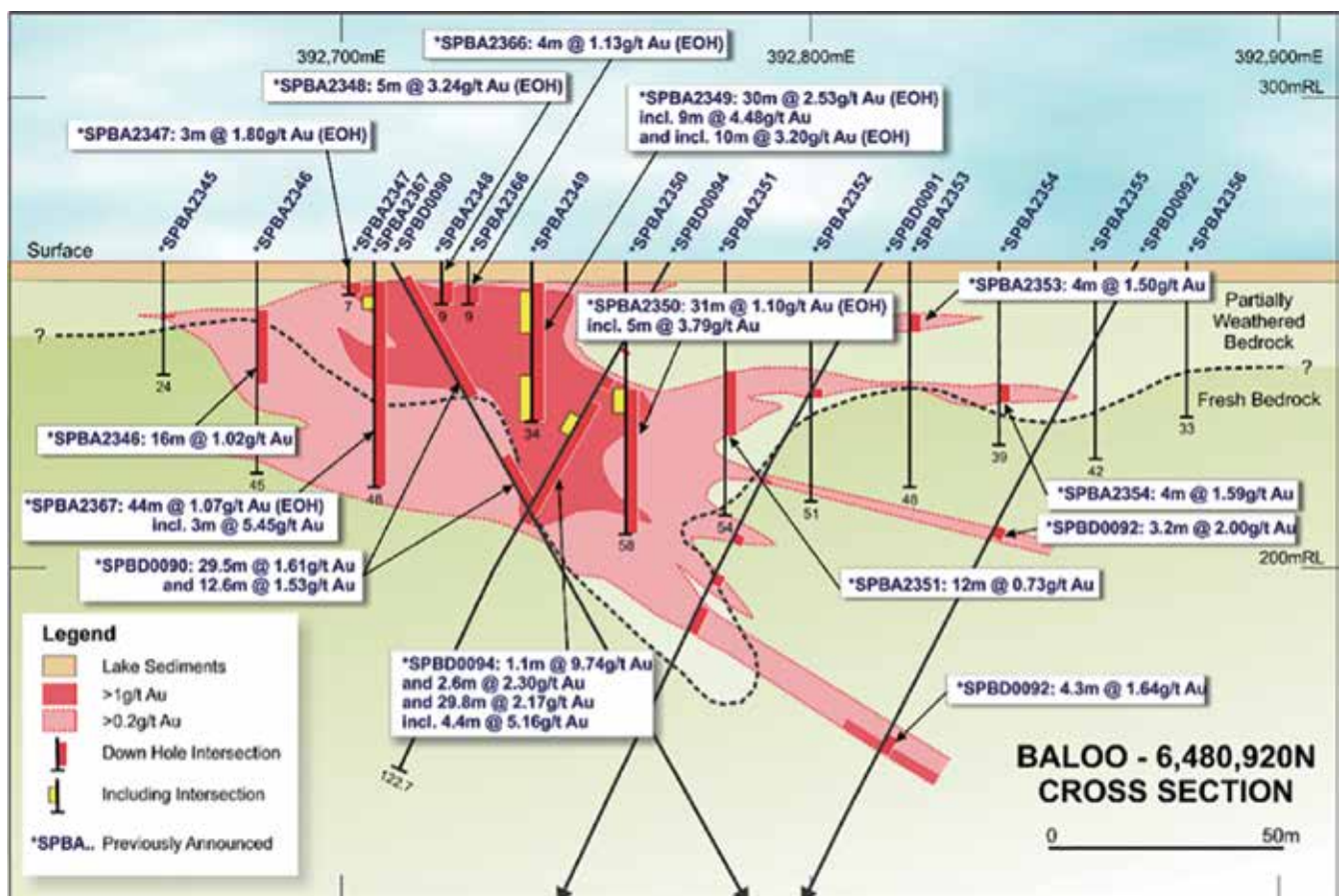


Figure 1: Cross section of central zone of Baloo Gold Deposit.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(c) Other gold prospects

A number of additional gold prospects exist throughout the Polar Bear Project, some of which have been drill tested to varying extents.

The Monsoon Gold Prospect is located 4 kilometres south of the Baloo Gold Deposit, along the same prospective trend beneath Lake Cowan. A reconnaissance aircore drilling program on an 80 metre by 40 metre grid has defined sporadic mineralisation 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. The best results achieved to date include 12 metres at 16.9g/t gold from 68 metres and 32 metres at 2.47g/t gold from 16 metres.

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 lodges remain open along strike and down dip and as yet the limits of this mineralisation have not been defined.

At the Bindy and Nanook Prospects, reconnaissance drilling has confirmed the presence of extensive gold mineralisation with the Nanook anomaly defined over 2 kilometres and the Bindy anomaly over 1.8 kilometres. Aircore drill intersections for the Nanook Prospect include 13m @ 23.89g/t, 8m @ 2.85g/t and 6m @ 2.71g/t gold. Equally strong results were achieved for the Bindy Prospect with 8m @ 3.96g/t gold found within the core of the gold anomaly.

At Yogi South, a total of 17 RC drill holes were completed along four lines over a strike of 600 metres to test for gold mineralisation within fresh bedrock to a vertical depth of about 100 metres.

Previous exploration has outlined a zone of supergene and bedrock gold anomalism extending over a strike length of more than 850 metres within up to three probable trends along the contacts within a sequence of ultramafic, mafic and sedimentary rocks.

Assay results from 4 metre composite samples from 16 of the 17 RC holes demonstrate widespread elevated gold associated with quartz-arsenopyrite veining and alternation. Better results include 16 metres @ 2.14g/t gold from 108 metres, 24 metres @ 0.73g/t gold from 40 metres and 4 metres @ 1.77g/t gold from 152 metres.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

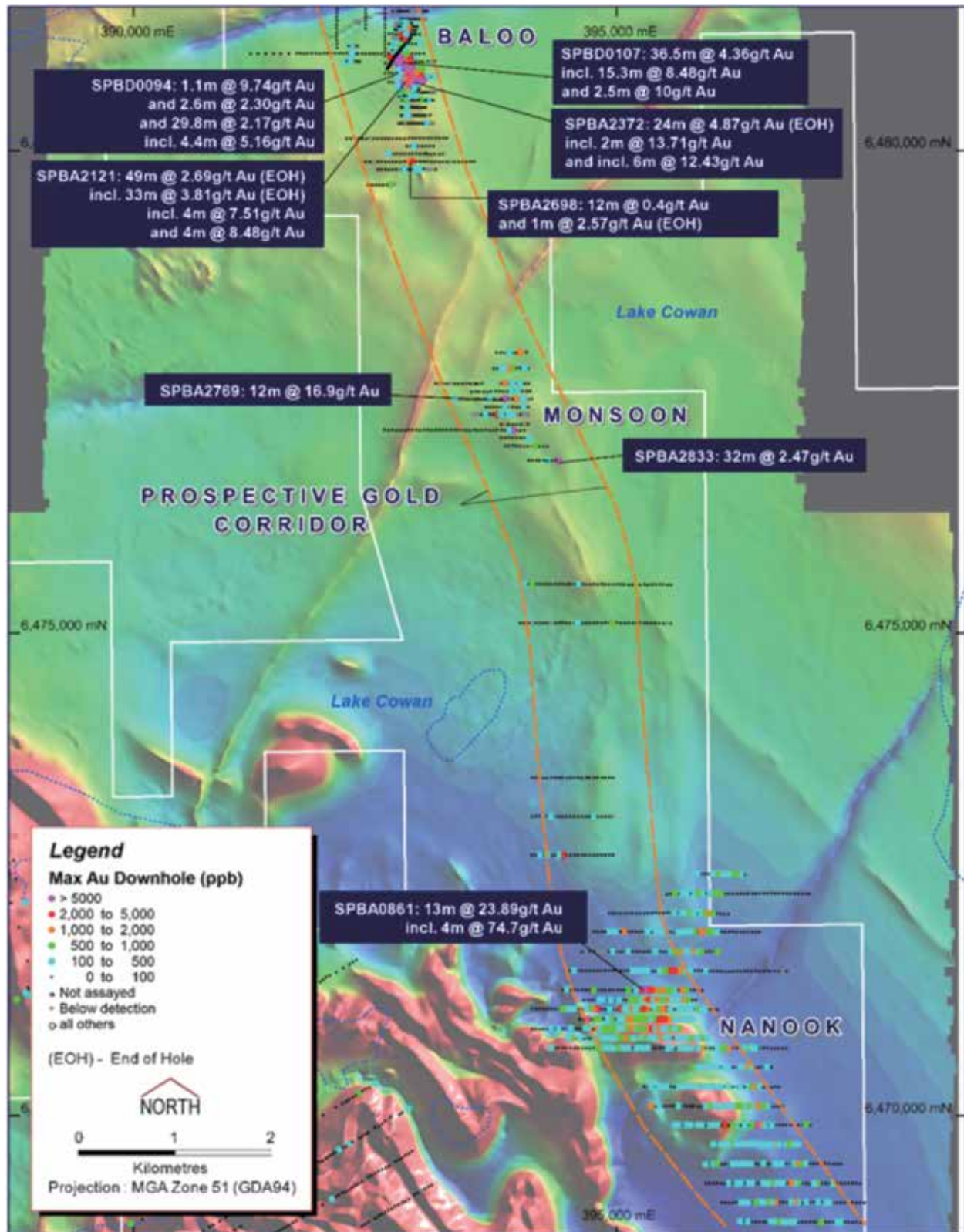


Figure 2: Plan showing the location of the Baloo Gold Deposit, the Monsoon Gold Prospect and the Nanook Gold Prospect within the gold trend.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

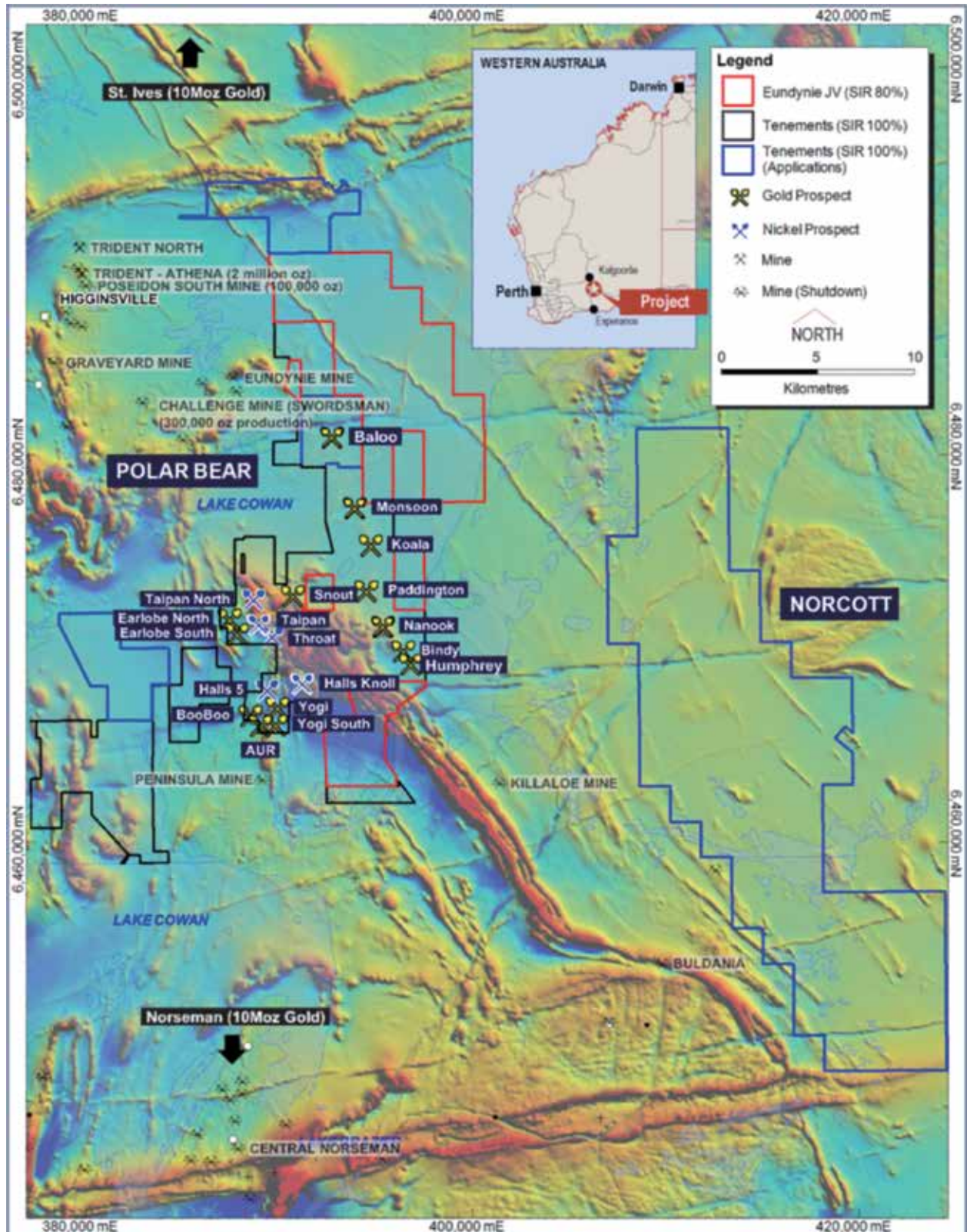


Figure 3: Plan showing the ground holdings within the Polar Bear Project, the Eundynie Joint Venture and the Norcott Project.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(d) Taipan Nickel Prospect

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.

Disseminated nickel sulphide mineralisation has also been intersected at the base of a thick ultramafic package 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.

(e) Halls Knoll Nickel Prospect

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.

Drill intercepts to date include:

- 10.2 metres @ 0.44% nickel, 0.1% copper, 0.25 g/t palladium, 0.1 g/t platinum from 60.8 metres; and
- 9 metres @ 1.02% nickel, 0.22% copper, 0.11 g/t palladium and 0.07 g/t platinum from 2 metres.

(f) Eundynie Joint Venture (S2 Resources: 80%)

S2 Resources, through Polar Metals, will hold an 80% interest in six exploration license applications, covering a further 103 square kilometres of ground adjacent to the Polar Bear Project. The tenement applications cover the northern extension of the Baloo trend. In addition the project covers portions of the ultramafic stratigraphy considered prospective for nickel sulphide mineralisation.

(g) Norcott Project (S2 Resources: 100%)

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 the 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, applying for an exploration license covering approximately 256 square kilometres of relatively unexplored ground (Norcott Project) in a corridor to the east of the Polar Bear Project.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

4.7 Detailed information in relation to the S2 Assets located in Scandinavia

Certain of the S2 Assets are located in Sweden and Finland. The purpose of this Section 4.7 is to give a detailed overview of these assets, as well as general information on the mining regimes in Sweden and Finland.

(a) **Scandinavian Assets (S2 Resources: 67%)**

If the Demerger Scheme is implemented, S2 Resources will own 67% of Norse Exploration, which in turn owns 100% of Sakumpu. Sakumpu is a private Finnish company which is the largest holder of Exploration Reservations in the Central Lapland Greenstone Belt (**LGB**) of Finland (prospective for nickel, copper, platinum and gold) and the second largest holder of Exploration Permits in the Skellefteå Belt of Sweden (prospective for copper, zinc and gold).

Pursuant to the Subscription Agreement, S2 Resources will increase its interest in Norse Exploration to 80%, by sole-funding Sakumpu's exploration program to the end of 2016, provided that Sakumpu achieves certain pre-defined objectives. Sirius Europa already holds approximately A\$2 million in working capital which will be used to fund Sakumpu's exploration program.

Sakumpu is 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.

Sakumpu holds 1306 square kilometres of reservations in the LGB of Finland, which is not extensively or effectively explored, yet contains a number of significant deposits, including Agnico Eagle Mines Limited's Kittilä gold mine, Anglo American plc's recently discovered Sakatti nickel-copper-platinum deposit, and First Quantum Minerals Limited's Kevitsa copper-nickel mine.

Sakumpu also holds 271 square kilometres of permits in the Skellefteå - Boliden district of northern Sweden. This area contains a number of significant copper-zinc-silver-gold sulphide deposits, including the Boliden mine, the Kristineberg mine, and the Storliden mine, and also contains the Bjorkdal gold deposit.

Initial exploration in the LGB as well as the Skellefteå Belt in Sweden, commenced in the June 2015 quarter.

(b) **Good standing of Scandinavian Assets**

- (i) **Finland:** The reservations in Finland are in good standing in all respects, with one reservation application still to be granted as at the date of this Demerger Scheme Booklet.
- (ii) **Sweden:** The permits in Sweden are in good standing in all respects (including in relation to all fees and expenses payable in relation to the permits).

For a list of all of the Scandinavian Assets and other applications, see Annexure I of this Demerger Scheme Booklet.

(c) **Mining in Finland - overview**

The purpose of this Section 4.7(c) is to provide general information on the mining regime in Finland, a jurisdiction in which certain of the S2 Assets are located.

The Sirius Board considers Finland to be an attractive investment and operating environment for the exploration and mining industry. There is potential for new discoveries because exploration is generally undertaken on a small-scale basis. 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 free of charge for the mining and exploration industry that would, in other countries, incur large costs.

Reservation, exploration and mining permits are granted by the Finnish government mining authority (**Mining Authority**), which is also responsible for supervising and enforcing compliance with the applicable legislation. All mining operations are subject to Finnish environmental legislation and mining is only possible if the applicant is granted an environmental permit.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

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 obtain 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.

(d) Mining in Sweden – overview

The purpose of this Section 4.7(d) is to provide general information on the mining regime in Sweden, a jurisdiction in which certain of the S2 Assets are located.

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-served basis, with no discretion in relation to 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.

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 Swedish environmental legislation and mining is only possible if the company holding the permit is awarded an environmental permit for its operations.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

4.8 S2 Material Contracts

If the Demerger Scheme is implemented, the following contracts will be material contracts of S2 Resources.

(a) Norse Exploration shareholders' agreement

On 21 June 2015, Alain Chevalier, James Coppard, Bo Langbacka, Graham Brown (together, the **Vendor Shareholders**), Sirius Europa, Norse Exploration and Sakumpu (a wholly owned subsidiary of Norse Exploration) entered into a shareholders' agreement to govern their respective rights and obligations as shareholders of Norse Exploration and Sakumpu (**Shareholders' Agreement**). Sakumpu is a company incorporated in Finland, and is the operating entity through which Norse Exploration operates.

The key rights and obligations under the Shareholders' Agreement include:

- (i) **Initial holdings:** The initial holdings of parties in the issued capital of Norse Exploration are:
 - (A) Sirius Europa: 66.67%; and
 - (B) Vendor Shareholders: 33.33%.
- (ii) **Stage 1:** During the period commencing on the date that is agreed between Sirius Europa and the Vendor Shareholders (**Stage 1 Commencement Date**) and ending on that date which is one year after the Stage 1 Commencement Date (or such other date as is agreed between the shareholders of Norse Exploration) (**Stage 1 Period**). Sirius Europa must undertake a program of works within the mineral titles held by Sakumpu (**Stage 1 Work Program**). Unless otherwise agreed between the parties, Sirius Europa must bear all costs of and incidental to completion of the Stage 1 Work Program.
- (iii) **Stage 2:** Subject to completion of the Stage 1 Work Program during the Stage 1 Period, by giving written notice to Norse Exploration and the Vendor Shareholders within ten Business Days of the end of the Stage 1 Period, Sirius Europa will subscribe for an additional 2,000,000 shares in the capital of Norse Exploration (**Additional Shares**) at an issue price of A\$1.00 per share. Following the subscription for the Additional Shares by Sirius Europa, the holdings of parties in the issued capital of Norse Exploration will be:
 - (A) Sirius Europa: 80.01%; and
 - (B) Vendor Shareholders: 19.99%.

During the period commencing on the date that Sirius Europa subscribes for the Additional Shares (**Election Date**) and ending on that date which is one year after the Election Date (or such other date as is agreed between the shareholders of Norse Exploration) (**Stage 2 Period**) Sakumpu must undertake a further program of works within the mineral titles held by Sakumpu (**Stage 2 Work Program**). Unless otherwise agreed between the parties, Norse Exploration must bear all costs of and incidental to completion of the Stage 2 Work Program.

- (iv) **Continuation of Norse Exploration and Sakumpu operations:** On completion of the Stage 2 Work Program, the Norse Exploration board of directors (**Norse Board**) must make a unanimous decision as to whether Norse Exploration and Sakumpu will continue their operations. Where the Norse Board resolves not to continue the operations of Norse Exploration and Sakumpu, the parties will, in good faith, agree a mutually acceptable outcome.

Where the Norse Board elects to continue the operations of Norse Exploration and Sakumpu, if the board of Sakumpu determines that Sakumpu requires further funds to fund operations (**Required Funds**), the Norse Board may unanimously determine to raise the Required Funds by:

- (A) calling on Norse Exploration shareholders to contribute the Required Funds in proportion to their shareholding;
- (B) seeking finance in Norse Exploration's name of the Required Funds from Norse Exploration's banker or a third party financier on reasonable commercial terms;
- (C) issuing equity in Norse Exploration;

4. Profile of S2 Resources if the Demerger is Implemented (cont)

- (D) entering into an alternative commercial transaction; or
- (E) a combination of any of (A), (B), (C) and (D).
- (v) **Norse Board:** The Norse Board must consist of no more than three directors, with Sirius Europa entitled to appoint two directors and the Vendor Shareholders together entitled to appoint one director. Each director is entitled to cast one deliberate vote. The Chairperson of the Norse Board must be a director appointed by the Norse Exploration shareholder holding the greatest shareholding in Norse Exploration. The Chairperson has a casting vote in addition to any vote he or she may otherwise have as a director in the event of a deadlock.
- (vi) **Sakumpu Board:** The Sakumpu board of directors (**Sakumpu Board**) must consist of no more than six directors, with Sirius Europa entitled to appoint a total of two directors to the Sakumpu Board and the Vendor Shareholders are together entitled to appoint four directors to the Sakumpu Board. The directors shall have such number of votes as is equal to the shareholding of the Norse Exploration shareholder who appointed that director.
- (vii) **Norse reporting:** Norse Exploration must provide the Norse Board with monthly and annual financial information and reports.
- (viii) **Sakumpu reporting:** Sakumpu must provide the Norse Board with sufficient management and financial information and reports each month to allow the Norse Board to monitor the efficient conduct of the business. Sakumpu must also provide to the Norse Board quarterly and annual bank statements, transaction registers, comparisons of the actual results with the projections and any other reports, statements or records as the Norse Board or its auditors may require.
- (ix) **Vendor Shareholder Time Commitments:** Each of the Vendor Shareholders has agreed to devote a minimum percentage of their time per week working for Sakumpu and/or Norse Exploration.
- (x) **Dilution:** Where a Norse Exploration shareholder fails to meet a cash call (**Diluting Shareholder**), and another Norse Exploration shareholder satisfies its obligations to meet a cash call (**Non-Diluting Shareholder**), the Diluting Shareholder's shareholding in Norse Exploration shall be diluted by the amount of the cash call not met by the Diluting Shareholder divided by the price per Norse Exploration share payable pursuant to the cash call.
- (xi) **Right of First Refusal:** Where any Norse Exploration shareholder (**Proposer**) directly, or indirectly applies for a concession, tenement or mineral title with the intention of developing a mineral project within Norway, Sweden or Finland (**New Interest**) or wishes to otherwise acquire an interest in a New Interest, the Proposer must provide the other Norse Exploration shareholders with the opportunity to elect for the New Interest to be applied for, or be acquired by, Norse Exploration. However, nothing prevents Sirius Europa from entering into any agreement with any third party, or sourcing opportunities within Norway, Sweden or Finland similar to those identified by Norse Exploration and Sakumpu, or restrains Sirius Europa from seeking, sourcing or working on such other opportunities for any period during or after termination of the Shareholders' Agreement, provided that Sirius Europa does not act on the basis of the information obtained from Sakumpu or in connection with work undertaken by Sakumpu. During the term of the Shareholders' Agreement, none of the Vendor Shareholders nor any of their affiliates may, without the prior written consent of Sirius Europa, engage or be involved or interested in any business or activity within Norway, Sweden or Finland which is outside of Sakumpu's operations.
- (xii) **Listing Event:** Prior to 9 January 2018, the shareholders intend for one of the following events to occur:
 - (A) the approval for the quotation of the securities of Norse Exploration on the official list of ASX; or
 - (B) the backdoor listing of Norse Exploration on ASX by way of its introduction to an existing entity whose securities are quoted on ASX,
 (Listing Event).

4. Profile of S2 Resources if the Demerger is Implemented (cont)

- (xiii) **Default:** Where an insolvency event occurs in respect of a Norse Exploration shareholder or a Norse Exploration shareholder commits a breach of any term of the Shareholders' Agreement which is either material and not capable of being remedied, or is capable of being remedied but is not remedied, a call option is created in respect of the defaulting Norse Exploration shareholder's shares. If a non-defaulting Norse Exploration shareholder does not wish to exercise that call option, the non-defaulting Norse Exploration shareholder may terminate the Shareholders' Agreement.
- (xiv) **Termination:** The Shareholders' Agreement has no definite term but will be automatically terminated if:
 - (A) one Norse Exploration shareholder becomes the holder of all the shares in Norse Exploration and all rights to subscribe for or convert any security into further shares;
 - (B) a Listing Event occurs;
 - (C) an event of insolvency occurs in respect of Norse Exploration; or
 - (D) the Norse Exploration shareholders mutually agree to terminate the Shareholders' Agreement.

The Shareholders' Agreement otherwise contains terms standard for an agreement of this nature, including, warranties, indemnities, pre-emptive rights, tag along and drag along options and confidentiality.

(b) **Royalty Deed and Deed of Mortgage – Polar Metals and Franco-Nevada**

On 24 March 2010, Sirius entered into an agreement with Barrick (Plutonic) Limited (ABN 42 004 680 997) (**Barrick**) to govern the payment of royalties by Sirius to Barrick (**Royalty Deed**) and a deed of mortgage which is undated but which was registered with the Western Australian Department of Mines and Petroleum on 22 August 2011 (**Deed of Mortgage**), as part of the consideration for tenements purchased by Sirius from Barrick on or about 24 March 2010. Since that time:

- (i) on 7 June 2011, Sirius assigned its rights and obligations under the Royalty Deed to Polar Metals, Polar Metals granted a mortgage similar to the Deed of Mortgage in favour of Barrick and entered into a deed of covenant as required by the terms of the Royalty Deed, when Polar Metals acquired the relevant underlying tenements from Sirius (to which Barrick consented); and
- (ii) on 1 November 2013, Barrick assigned its rights and obligations under the Royalty Deed, and its security interest under the Deed of Mortgage to Franco-Nevada Australia Pty Ltd (**Franco-Nevada**) (to which Polar Metals consented).

The key terms of the Royalty Deed are as follows:

- (iii) **Tenements affected:** Polar Metals will pay to Franco-Nevada a royalty (**Royalty**) on all mineral product derived from the following tenements:

Tenement number	Grant date	Expiry date
E63/1142	13 Feb 2009	12 Feb 2019
M15/651	11 Feb 1993	10 Feb 2035
M15/710	10 Aug 1994	9 Aug 2015
M63/230	19 Nov 1990	18 Nov 2032
M63/255	22 Oct 1992	21 Oct 2034
M63/269	1 Oct 1993	30 Sep 2035
M63/279	23 Mar 1994	22 Mar 2015
P15/5167	7 Apr 2009	6 Apr 2017
P15/5168	7 Apr 2009	6 Apr 2017
P15/5171	30 Sep 2008	29 Sep 2016
P63/1584	30 Jun 2008	29 Jun 2016

4. Profile of S2 Resources if the Demerger is Implemented (cont)

Tenement number	Grant date	Expiry date
P63/1585	30 Jun 2008	29 Jun 2016
P63/1587	10 Jun 2009	9 Jun 2017
P63/1588	10 Jun 2009	9 Jun 2017
P63/1589	10 Jun 2009	9 Jun 2017
P63/1590	10 Jun 2009	9 Jun 2017
P63/1591	10 Jun 2009	9 Jun 2017
P63/1592	10 Jun 2009	9 Jun 2017
P63/1593	10 Jun 2009	9 Jun 2017
P63/1594	10 Jun 2009	9 Jun 2017

(together, the **Sale Tenements**).

- (iv) **Royalty amount:** The Royalty is calculated as:

$$\text{Product Rate} \times \text{Net Smelter Return}$$

Where:

$$\text{Product rate} = 2\%$$

$$\text{Net Smelter Return} = \text{A dollar figure calculated by:}$$

- (a) 100% of the gross revenue generated by the sale of product derived from the Sale Tenements; **less**
- (b) 100% of charges (including for smelting, assaying, sampling, transport and insurance); product quality penalties; and taxes and royalties payable on mining production to the a government agency (but excluding general corporate taxes), incurred by Polar Metals in respect of the product derived from the Sale Tenements.

- (v) **Royalty payments:** The Royalty is to be calculated for each calendar quarter and paid by Polar Metals within 30 days after the end of the applicable quarter. Interest is payable by Polar Metals in the event that a Royalty is not paid when due.
- (vi) **Statements:** Polar Metals must submit a statement to Barrick for each period setting out the basis of the Royalty calculation. The statement must include (in respect of the applicable period) the quantity and type of product derived from the Sale Tenements, the quantity and type of product processed, the Net Smelter Return and the underlying calculations, and any other information reasonably requested by Franco-Nevada for calculation and verification of the Royalty.
- (vii) **No obligation to maintain or mine Sale Tenements:** Polar Metals is under no obligation under the Royalty Deed to renew, preserve, maintain or mine the Sale Tenements; or market and sell, or refrain from marketing and selling, any product other than as Polar Metals thinks fit.
- (viii) **Barrick has no interest in Sale Tenements:** Notwithstanding Franco-Nevada's royalty interest, Franco-Nevada does not have any legal or equitable interest in the Sale Tenements.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(ix) Assignment:

- (A) **(by Franco-Nevada)** Franco-Nevada may assign, sell, mortgage or otherwise dispose of the whole or a part of its interest in the Royalty under the Royalty Deed, but must give Polar Metals 30 days' prior written notice and allow Polar Metals the opportunity during that period to make an offer or lodge an expression of interest, and must procure the assignee to execute a deed of covenant with Polar Metals pursuant to which the assignee agrees to be bound by the Royalty Deed and to assume and discharge all rights and obligations of Franco-Nevada under the Royalty Deed.
- (B) **(by Polar Metals)** Polar Metals must *not* sell, assign or otherwise dispose of or deal with all or part of its rights in the Sale Tenements or any part of them to any person (a **Dealing**) unless:
 - (aa) the Dealing is by way of relinquishment of a part of the land the subject matter of a Sale Tenement in accordance with the requirements of the Mining Act relating to compulsory relinquishments;
 - (bb) the Dealing is by way of surrender of a Sale Tenement; or
 - (cc) the assignee executes a deed of covenant with Franco-Nevada in the form substantially the same as that set out in Schedule 2 to the Royalty Deed pursuant to which the assignee agrees to be bound by the Royalty Deed and to assume and discharge all of the rights and obligations of Polar Metals under the Royalty Deed to the extent of the interest assigned to them, and if the Dealing results in the assignee becoming the registered holder of a Sale Tenement, the assignee granting a mining mortgage to Barrick in the same terms as previously granted by Polar Metals to Franco-Nevada.

4.9 S2 Board and Senior Management

(a) S2 Director profiles

As at the date of this Demerger Scheme Booklet, the S2 Board comprises:

Jeff Dowling Non-Executive Chairman	Mr Dowling is a highly experienced corporate leader with 36 years' experience in professional services with Ernst & Young. Jeff has held numerous leadership roles within Ernst & Young which focused on the mining, oil and gas and other industries. Jeff's professional expertise centres around audit, risk and financial acumen derived from acting as lead partner on large public company audits, capital raisings and corporate transactions. Jeff's career with Ernst & Young culminated in his appointment as Managing Partner of the Ernst & Young Western Region for a period of 5 years. Jeff also led Ernst & Young's Oceania China Business Group, responsible for building Ernst & Young's Oceania relationships with Chinese Corporations. Jeff 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.
--	--

4. Profile of S2 Resources if the Demerger is Implemented (cont)

Mark Bennett Managing Director / Chief Executive Officer	Mark Bennett is the founding managing director and CEO of Sirius. 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. 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.
Anna Neuling Executive Director	Anna has been with Sirius since the company's inception in 2009 and is responsible for the commercial and corporate affairs of Sirius, company secretarial, human resources and public and investor relations functions. Anna 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. Anna 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).

(b) Non-Executive director remuneration

The maximum annual remuneration that may be payable in aggregate to non-executive directors of S2 Resources for directors' fees is A\$300,000. This amount can only be increased by ordinary resolution of S2 Shareholders passed at a general meeting.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(c) Senior Management

As at the date of this Demerger Scheme Booklet, the key members of S2 Resources' senior management team include:

Jeffrey Foster General Manager – Project Generation	Jeffrey Foster is a geologist with over 20 years worldwide experience in various roles for WMC Resources Limited and BHP Billiton Limited, and as a director of the Brisbane-based consultancy Geodiscovery Group. He is currently General Manager – Project Generation for Sirius and is a former executive director of Sirius. He holds BSc and MSc degrees and is also Associate Professor at the ARC Centre of Excellence in Ore Deposits at the University of Tasmania. He is a recognised authority on nickel deposits, having advised several multinational mining companies and published numerous papers on the subject, and has been involved in the targeting and discovery of nickel sulphides in Canada.
John Bartlett General Manager – Exploration	John Bartlett is a geologist with over 20 years' experience in gold, nickel and base metal exploration and mining. He is currently General manager – Exploration for Sirius. He holds a BSc (Hons.) in Geology from the University of Tasmania and is a Member of the Australasian Institute of Mining and Metallurgy. John has worked predominately in Australia and Indonesia and has been involved in the discovery of a number of economic deposits, including the Southern Star gold mine, the Lounge Lizard nickel mine, the Nova-Bollinger Project and most recently the Baloo Gold Deposit.
Su-Mei Chan Chief Financial Officer	Su-Mei Chan is a member of the Certified Practising Accountants Australia with fourteen years' experience in public practice and company accounting. Her knowledge and skills are predominantly within the mining resources sector with companies such as Terex Mining Australia Pty Ltd, Apex Minerals NL, Consolidated Minerals Limited and most recently at Sirius.

4.10 Intentions regarding the continuation of S2 Resources' business

Save as set out elsewhere in this Demerger Scheme Booklet, there is no additional material information regarding S2 Resources' business nor any major changes to S2 Resources' business (including any redeployment of fixed assets or information regarding the future employment of the present employees of S2 Resources).

4.11 Sirius' interest in S2 Shares

Voting power and Relevant Interest

As at the date of this Demerger Scheme Booklet, Sirius has:

- a voting power in S2 of 100%; and
- a Relevant Interest in 1 S2 Share.

Following implementation of the Demerger Scheme, Sirius will not own any S2 Shares – the S2 Shares will all have been distributed to the Scheme Participants.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

4.12 S2 Resources capital structure

(a) S2 Director incentives – S2 Options

It is proposed that S2 Resources will issue S2 Options to the following S2 Directors, pursuant to the S2 DIP:

Name	Position	Number	Vesting conditions	Exercise price*	Expiry date
Mark Bennett	MD / CEO	12,500,000	None	A\$0.31	4 years from date of issue
Anna Neuling	Executive Director	8,750,000	None	A\$0.31	4 years from date of issue
Jeff Dowling	Non-Executive Chairman	2,500,000	None	A\$0.31	4 years from date of issue
Total		23,750,000			

* being 143% of the preferred value given to S2 Shares in the Independent Expert's Report, rounded up to the nearest cent.

The above S2 Options will be issued prior to Listing.

S2 Resources has adopted a director incentive plan (the **S2 DIP**). Key terms of the S2 DIP are summarised in the table below.

Key term	Description
Purpose of the S2 DIP	The purpose of the S2 DIP is to grant S2 Options to acquire S2 Shares to the S2 Directors to better align the interests of the S2 Directors and S2 Shareholders.
Offer to participants	S2 Options offered or granted under the S2 DIP will be subject to the terms of the S2 DIP. The offer invitation will set out, amongst other things, the number of S2 Options, the grant date, the exercise price, the vesting period (if any), the forfeiture conditions (if any) and any rights or restrictions attaching to S2 Shares issued.
No consideration payable	S2 Options issued under the S2 DIP will be issued for nil cash consideration.
Exercise price	The exercise price for the S2 Options will be determined by the S2 Board and set out in the offer invitation.
Unquoted and non-transferrable	The S2 Options will not be transferable and will not be quoted on the ASX, unless the a particular offer provides otherwise.
Change of control	In the event that: - a court approves a scheme of arrangement in respect of S2 Resources; - a takeover offer for S2 Resources is declared unconditional and the bidder has acquired at least 50.1% of S2 Shares; or - a person or group controls sufficient S2 Shares to enable it to replace a majority of the S2 Board, the S2 Options may be exercised at any time within 30 days after such event.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

Key term	Description
Lapse of S2 Options	Unless the S2 Board determines otherwise in its sole and absolute discretion, S2 Options will lapse on the earlier of: - on the applicable expiry date; or - where the participant ceases to be an S2 Director (the timing of the lapse being determined by reference to the circumstances in which the participant ceases to be a director and whether or not the relevant S2 Options were exercisable at the relevant time).

(b) S2 Employee Share Ownership Plan

S2 Resources has adopted an employee share ownership plan (the **S2 ESOP**). Key terms of the S2 ESOP are summarised in the table below.

Key term	Description
Purpose of the S2 ESOP	The purpose of the S2 ESOP is to: - encourage participation by employees and officers of S2 Resources through ownership of S2 Shares; and - attract, motivate and retain Eligible Participants (as they are defined in the S2 ESOP).
"Eligible Participants"	"Eligible Participants" for the purposes of the S2 ESOP are any person who is a full time or permanent part time employee or an S2 Director of any member of the S2 Group and each associated body corporate of S2 Resources, and who is declared by the S2 Board in its sole and absolute discretion to be eligible to receive grants of S2 Options under the S2 ESOP.
Offer to participants	The S2 Board may from time to time in its sole and absolute discretion offer S2 Options to acquire S2 Shares to Eligible Participants. The S2 Board, in exercising its discretion, may have regard to the Eligible Participant's length of service and prior or potential contribution to the S2 Group, or any other matter the S2 Board considers relevant. The terms and conditions of Sirius Options offered or granted under the S2 ESOP to each participant will be determined by the S2 Board (and set out in an invitation to the participant) in its sole and absolute discretion. S2 Options under the S2 ESOP may be subject to conditions that must be satisfied before the S2 Option can be exercised. The invitation will set out, amongst other things, the number of S2 Options, the grant date, the exercise price, the exercise conditions (if any), the vesting period (if any) forfeiture conditions (if any) and any rights or restrictions attaching to the plan shares.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

Key term	Description
No consideration payable	S2 Options issued under the S2 ESOP will be issued for nil cash consideration.
Exercise price	The exercise price for the S2 Options will be determined by the S2 Board in its sole and absolute discretion.
Unquoted and non-transferrable	The S2 Options will not be transferable and will not be quoted on the ASX, unless the a particular offer provides otherwise.
Change of control	In the event that: • a court approves a scheme of arrangement in respect of S2 Resources; • a takeover offer for S2 Resources is declared unconditional and the bidder has acquired at least 50.1% of S2 Shares; or • a person or group controls sufficient S2 Shares to enable it to replace a majority of the S2 Board, the S2 Board may determine that any outstanding S2 Options issued under the S2 ESOP may be exercisable immediately, or procure that offers are made to holders of S2 Options on like terms to the change of control transaction.
Lapse of S2 Options	Unless the S2 Board determines otherwise in its sole and absolute discretion, S2 Options will lapse on the earlier of: • the applicable expiry date; • when the exercise conditions are incapable of being satisfied; • subject to "poor leaver" / "good leaver" provisions of the S2 ESOP, when the participant ceases to be an Eligible Participant; or • in the event of death or mental incapacity of an S2 Option holder, at the discretion of the S2 Board.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(c) S2 Resources service provider options

It is proposed that, prior to Listing, S2 Resources will issue the following S2 Options to certain service providers (or their respective nominees) in consideration for the provision of certain services to S2 Resources.

The S2 Options will be issued to the relevant service providers (or their respective nominees) on the terms set out below and otherwise on terms and conditions that are substantially the same as the S2 ESOP.

Name	Services provided	Number	Vesting conditions	Exercise price*	Expiry date
Tony Shaw	Cultural awareness and native title agreement negotiation	500,000	Vest at 12 months if available to provide services during the vesting period	A\$0.31	4 years from date of issue
Graham Brown	Geological services	250,000	Vest at 12 months if available to provide services during the vesting period	A\$0.31	4 years from date of issue
Jim Coppard	Geological services	250,000	Vest at 12 months if available to provide services during the vesting period	A\$0.31	4 years from date of issue
Alain Chevalier	Geological services	250,000	Vest at 12 months if available to provide services during the vesting period	A\$0.31	4 years from date of issue
Bo Langbacka	Geological services	250,000	Vest at 12 months if available to provide services during the vesting period	A\$0.31	4 years from date of issue
Tony Goddard	Geological services	400,000	Vest at 12 months if available to provide services during the vesting period	A\$0.31	4 years from date of issue
Total		1,900,000			

* being 143% of the preferred value given to S2 Shares in the Independent Expert's Report, rounded up to the nearest cent.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

4.13 Corporate governance

This Section 4.13 sets out the approach that S2 Resources will take to corporate governance following the implementation of the Demerger Scheme. Relevant charters and policies will be adopted by S2 Resources prior to implementation of the Demerger Scheme. S2 Resources' approach to corporate governance will be similar to that of Sirius, with appropriate adjustments made to account for the smaller scale and earlier stage of S2 Resources compared with Sirius.

A summary of S2 Resources' proposed approach to corporate governance is set out below.

(a) **Composition of the S2 Board**

Consistent with the size of S2 Resources and its activities, immediately after implementation of the Demerger Scheme, the S2 Board will comprise the three directors referred to in Section 4.9(a) of this Demerger Scheme Booklet. The current S2 Board composition includes one non-executive director who is also the Chairman (Jeff Dowling) and two executive directors (Mark Bennett and Anna Neuling). The ASX Corporate Governance Council recommends that a majority of the directors on a board should be independent. S2 Resources will not, therefore, follow that recommendation immediately following implementation of the Demerger Scheme. It is nevertheless considered that the current composition of the S2 Board is appropriate at this time. S2 Resources may appoint a further two non-executive directors in due course, one of which may be a nominee of the Creasy Group.

(b) **Roles and responsibilities of the S2 Board**

The S2 Board will be responsible for all matters relating to the running of S2 Resources. The S2 Board's role is to govern S2 Resources, rather than to manage it. In governing S2 Resources, the S2 Directors must act in the best interests of S2 Resources as a whole. Without putting a limit on the general role of the S2 Board, the principal functions and responsibilities will include:

- (i) providing leadership to S2 Resources by guiding the development of an appropriate culture and values and always acting in a manner consistent with S2 Resources' culture and code of conduct;
- (ii) overseeing the development and implementation of an appropriate strategy for S2 Resources;
- (iii) ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and the Chairman, being the key interface between S2 Resources and its shareholders;
- (iv) overseeing the control and accountability systems that ensure S2 Resources is progressing towards the goals set by the S2 Board and in line with S2 Resources' purpose, the agreed corporate strategy, legislative requirements and community expectations;
- (v) ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- (vi) being responsible for S2 Resources' senior management and personnel;
- (vii) delegating appropriate powers to the CEO, management and committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- (viii) making all decisions outside the scope of these delegated powers.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

(c) S2 Board committees

From time to time, the S2 Board may establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.

Given the size and scale of S2 Resources, it is not anticipated that any specific committees will be established prior to Listing. However, the S2 Board will review its position in relation to committees on an ongoing basis.

(d) S2 Board processes

The S2 Board processes will be governed by the constitution of S2 Resources, which is summarised in Section 13.7 of this Demerger Scheme Booklet.

(e) Resources available to the S2 Board

In executing its role and responsibilities, the S2 Board will have access to senior management. The S2 Board will also have the authority to seek information from employees and external parties, to obtain outside legal or other professional advice at the expense of S2 Resources, and to ensure company officers attend S2 Board meetings as appropriate.

The chairperson of the S2 Board will be responsible for leadership of the S2 Board, for efficient organisation and conduct of the S2 Board's functions and for the briefing of all S2 Directors in relation to issues arising at S2 Board meetings. The chairperson of the S2 Board is also responsible for shareholder communication and arrangement of S2 Board's performance evaluation.

4. Profile of S2 Resources if the Demerger is Implemented (cont)

4.14 Ngadju native title claim

All of the tenements held by S2 Resources in Australia are located within the Ngadju Claim. Part of the Ngadju native title claim has now been determined (the **Ngadju Trial Area**). There have been three decisions of the Court in relation to the Ngadju Trial Area¹, which have determined the nature of the Ngadju People's rights and interests and the interaction with other interests in the claim area. All of the tenements are located within the Ngadju Trial Area (except for one tenement, which is not within the determined Ngadju Trial Area, but which is within the remaining claim area).

There are native title validity issues in relation to two of the tenements on the Polar Bear Project (the **Affected Tenements**). The Affected Tenements were granted in what is referred to as the "intermediate period", being the period between 1 January 1994 and 23 December 1996. During that time, the State of Western Australia generally did not comply with the requirements of the Native Title Act, on the basis that all native title in Western Australia had been extinguished by the *Land (Titles and Traditional Usage) Act 1993* (WA). The latter Act was subsequently found to be invalid. This means that mining tenements granted during that time over land where native title exists were invalid to the extent they affect native title, due to the operation of the Native Title Act.

Amendments to the Native Title Act in 1998 partly cured problems associated with tenements granted in the intermediate period. Those amendments had the effect of validating tenements that were granted wholly or partially over land that was historically covered by freehold, leases (such as pastoral leases) or public works. In the first decision of the Court², it was held that there was insufficient evidence to confirm whether the Affected Tenements had been granted over any land that would have had a validating effect (ie freehold, leases or public works). Therefore, the Affected Tenements were held to be invalid to the extent that they affect native title by operation of the Native Title Act.

The decision that the tenements are invalid to the extent that they affect native title does not mean that the tenements are invalid per se, or as a matter of law. The decision does not render void the grant of tenure under the *Mining Act 1978* (WA). S2 Resources still holds all of the tenements which underpin its exploration activities at the Polar Bear Project.

Nevertheless, a finding of native title invalidity in respect of a tenement may mean that the mining tenement holder is restricted from exercising rights conferred by the tenement that are inconsistent with native title rights (the degree of inconsistency may be significant for the Affected Tenements, because the Sirius Board understands that the Ngadju People have been determined by the Court to hold exclusive native title rights and interests, but for the extinguishing effect of any other interests). It may also give rise to a right of compensation to the native title holders for unlawful impacts on native title rights and interests.

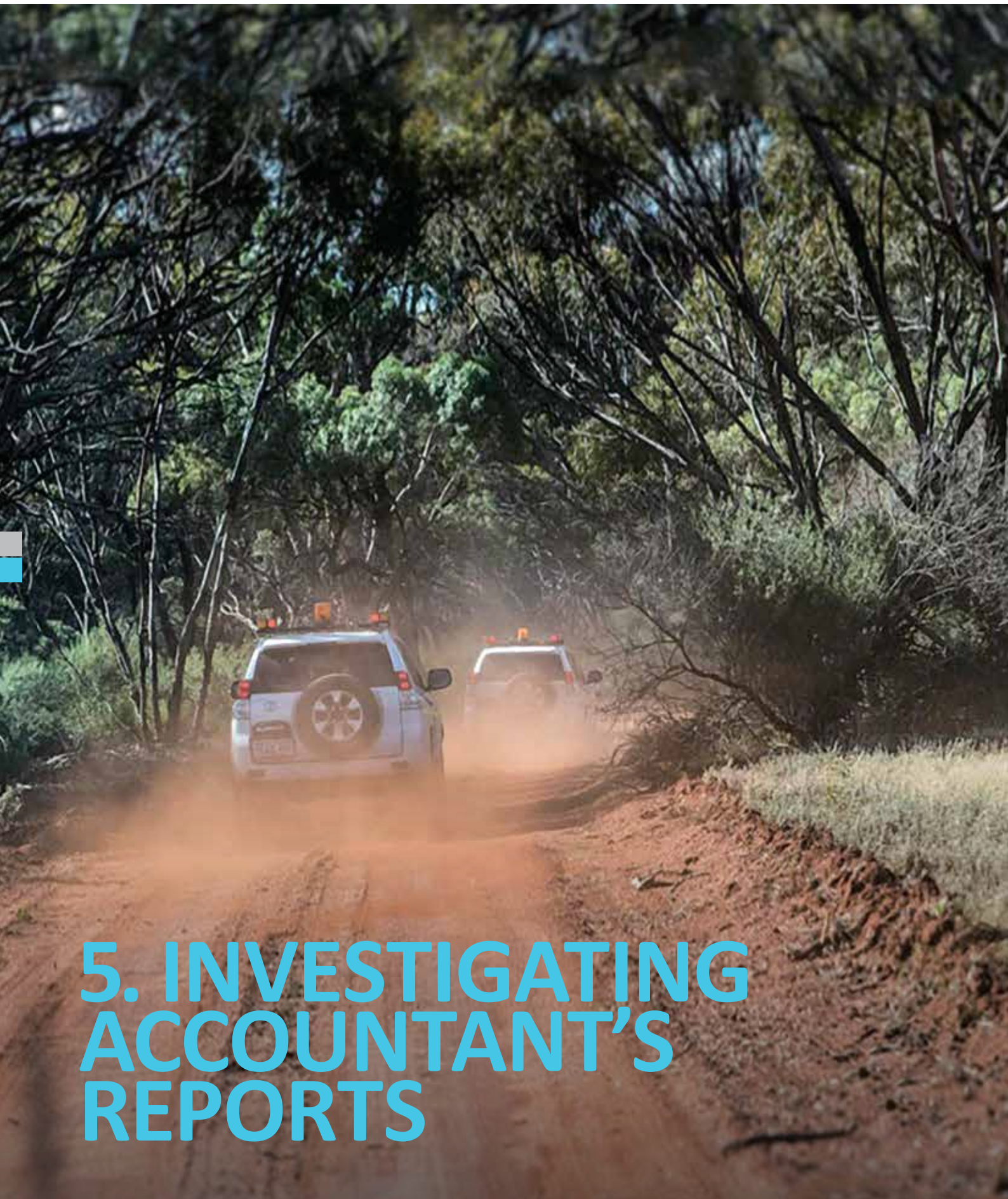
If the Demerger Scheme is implemented, S2 Resources will continue to keep the market informed of any material developments in relation to the Affected Tenements.

4.15 Other material information

Except as disclosed elsewhere in this Demerger Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Demerger Scheme, being information that is within the knowledge of any director of Sirius, as at the date of this Demerger Scheme Booklet, which has not been previously disclosed to Sirius Shareholders.

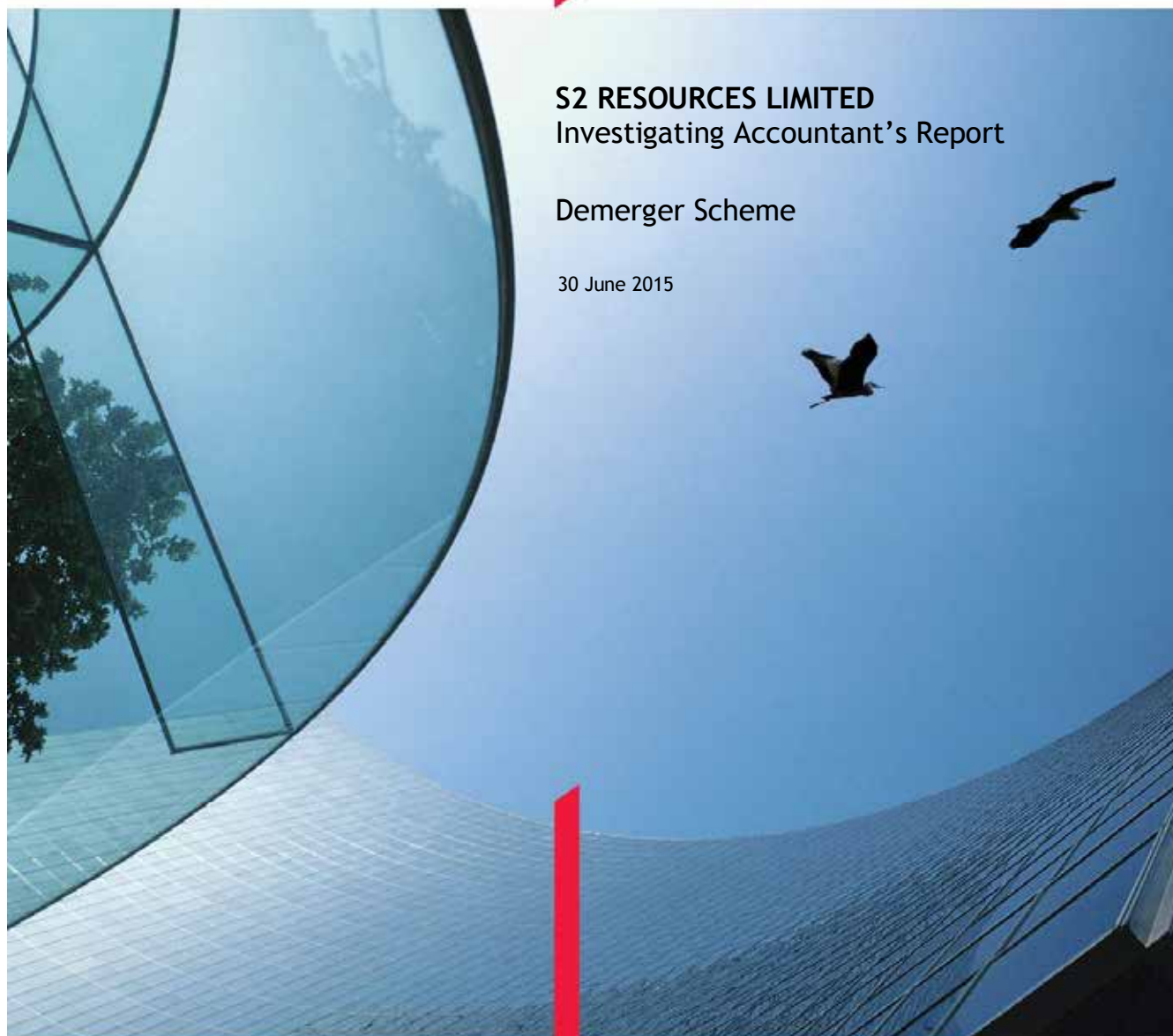
1. *Graham on behalf of the Ngadju People v State of Western Australia* [2012] FCA 1455; *Graham on behalf of the Ngadju People v State of Western Australia* [2014] FCA 516; *Graham on behalf of the Ngadju People v State of Western Australia* [2014] FCA 700.

2. *Graham on behalf of the Ngadju People v State of Western Australia* [2012] FCA 1455.



5. INVESTIGATING ACCOUNTANT'S REPORTS

5. Investigating Accountant's Reports



5. Investigating Accountant's Reports (cont)



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 June 2015

The Directors
Sirius Resources NL
253 Balcatta Road
Balcatta, WA 6021

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) has been engaged by Sirius Resources NL (**'Sirius'** or **'the Company'**) to prepare this Investigating Accountant's Report (**'Report'**) in relation to certain financial information of S2 Resources Limited (**'S2 Resources'**) for inclusion in the Demerger Scheme Booklet. The purpose of the Demerger Scheme will be to demerge certain exploration assets of Sirius, including the Polar Bear Project and the Scandinavian assets currently held by subsidiaries of Sirius into a new vehicle, being S2 Resources (**'Demerger'**). It is anticipated that S2 Resources will apply for admission to the official list of the Australian Securities Exchange (**'ASX'**) as soon as practicable, after implementation of the Demerger Scheme, and intends to be a standalone entity.

The exploration assets that will form part of S2 Resources are currently held by two wholly owned subsidiaries of Sirius, Polar Metals Pty Ltd (**'Polar Metals'**) and Sirius Europa Pty Ltd (**'Sirius Europa'**) (or their subsidiaries). To effect the Demerger, Sirius will undertake an equal capital reduction and distribute fully paid ordinary shares in S2 Resources to the Scheme participants. Prior to this Sirius will undertake a number of internal restructuring steps to capitalise S2 Resources and transfer Polar Metals and Sirius Europa to S2 Resources.

Expressions defined in the Demerger Scheme Booklet have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Demerger Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

5. Investigating Accountant's Reports (cont)

2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Demerger Scheme Booklet.

The historical and pro forma historical financial information is presented in the Demerger Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Historical Financial Information

You have requested BDO to review the following historical financial information (together the **'Historical Financial Information'**) of Polar Metals and Sirius Europa included in the Demerger Scheme Booklet:

- the reviewed historical Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2014; and
- the reviewed historical Statement of Financial Position as at 31 December 2014.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of Sirius for the period ended 31 December 2014, which was reviewed by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued an unmodified review conclusion on the financial report.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (together the **'Pro Forma Historical Financial Information'**) of S2 Resources included in the Demerger Scheme Booklet:

- the pro forma historical Statement of Financial Position as at 31 December 2014.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Polar Metals and Sirius Europa after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by S2 Resources to illustrate the impact of the events or transactions described in Section 6 and Section 7 of the Report on S2 Resources' financial position as at 31 December 2014. As part of this process, information about Polar Metals and Sirius Europa's financial positions have been extracted by the Company from their respective financial statements for the period ended 31 December 2014.

5. Investigating Accountant's Reports (cont)

3. Directors' responsibility

The directors of Sirius are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of Polar Metals and Sirius Europa, as described in the Appendices to this Report, and comprising:

- the Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2014; and
- the Statement of Financial Position as at 31 December 2014,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position as at 31 December 2014,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

5. Investigating Accountant's Reports (cont)

6. Subsequent Events

The pro-forma Statement of Financial Position reflects the following events that have occurred subsequent to the period ended 31 December 2014:

- Following 1 January 2015, Sirius Europa completed a Heads of Agreement with Norse Exploration Pty Ltd ('Norse') (a wholly owned subsidiary of Sirius Europa) and the shareholders of Sakumpu Exploration Oy (the 'Vendors') whereby 1 million shares in Norse were issued to the Vendors in consideration for a 100% interest in Sakumpu Exploration Oy ('Sakumpu') (a private Finnish company). Sirius Europa invested an additional \$2 million in Norse for which 1 million shares were issued. This resulted in Sirius Europa owning 66.67% of Norse and the Vendors owning the remaining 33.33%. The additional \$2 million invested by Sirius Europa was used to determine the fair value of the exploration assets acquired;
- Between 1 January 2015 and 31 March 2015, Sirius Europa incurred \$280,099 in exploration expenditure through Norse. This exploration expenditure has been expensed in line with the Company's accounting policies;
- Between 1 January 2015 and 31 March 2015, Polar Metals incurred \$3,237,907 in exploration expenditure. This amount was provided to Polar Metals via an intercompany loan from Sirius. A total of \$2,584,059 of this exploration expenditure has been expensed with acquisition costs of \$653,848 capitalised in line with the Company's accounting policies; and
- On 29 May 2015, S2 Resources was incorporated.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of Sirius, S2 Resources, Polar Metals and Sirius Europa not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 31 December 2014, the subsequent events set out in Section 6, and the following transactions and events relating to the Demerger Scheme Booklet:

- S2 Resources will issue 22,781,525 shares for a total value of \$4,000,000 to acquire Sirius Europa and 69,611,641 shares for a total value of \$12,222,473 to acquire Polar Metals. The acquisitions of Polar Metals and Sirius Europa by S2 Resources have not been deemed to be business combinations as they fall outside the scope of *AASB 3 Business Combinations* due to the acquisitions being a combination of entities under common control;
- The intercompany loan amount of \$3,999,999 in Sirius Europa received from Sirius as at 31 March 2015 was converted into 1 share in Sirius Europa;
- The intercompany loan amount of \$12,222,473 in Polar Metals received from Sirius as at 31 March 2015 was converted into 1 share in Polar Metals;

5. Investigating Accountant's Reports (cont)

- Sirius Europa has committed to providing cash calls totalling approximately \$1.70 million to Sakumpu to be used for exploration expenditure. It is anticipated that this amount will be provided and spent on exploration prior to completion of the Demerger Scheme; and
- As part of the Demerger Scheme, S2 Resources will issue 113,907,622 shares to Sirius and will receive \$20 million in cash to be used for working capital purposes. This amount may be reduced by certain items such as duty payable on the Demerger, if applicable. Sirius will be responsible for the payment of all Demerger Scheme costs.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Demerger other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO Audit (WA) Pty Ltd is the auditor of Sirius and from time to time, BDO also provides Sirius with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Demerger Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Demerger Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Demerger Scheme Booklet in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Demerger Scheme Booklet. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Demerger Scheme Booklet.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Peter Toll

Director

5. Investigating Accountant's Reports (cont)

APPENDIX 1

S2 RESOURCES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Polar Metals Reviewed for the period ended 31-Dec-14 \$	Sirius Europa Reviewed for the period ended 31-Dec-14 \$
Interest income	-	569
Expenses		
Exploration expenditure written off	(2,717,906)	-
Profit/(loss) before income tax expense	(2,717,906)	569
Income tax expense	-	-
Net Profit/(loss) for the period	(2,717,906)	569

This statement of profit or loss and other comprehensive income shows the historical financial performance of Polar Metals and Sirius Europa and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3. S2 Resources was not incorporated until 29 May 2015 and therefore does not have any historical financial information to be presented as at 31 December 2014. Past performance is not a guide to future performance.

5. Investigating Accountant's Reports (cont)

APPENDIX 2

S2 RESOURCES LIMITED

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Polar Metals Reviewed as at 31-Dec-14	Sirius Europa Reviewed as at 31-Dec-14	Subsequent events	Pro-forma adjustments	S2 Resources Pro-forma after Demerger
	Notes	\$	\$	\$	\$	\$
CURRENT ASSETS						
Cash and cash equivalents	2	-	4,000,291	(280,098)	18,300,000	22,020,193
Other receivables		-	278	-	-	278
TOTAL CURRENT ASSETS		-	4,000,569	(280,098)	18,300,000	22,020,471
NON CURRENT ASSETS						
Exploration and evaluation assets	3	400,000	-	2,653,848	-	3,053,848
Investments	4	-	-	-	-	-
TOTAL NON CURRENT ASSETS		400,000	-	2,653,848	-	3,053,848
TOTAL ASSETS		400,000	4,000,569	2,373,750	18,300,000	25,074,319
NON CURRENT LIABILITIES						
Intercompany loans	5	8,984,565	3,999,999	3,237,907	(16,222,471)	-
TOTAL NON CURRENT LIABILITIES		8,984,565	3,999,999	3,237,907	(16,222,471)	-
TOTAL LIABILITIES		8,984,565	3,999,999	3,237,907	(16,222,471)	-
NET ASSETS/(LIABILITIES)		(8,584,565)	570	(864,157)	34,522,471	25,074,319
EQUITY						
Contributed equity	6	1	1	1	36,222,471	36,222,474
Reserves	7	-	-	650,135	-	650,135
Non-controlling interest	8	-	-	1,256,508	(566,610)	689,898
Accumulated losses	9	(8,584,566)	569	(2,770,801)	(1,133,390)	(12,488,188)
TOTAL EQUITY		(8,584,565)	570	(864,157)	34,522,471	25,074,319

The pro forma consolidated statement of financial position if the Demerger Scheme is implemented is as per the consolidated statement of financial position before the Demerger adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Demerger Scheme Booklet. S2 Resources was not incorporated until 29 May 2015 and therefore does not have any historical financial information to be presented as at 31 December 2014. The pro forma consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3.

5. Investigating Accountant's Reports (cont)

APPENDIX 3

S2 RESOURCES LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Historical Financial Information and Pro Forma Historical Financial Information included in this Report have been set out below.

Basis of preparation of financial information

The financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

Going Concern

The financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of S2 Resources to continue as a going concern is dependent on the success of the Demerger Scheme proposed in the Demerger Scheme Booklet. The Directors believe that S2 Resources will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the Demerger Scheme proposed in the Demerger Scheme Booklet be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

Reporting Basis and Conventions

The Report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

a) Principles of consolidation

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

5. Investigating Accountant's Reports (cont)

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.

In preparing the consolidated financial information, 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. 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.

The reserve balance results from the proportion of the equity held by the non-controlling interest required to reflect their relative interest in the subsidiary. The entity needs to recognise directly in equity (ie reserve) any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

b) Revenue recognition

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

c) 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.

5. Investigating Accountant's Reports (cont)

d) Impairment of assets

At each reporting date, the Company 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 Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f) Trade and other receivables

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

g) Trade and other payables

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

h) Issued capital

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

i) Goods and services tax

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

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

5. Investigating Accountant's Reports (cont)

j) 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 income statement 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 reduced of value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

k) Financial instruments

Recognition

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

Loans and receivables

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

Financial liabilities

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

Fair value

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

Impairment

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

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities

5. Investigating Accountant's Reports (cont)

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.

I) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

	Reviewed 31-Dec-14	Pro-forma after Offer
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$
Cash and cash equivalents	-	22,020,193
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		-
Reviewed balance of Sirius Europa at 31 December 2014		4,000,291
<i>Subsequent events:</i>		
Exploration expenditure incurred by Sirius Europa to 31 March 2015		(280,099)
Incorporation of S2 Resources		1
		(280,098)
<i>Pro-forma adjustments relating to S2 Resources:</i>		
Cash calls committed from Sirius Europa to Sakumpu for exploration expenditure		(1,700,000)
Funds received from Sirius		20,000,000
		18,300,000
Pro-forma Balance		22,020,193

	Reviewed 31-Dec-14	Pro-forma after Offer
NOTE 3. EXPLORATION AND EVALUATION ASSETS	\$	\$
Exploration and evaluation assets	-	3,053,848
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		400,000
Reviewed balance of Sirius Europa at 31 December 2014		-
<i>Subsequent events:</i>		
Acquisition by Sirius Europa of 66.67% of Norse Exploration Pty Ltd		2,000,000
Acquisition costs incurred and capitalised by Polar Metals		653,848
		2,653,848
Pro-forma Balance		3,053,848

5. Investigating Accountant's Reports (cont)

	Reviewed 31-Dec-14	Pro-forma after Offer
	\$	\$
NOTE 4. INVESTMENTS		
Investments	-	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		-
Reviewed balance of Sirius Europa at 31 December 2014		-
<i>Pro-forma adjustments relating to S2 Resources:</i>		
Issue of shares by S2 Resources to acquire Polar Metals		12,222,473
Issue of shares by S2 Resources to acquire Sirius Europa		4,000,000
Elimination of investments in Polar Metals and Sirius Europa on consolidation		(16,222,473)
		-
Pro-forma Balance		-

	Reviewed 31-Dec-14	Pro-forma after Offer
	\$	\$
NOTE 5. INTERCOMPANY LOANS		
Intercompany loans	-	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		8,984,565
Reviewed balance of Sirius Europa at 31 December 2014		3,999,999
<i>Subsequent events:</i>		
Additional loan provided from Sirius to Polar Metals as at 31 March 2015		3,237,907
		3,237,907
<i>Pro-forma adjustments relating to Polar Metals and Sirius Europa:</i>		
Conversion of intercompany loan received from Sirius to Polar Metals to equity		(12,222,472)
Conversion of intercompany loan received from Sirius to Sirius Europa to equity		(3,999,999)
		(16,222,471)
Pro-forma Balance		-

5. Investigating Accountant's Reports (cont)

	Reviewed 31-Dec-14	Pro-forma after Offer
NOTE 6. CONTRIBUTED EQUITY	\$	\$
Contributed equity	-	36,222,474
	Number of shares	\$
<i>Adjustments to arise at the pro-forma balance:</i>		
Fully paid ordinary share capital of Polar Metals	1	1
Fully paid ordinary share capital of Sirius Europa	1	1
<i>Subsequent events:</i>		
Incorporation of S2 Resources	1	1
	1	1
<i>Pro-forma adjustments relating to Polar Metals and Sirius Europa:</i>		
Conversion of intercompany loan received from Sirius to Polar Metals to equity	1	12,222,472
Conversion of intercompany loan received from Sirius to Sirius Europa to equity	1	3,999,999
	2	16,222,471
<i>Pro-forma adjustments relating to S2 Resources:</i>		
Issue of shares by S2 Resources to acquire Polar Metals	69,611,641	12,222,473
Issue of shares by S2 Resources to acquire Sirius Europa	22,781,525	4,000,000
Elimination of investments in Polar Metals and Sirius Europa on consolidation	(4)	(16,222,473)
Funds received from Sirius	113,907,622	20,000,000
	206,300,784	20,000,000
Pro-forma Balance	206,300,788	36,222,474

	Reviewed 31-Dec-14	Pro-forma after Offer
NOTE 7. RESERVES	\$	\$
Reserves	-	650,135
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		-
Reviewed balance of Sirius Europa at 31 December 2014		-
<i>Subsequent events:</i>		
Acquisition by Sirius Europa of 66.67% of Norse Exploration Pty Ltd		650,135
		650,135
Pro-forma Balance		650,135

5. Investigating Accountant's Reports (cont)

	Reviewed 31-Dec-14	Pro-forma after Offer
	\$	\$
NOTE 8. NON CONTROLLING INTEREST		
Non-controlling interest	-	689,898
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		-
Reviewed balance of Sirius Europa at 31 December 2014		-
<i>Subsequent events:</i>		
Acquisition by Sirius Europa of 66.67% of Norse Exploration Pty Ltd		1,349,865
Exploration expenditure incurred and expensed by Sirius Europa to 31 March 2015		(93,357)
		1,256,508
<i>Pro-forma adjustments relating to S2 Resources:</i>		
Cash calls committed from Sirius Europa to Sakumpu for exploration expenditure		(566,610)
		(566,610)
Pro-forma Balance		689,898

	Reviewed 31-Dec-14	Pro-forma after Offer
	\$	\$
NOTE 9. ACCUMULATED LOSSES		
Accumulated losses	-	(12,488,188)
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Polar Metals at 31 December 2014		(8,584,566)
Reviewed balance of Sirius Europa at 31 December 2014		569
<i>Subsequent events:</i>		
Exploration expenditure incurred and expensed by Sirius Europa to 31 March 2015		(186,742)
Exploration expenditure incurred and expensed by Polar Metals to 31 March 2015		(2,584,059)
		(2,770,801)
<i>Pro-forma adjustments relating to S2 Resources:</i>		
Cash calls committed from Sirius Europa to Sakumpu for exploration expenditure		(1,133,390)
		(1,133,390)
Pro-forma Balance		(12,488,188)

NOTE 10: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Demerger Scheme Booklet.

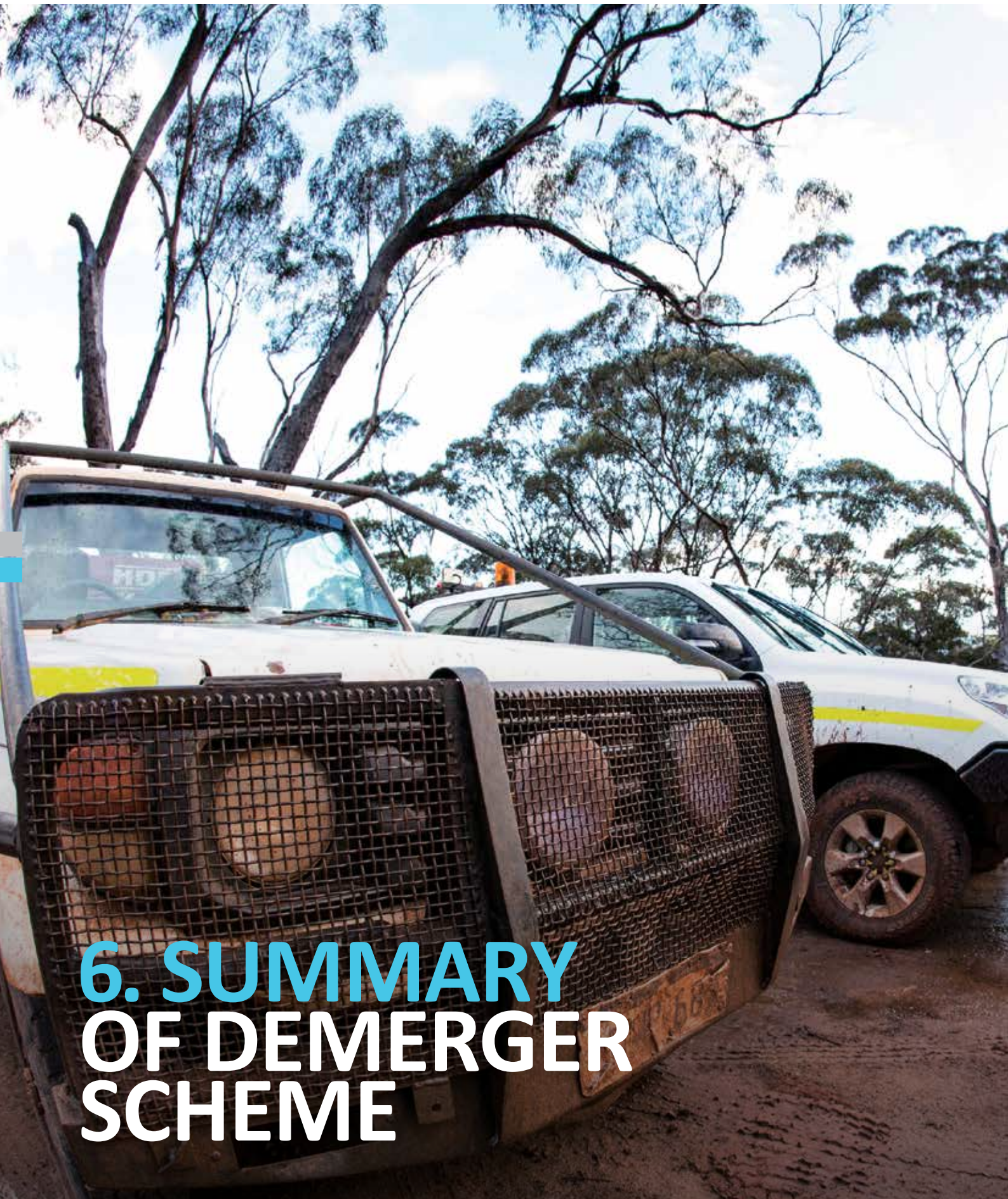
NOTE 11: COMMITMENTS AND CONTINGENCIES

At the date of this Report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Demerger Scheme Booklet.

5. Investigating Accountant's Reports (cont)

NOTE 12: HISTORICAL FINANCIAL INFORMATION

S2 Resources was incorporated on 29 May 2015 and therefore does not have an operating history. As S2 Resources is effectively a continuation of Polar Metals and Sirius Europa we have included the most recent Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of both these entities, reviewed as at 31 December 2014, as detailed in Appendix 1 and Appendix 2 respectively.



6. SUMMARY OF DEMERGER SCHEME

6. Summary of the Demerger Scheme

6.1 Introduction

On Monday, 25 May 2015, the Sirius Board announced separate proposals which, if implemented, will result in the demerger of the S2 Assets into a new entity (S2 Resources) that intends to apply for admission to the official list of ASX, and the subsequent acquisition of the post-Demerger Sirius entity by IGO. Both the Demerger and the Acquisition will be implemented by way of separate schemes of arrangement pursuant to Part 5.1 of the Corporations Act, and the Demerger will be effected by the Capital Reduction. Sirius Shareholders will have the opportunity to vote on resolutions relating to the Schemes and the Capital Reduction at three separate Transaction Meetings. The Transaction Resolutions are inter-conditional.

In preparation for the Demerger, on Tuesday, 28 July 2015, Sirius entered into the Demerger Implementation Deed and the Demerger Transition Deed with S2 Resources to govern the division of assets and risk and to document the implementation of the Demerger. A summary of these documents is set out in Annexure A and Annexure B of this Demerger Scheme Booklet.

If the Demerger Scheme becomes Effective then:

- (a) Sirius Shareholders (other than Ineligible Overseas Shareholders) will receive the Demerger Scheme Consideration;
- (b) S2 Resources will be demerged from Sirius; and
- (c) S2 Resources intends to apply for Listing on ASX as soon as practicable and, in any event, within seven days after the Demerger Scheme Implementation Date. Listing is at the discretion of ASX, and there is a risk that S2 Resources may not meet the requirements for admission to the official list of ASX. Should this occur, the S2 Shares received by Scheme Participants as Demerger Scheme Consideration will not be able to be traded on ASX until such time as the requirements for Listing can be met (if at all), and Scheme Participants will hold shares in an unlisted public company. The S2 Board expects Listing to occur, however, six to eight weeks after the Demerger Scheme Implementation Date.

In order for the Demerger Scheme to become Effective, a number of Conditions must either be satisfied or, if applicable, waived. These Conditions are summarised in Section 6.7 and Annexure A of this Demerger Scheme Booklet.

6.2 Purpose of this Demerger Scheme Booklet

The purpose of this Demerger Scheme Booklet is to provide Sirius Shareholders with the information required to make a decision as to how to vote on the Demerger Scheme Resolution at the Demerger Scheme Meeting, and on the Capital Reduction Resolution at the General Meeting.

6.3 The Acquisition Scheme is a separate transaction

In addition to the Demerger Scheme, Sirius intends to propose the Acquisition Scheme to Sirius Shareholders. Pursuant to the Acquisition Scheme, IGO has agreed to acquire all of the Sirius Shares for the Acquisition Scheme Consideration. The Acquisition Scheme is subject to a number of conditions. The Acquisition Scheme is a separate transaction, and details of the Acquisition Scheme are not included in this Demerger Scheme Booklet. For information relating to the Acquisition Scheme, Sirius Shareholders should read the Acquisition Scheme Booklet, which was sent to Sirius Shareholders at the same time as this Demerger Scheme Booklet.

6.4 If the Demerger Scheme proceeds

If the Demerger Scheme becomes Effective, Scheme Participants (other than Ineligible Overseas Shareholders) will receive the Demerger Scheme Consideration, being:

- (a) 1 S2 Share for every 2 Sirius Ordinary Shares; and

6. Summary of the Demerger Scheme (cont)

- (b) 0.95 S2 Shares for every 2 Sirius Partly Paid Share,

held on the Scheme Record Date.

It is expected that the Demerger Scheme Consideration will be transferred to Scheme Participants on the Demerger Scheme Implementation Date. The Demerger Scheme Implementation Date is expected to be on Monday, 21 September 2015.

For Sirius Shares held in joint names, Sirius will transfer the Demerger Scheme Consideration to the joint holders as joint holders of their S2 Shares.

6.5 Determination of number of S2 Shares to be received by Scheme Participants

The number of S2 Shares that each Scheme Participant (other than the Ineligible Overseas Shareholders) will be calculated as follows:

- (a) Number of S2 Shares = Number of Sirius Ordinary Shares / 2; or
- (b) Number of S2 Shares = Number of Sirius Partly Paid Shares / 2.1053.

6.6 If the Demerger Scheme does not proceed

If the Demerger Scheme does not proceed, the Acquisition Scheme will not proceed, Sirius Shareholders will continue to hold their Sirius Shares, and will not receive the Demerger Scheme Consideration.

In the absence of any Competing Proposal, Sirius will continue to hold all the shares in S2 Resources. Sirius Shareholders will continue to participate in the benefits of, and be exposed to the risks factors associated with, an investment in Sirius (including S2 Resources). Some of the risks relating to an investment in Sirius (and S2 Resources) are set out in Section 8 of this Demerger Scheme Booklet.

Before the Demerger Scheme Meeting, Sirius estimates that it will have incurred, or committed to incur, transaction costs of approximately A\$2.7 million in relation to the Transaction since the Announcement Date. Those costs have either already been paid, or will be payable, by Sirius regardless of whether or not the Demerger Scheme is implemented.

6.7 Conditions of the Demerger Scheme

A number of conditions need to be satisfied or, if permitted, waived before the Demerger Scheme can be implemented. Some of these conditions include:

- (a) **Approval of the Acquisition Scheme:** The Acquisition Scheme Resolution is duly passed by the Requisite Majorities of Sirius Shareholders at the Acquisition Scheme Meeting.
- (b) **Approval of the Demerger Scheme:** The Demerger Scheme Resolution is duly passed by the Requisite Majorities of Sirius Shareholders at the Demerger Scheme Meeting.
- (c) **Approval of the Capital Reduction:** The Capital Reduction Resolution is duly passed by the required majority of Sirius Shareholders at the General Meeting.
- (d) **Court approval of the Acquisition Scheme and the Demerger Scheme:** Approval of the Acquisition Scheme and the Demerger Scheme by the Court at the Second Court Hearing. All of the conditions precedent to the Demerger Scheme are summarised in Annexure A of this Demerger Scheme Booklet. The Demerger Scheme will not proceed unless all of the conditions precedent are satisfied or, if permitted, waived in accordance with the Demerger Implementation Deed.

As at the date of this Demerger Scheme Booklet, none of the Conditions have been satisfied.

As at the date of this Demerger Scheme Booklet, the Sirius Board is not aware of any circumstances that would cause any condition precedent not to be satisfied.

6. Summary of the Demerger Scheme (cont)

6.8 Implementation of the Demerger Scheme

Following approval of the Demerger Scheme by the Court at the Second Court Hearing, there are three important dates relating to implementation of the Demerger Scheme, being:

- (a) the **Effective Date**, which is the date on which the Court order approving the Demerger Scheme is lodged with ASIC and the Demerger Scheme becomes Effective (expected to be Thursday, 10 September 2015);
- (b) the **Scheme Record Date**, which is 5.00pm three Business Days after the Effective Date and is the date when the Sirius Register is examined to determine who is entitled to participate in the Demerger Scheme (ie a Scheme Participant) and receive the Demerger Scheme Consideration (expected to be Tuesday, 15 September 2015); and
- (c) the **Demerger Scheme Implementation Date**, which is four Business Days after the Scheme Record Date (expected to be Monday, 21 September 2015) and is the date on which:
 - (i) Sirius will reduce the capital of each Scheme Share by the Capital Reduction Amount in accordance with the Capital Reduction Resolution and the Demerger Scheme;
 - (ii) Sirius will transfer the S2 Shares from Sirius to:
 - (A) the Scheme Participants; or
 - (B) a nominee appointed by S2 Resources in respect of Ineligible Overseas Shareholders,
 and register the transfer in the S2 Register.

Further details regarding implementation of the Demerger Scheme are set out in Section 12 of this Demerger Scheme Booklet.

6.9 Sirius Directors' recommendation and voting intentions

Your Sirius Directors unanimously recommend that you vote in favour of the Demerger Scheme, in the absence of a Superior Proposal.

Each Sirius Director intends to vote all the Sirius Shares held or controlled by them in favour of the Demerger Scheme, in the absence of a Superior Proposal. The interests of Sirius Directors are set out in Section 13.1 of this Demerger Scheme Booklet.

Your Sirius Directors believe that the reasons to vote in favour of the Demerger Scheme outweigh the reasons to vote against the Demerger Scheme. Those reasons and other relevant considerations for Sirius Shareholders are set out in Section 1 of this Demerger Scheme Booklet.

If a Competing Proposal emerges, this will be announced to ASX and your Sirius Directors will carefully consider whether it is a Superior Proposal and advise you of their recommendation.

6.10 Independent Expert's conclusions

Your Sirius Directors commissioned BDO Corporate Finance to prepare the Independent Expert's Report on whether the Demerger Scheme is in the best interests of Sirius Shareholders.

The Independent Expert has concluded that the Demerger Scheme is in the best interests of Sirius Shareholders, in the absence of a Superior Proposal.

The Independent Expert's Report is set out in full in Annexure G. Your Sirius Directors encourage you to read this report in full before deciding how to vote on the Scheme.

6. Summary of the Demerger Scheme (cont)

6.11 Treatment of Sirius Partly Paid Shares

Scheme Participants holding Sirius Partly Paid Shares will receive consideration proportionate to the amount paid up on their Sirius Partly Paid Shares. There are currently 44 Sirius Partly Paid Shares on issue, each paid up to A\$57.00 and capable of being subject to a further call of A\$3.00. As such, as part of the Demerger Scheme, Sirius Partly Paid Shareholders will receive 0.95 S2 Shares for every 2 Sirius Partly Paid Shares held at the Scheme Record Date.

6.12 Australian tax implications

The transfer to you of S2 Shares under the Demerger Scheme will have tax consequences.

You should seek your own professional advice regarding the individual tax consequences applicable to you. A general summary of the tax implications for Australian residents is set out in Section 11 of this Demerger Scheme Booklet.

6.13 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Scheme Participants on the transfer to them of their S2 Shares under the Demerger Scheme.

6.14 Questions

If, after reading this Demerger Scheme Booklet, you have any questions regarding the Demerger Scheme, please contact the Sirius Shareholder Information Line on week days between 6.30am and 5.30pm (Perth time) on 1800 992 793 (within Australia) or +61 1800 992 793 (from outside Australia).



7. HOW TO VOTE AT THE DEMERGER SCHEME MEETING AND THE GENERAL MEETING?

7. How to Vote at the Demerger Scheme Meeting and the General Meeting?

7.1 The Demerger Scheme Meeting

The Demerger Scheme can only be implemented if it is first approved by the Requisite Majorities of Sirius Shareholders at the Demerger Scheme Meeting.

The Demerger Scheme Meeting will be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia at 9.00am on Thursday, 3 September 2015. Details regarding the Demerger Scheme Meeting are set out in the Notice of Demerger Scheme Meeting contained in Annexure E to this Demerger Scheme Booklet.

7.2 The General Meeting

The Demerger Scheme can only be implemented if the Capital Reduction Resolution is first approved by an ordinary resolution (a simple majority) passed at the General Meeting.

The General Meeting will be held at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia at 11.00am on Thursday, 3 September 2015. Details regarding the General Meeting are set out in the Notice of General Meeting contained in Annexure F to this Demerger Scheme Booklet.

7.3 Voting entitlement

Each Sirius Shareholder who is registered on the Sirius Register at 5.00pm on Tuesday, 1 September 2015 is entitled to attend and vote at each of the General Meeting and the Demerger Scheme Meeting, and will have the following voting rights:

- (a) one vote for each Sirius Ordinary Share; and
- (b) 57/60ths of a vote for each Sirius Partly Paid Share (being, a fraction of a vote which represents the proportion paid up on each Sirius Partly Paid Share over the issue price of each Sirius Partly Paid Share).

Voting on each of the Capital Reduction Resolution and the Demerger Scheme Resolution is not compulsory.

In the case of jointly held Sirius Shares, only one of the joint shareholders is entitled to vote. If more than one Sirius Shareholder votes in respect of jointly held Sirius Shares, only the vote of the Sirius Shareholder whose name appears first in the Sirius Register will be counted.

7.4 How to vote

You may vote on the Capital Reduction Resolution by:

- (a) attending the General Meeting in person; or
- (b) proxy, attorney or, in the case of a corporation which is a Sirius Shareholder, by corporate representative appointed in accordance with the Corporations Act.

You may vote on the Demerger Scheme by:

- (c) attending the Demerger Scheme Meeting in person; or
- (d) proxy, attorney or, in the case of a corporation which is a Sirius Shareholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods is set out below.

7. How to Vote at the Demerger Scheme Meeting and the General Meeting? (cont)

Voting in person

To vote in person, you must attend the General Meeting and the Demerger Scheme Meeting. If you attend, you will be admitted to each meeting and given a voting card at the point of entry to each meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

Voting by proxy

To vote by proxy, you must complete and return the personalised proxy forms accompanying this Demerger Scheme Booklet (the Pink Proxy Form relates to the Demerger Scheme Meeting, and the Green Proxy Form relates to the General Meeting) in accordance with the instructions on the form so that they are received by the Share Registry by no later than 9.00am (for the Pink Proxy Form, in respect of the Demerger Scheme) and 11.00am (for the Green Proxy Form, in respect of the Capital Reduction), on Tuesday, 1 September 2015.

You may appoint an individual or body corporate as your proxy.

Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the name of the Sirius Shareholder, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to Sirius. The appointment may be a standing one and the attorney need not be a Sirius Shareholder.

Voting by corporate representative

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of section 250D of the Corporations Act. The representative should bring this appointment to the meeting. The appointment may set out restrictions on the representative's powers.

An "Appointment of Corporate Representative" may be obtained for this purpose from the Share Registry's website at <https://www-au.computershare.com>.

Lodgement of proxy forms and powers of attorney

To be effective, completed Pink Proxy Forms and Green Proxy Forms, powers of attorney and authorities must be received by Sirius' Share Registry in accordance with the method set out below at least 48 hours before the time for holding the General Meeting and the Demerger Scheme Meeting (that is, by no later than 9.00am (for the Pink Proxy Form, in respect of the Demerger Scheme) and 11.00am (for the Green Proxy Form, in respect of the Capital Reduction), on Tuesday, 1 September 2015) or, if the General Meeting or the Demerger Scheme Meeting is adjourned, at least 48 hours before the resumption of the General Meeting or the Demerger Scheme Meeting:

(a) **Postal address:**

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne, Victoria 3001
Australia

(b) **Facsimile number:**

(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

7. How to Vote at the Demerger Scheme Meeting and the General Meeting? (cont)

7.5 Your choices

As a Sirius Shareholder, you have three choices available to you. These choices are set out below:

(a) Option 1 – Vote at the Demerger Scheme Meeting and the General Meeting

You can vote at the General Meeting and the Demerger Scheme Meeting in person or by proxy, attorney or corporate representative (in the case of corporations who are Sirius Shareholders), in respect of some or all of your Sirius Shares. Details of how to vote at the General Meeting and the Demerger Scheme Meeting are set out in Section 7.4 above. You may vote in favour of or against each of the Capital Reduction Resolution and the Demerger Scheme.

If you vote against the Capital Reduction Resolution or the Demerger Scheme and the Demerger Scheme is approved and becomes Effective, then you will receive the Demerger Scheme Consideration for each of your Sirius Shares.

(b) Option 2 – Sell your Sirius Shares on ASX

You can sell your Sirius Shares on ASX at any time before close of trading on the Effective Date. If you sell your Sirius Shares on ASX, you may be liable to pay capital gains tax upon the disposal of your Sirius Shares (see Section 11), and may incur brokerage costs. If the Demerger Scheme becomes Effective, Sirius Shares will cease trading on ASX following close of trading on the Effective Date.

Sirius Shareholders who wish to sell some or all of their Sirius Shares on ASX should contact their broker for information on how to effect the sale.

(c) Option 3 – Do nothing

If you do not wish to vote for or against the Demerger Scheme, or sell your Sirius Shares on ASX, you may choose to do nothing.

If you do nothing and the Demerger Scheme is approved by Sirius Shareholders and becomes Effective, then Sirius will transfer to you the Demerger Scheme Consideration.

7.6 What to do next

(a) Read the remainder of this Demerger Scheme Booklet

You should read and consider the remainder of this Demerger Scheme Booklet in full before making any decision on the Demerger Scheme and the Capital Reduction Resolution. If you require further advice in relation to the Demerger Scheme or the Capital Reduction Resolution, contact your legal, financial, taxation or other professional adviser.

(b) Consider your options

Sirius Shareholders should refer to Sections 0 and 0 of this Demerger Scheme Booklet for further guidance on the expected advantages and possible disadvantages of the Demerger Scheme. However, Sirius Shareholders should always bear in mind that this Demerger Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of any Sirius Shareholder.



8. RISK FACTORS

8. Risk Factors

8.1 Introduction

This Section outlines a number of the risks that may be relevant to your decision whether to vote in favour of the Demerger Scheme. In summary, these risks include those that are:

- common to an investment in Sirius and S2 Resources;
- risks specific to S2 Resources;
- risks specific to Sirius; and
- risks relating to the Demerger Scheme itself.

Some of the risks set out in this Section are either risks related to mining companies generally, or risks that already relate to Sirius' business. However, a number of the risks will be new or potentially greater in impact in the context of S2 Resources alone than is currently the case in relation to Sirius.

The risks set out in this Section do not take into account the investment objectives, financial situation, taxation position or particular needs of a Scheme Participant and are not exhaustive.

8.2 Risks faced by both Sirius and S2 Resources

(a) General economic conditions

Material adverse changes in the general domestic and international economic climate may have an adverse impact on the performance of Sirius and S2 Resources. These general economic conditions are influenced by factors including economic growth, interest rates, inflation, employment levels and consumer and business sentiment.

(b) Exploration and appraisal risk

Sirius and S2 Resources both engage in early stage exploration and appraisal activities. There is a risk that these activities will not result in the discovery of commercially extractable mineral deposits. Furthermore, no assurances can be given that if commercially viable mineral deposits are discovered, these will be able to be commercialised as intended, or at all.

(c) Development and production risk

Development, construction and operation of mines is dependent upon a number of factors including mineral quality and management, extraction capacity and reliability and regulatory requirements. Development, construction and operation of mines may also be impacted by mechanical difficulties, human error, labour disputes, shortages or delays in the delivery of equipment, weather conditions, civil unrest, wars, natural disasters, blowouts, cratering, explosions, pollution, seepage or leaks, fire and earthquakes. These factors are substantially beyond the control of Sirius and S2 Resources and, if they eventuate, may adversely impact either or both companies' ability to meet current or forecast rates of production in the future. Disruption to expected production may result in variations to expected revenue and could have an adverse effect on the financial performance of both Sirius and S2 Resources.

(d) Commodity price risk

The profitability of Sirius and S2 Resources will depend largely on the prices received for the commodities produced. Commodity prices depend on a number of factors, including the end use of the commodity, the level of stockpiles, foreign exchange rates, the level of supply from competing producers and the level of demand from consumers, which varies from time to time. Any substantial decline in the prices of commodities, or increases in associated expenses such as transport and marketing, could have a material adverse effect on Sirius and S2 Resources.

8. Risk Factors (cont)

(e) Currency risk

Commodities are typically priced in US dollars, while both Sirius and S2 Resources report in Australian dollars. This means that future revenue from Sirius and S2 Resources (if production is achieved) will be affected by movements in foreign exchange rates. Additionally, a portion of the operating and other business expenditure of Sirius and S2 Resources is determined in currencies other than Australian dollars. Fluctuations in the exchange rate between the Australian dollar and the other operating currencies of Sirius and S2 Resources will result in foreign exchange gains and losses that cannot be predicted and may impact on financial performance.

(f) Capital cost risk

Both Sirius and S2 Resources have significant forecast capital costs to develop various assets within their portfolios. Capital cost estimates shown in this Demerger Scheme Booklet are the estimates of Sirius and S2 Resources. The estimates of capital costs are not based on actual costs and there is a risk that actual capital costs may vary significantly from the estimates. This could be caused by any number of factors which are beyond the control of either Sirius or S2 Resources including increases in the cost of equipment, materials, labour, exchange rate fluctuations, project delays and technical and geological conditions encountered at each project.

(g) Funding risk

There is a risk that either Sirius or S2 Resources will not be able to obtain funding required in the future on favourable or viable terms, which would have an adverse effect on financial and operational performance.

(h) Environmental

Mining development and production can be hazardous to the environment if not appropriately managed. Even with appropriate management, unforeseen environmental liabilities may arise that are costly to remedy. Additionally, acceptable levels of pollution and the potential costs and obligations relating to abandonment or rehabilitation may be impossible to assess. If found to be responsible for environmental damage, Sirius and S2 Resources may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from their respective operations.

(i) Changes to government policy, taxation laws and regulatory conditions

Governmental action, including delay, inaction, policy change or the introduction of new, or amendment of or changes in interpretation of existing, legislation or regulations, particularly in relation to foreign ownership, access to infrastructure, environmental regulation (including in respect of carbon emissions and management), land access arrangements, royalties and production and exploration licensing may adversely affect Sirius' and S2 Resources' future operations and financial performance.

Similarly, changes to tax and royalty legislation imposed by Federal, State, Territorial and foreign governments, and the interpretation of those laws (including any introduction of new, or changes to existing, taxes on carbon or hydrocarbons) may affect the future earnings or asset values of, or increase the amount of tax paid by, Sirius and S2 Resources or affect the treatment of tax losses that may have been, or may be, accumulated. These changes may influence both profit and loss for accounting purposes and the total tax payable by Sirius and S2 Resources.

Sirius and S2 Resources are subject to relevant environmental laws and regulations in connection with their operations. There is a risk that such laws and regulations may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for Sirius and S2 Resources and their directors and employees and more stringent enforcement of existing laws and regulations.

8. Risk Factors (cont)

(j) Litigation risk

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on Sirius' and S2 Resources' financial performance through increased costs, payments for damages and reputational damage.

(k) Key personnel

Sirius and S2 Resources will be reliant on a number of key senior management staff. Loss of such personnel may have an adverse impact on performance. Furthermore, the ongoing success of Sirius and S2 Resources will be closely linked to their ability to recruit and train high quality personnel with experience in the mining industry. The inability to attract and retain the services of a sufficient number of suitably qualified personnel could adversely affect their operating results and financial performance.

(l) Insurance

There may be circumstances where Sirius' and S2 Resources' insurance will not cover, or will only partially cover, the consequences of adverse events arising from operations, including liability for pollution or other operational hazards against which they cannot insure or may have elected not to have insured or keep insured on account of high premium costs or otherwise. In that event, Sirius or S2 Resources could incur significant costs that would have a material adverse effect on their financial position.

(m) Title risk

Sirius and S2 Resources may lose title to, or interests in, their tenements if the conditions to which those tenements are subject are not satisfied or if insufficient funds are available to meet expenditure commitments.

In the jurisdictions in which Sirius and S2 Resources will operate, both the conduct of operations and the steps involved in acquiring interests involve compliance with numerous procedures and formalities. It is not always possible to comply with, or obtain waivers from, all such requirements, nor is it always clear whether requirements have been properly completed, or possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the actions taken.

Further, it is possible that tenements in which Sirius or S2 Resources have an interest may be subject to a native title claim. If native title rights do exist in respect of a tenement, the ability of Sirius or S2 Resources to gain access to that tenement may be adversely affected.

(n) Wars, terrorism and natural disasters

Events such as acts of terrorism, civil disturbance or protest, war, political intervention and natural activities such as earthquakes, floods, fires and adverse weather conditions may adversely impact S2 Resources by affecting its operations and those of its suppliers, service providers or customers; the market for commodities; or the transport or other infrastructure relating to the operations of the S2 Resources.

8.3 Risks specific to S2 Resources

(a) Share market risks

There is currently no public market for S2 Shares and there can be no assurance that an active market will develop or persist after the implementation of the Demerger Scheme. There are likely to be varying numbers of potential buyers and sellers of S2 Shares at any time, which may adversely impact the market value of S2 Shares.

8. Risk Factors (cont)

The value of S2 Shares will be determined by the share market and will be influenced by a range of factors outside the control of the S2 Board or management of S2 Resources including fluctuations in the Australian and international share markets, domestic and international economic activity, changes in interest rates and movements in exchange rates.

(b) Exploration focus

S2 Resources will primarily be focused on mining exploration. Accordingly, the exploration risk associated with S2 Resources may be greater than the exploration risk associated with Sirius' operations.

(c) Competition

S2 Resources will operate in a competitive market which includes major mining companies. Many of these companies have greater financial strength and resources available to them than S2 Resources and, as a result, may be in a better position than S2 Resources to compete for future business opportunities.

(d) Funding requirements

Section 4 sets out details of S2 Resources' intentions regarding operating costs and capital expenditure requirements.

S2 Resources has no cash generating business units or assets and all of its assets are in the exploration or pre-production stage. As is typical for exploration companies which do not have cash generating businesses, S2 Resources' on-going operating costs and capital expenditure requirements may require expenditure which exceeds the estimated cash resources which S2 Resources is expected to have on the implementation of the Demerger Scheme. Accordingly, S2 Resources' ability to meet these expenditures will depend on its ability to raise new equity capital or access debt funding for that purpose.

There is a risk that the future capital raisings or borrowings which S2 Resources may require for these purposes may not be available on terms favourable to S2 Resources, or at all.

(e) Ngadju native title claim

As set out in Section 4.14 of this Demerger Scheme Booklet, it has been determined by the Court that two tenements within the Polar Bear Project (the **Affected Tenements**) are invalid to the extent that they affect native title, by operation of the Native Title Act. A finding of native title invalidity in respect of a tenement may mean that the mining tenement holder is restricted from exercising rights conferred by the tenement that are inconsistent with native title rights (the degree of inconsistency is significant for the Affected Tenements, because the Sirius Board understands that the Ngadju People have been determined by the Court to hold exclusive native title rights and interests). It may also give rise to a right of compensation to the native title holders for unlawful impacts on native title rights and interests.

(f) Operations in foreign countries

S2 Resources will operate in countries outside Australia and there are risks that changes in the legal business environment in those places such as currency controls, price controls, regulatory changes and political changes may adversely affect the value of S2 Resources' assets.

Some of the jurisdictions in which S2 Resources operates have legal systems and laws different to Australia that may lead to uncertainty for S2 Resources in enforcing legal and contractual rights in those jurisdictions.

8. Risk Factors (cont)

(g) Permits and reservations in protected areas

Approximately 14.87% of the total area of S2 Resources' Finnish permits and reservations, and 0.408% of the total area of S2 Resources' Swedish permits, overlap areas which belong to the European Union's Natura 2000 network. Exploration near a Natura 2000 network may be subject to additional impact assessment studies and consents if the project is likely to have a significant adverse effect on the particular ecological value for the protection of which the site has been included in the network.

When assessing a permit application of a project which may have significant adverse effects on a Natura 2000 site, the permitting authority may not grant the necessary permits unless the Natura 2000 impact assessment has been made and no significant adverse effects of particular ecological value are identified. If the operations area evolves into larger scale drilling on the site, and/or test mining on the sites covered by the permits more detailed reviews and/or interaction with environmental authorities may be required.

(h) Finnish environmental law renewal

The environmental legislation in Finland is currently subject to renewal in phases. Although it is not currently clear what impact that new legislation will have on the mining industry in Finland, it has been observed that environmental authorities have tightened their interpretation of environmental law and policy, especially after the recent bankruptcy of a well-known Finnish mining company.

1. Risks specific to Sirius

After implementation of the Acquisition Scheme, IGO will acquire all of the Sirius Shares and Sirius will become a wholly-owned subsidiary of IGO and will be subsequently delisted from ASX. Sirius Shareholders will receive IGO Shares as part of the Acquisition Scheme Consideration. Post-implementation, IGO will be subject to the risk factors currently faced by Sirius (including those described in Section 8.2), as well as risk factors relating to its current assets and operations. Sirius Shareholders should refer to the Acquisition Scheme Booklet for risks relating to IGO after the Acquisition Scheme is implemented.

Risks relating to the Demerger Scheme

(i) Development of a liquid trading market

As there has not previously been a separate market for S2 Shares, there can be no assurances that S2 Shares will trade at any particular level in the public market following the implementation of the Demerger Scheme. It is possible that a number of shareholders will seek to vary their holding in S2 Resources and, accordingly, there may be a volatile market for S2 Shares if the Demerger Scheme is implemented.

(j) Court delays

There is a risk that the Court may not approve the Demerger Scheme or that the approval of the Court may be delayed.

(k) Third party consents

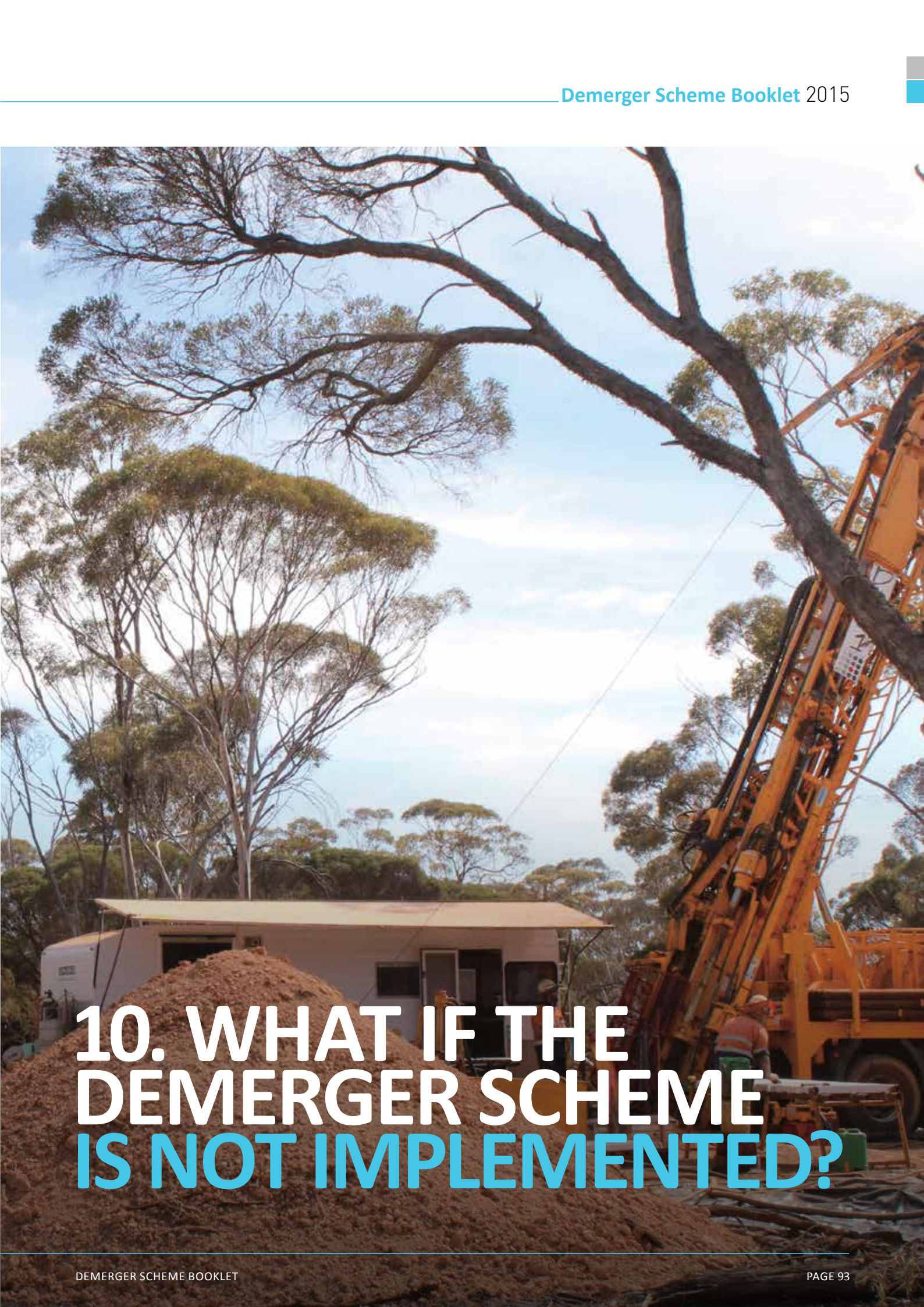
There is a risk that the Demerger Scheme will require the consent of one or more third parties and that such consent cannot be obtained, or, if it can be obtained, it may not be obtained on reasonable terms and conditions and within a reasonable timeframe. The operation of provisions requiring consent may have negative consequences for Sirius and S2 Resources, such as the loss of contracts or assets, increased costs, and the need to renegotiate such arrangements.



9. PROFILE OF SIRIUS

9. Profile of Sirius

For information in relation to Sirius, see Section 4 in this Demerger Scheme Booklet, and Section 5 of the Acquisition Scheme Booklet.



10. WHAT IF THE DEMERGER SCHEME IS NOT IMPLEMENTED?

10. What if the Demerger Scheme is Not Implemented?

If the Demerger Scheme is not approved by the Requisite Majorities at the Demerger Scheme Meeting, or by the Court at the Second Court Hearing, or other conditions precedent to the Demerger Scheme are not satisfied (or waived, where permitted):

- (a) Sirius Shareholders will not receive the Acquisition Scheme Consideration or Demerger Scheme Consideration, and will not be eligible for the IGO FY2015 Final Dividend (if declared);
- (b) Sirius Shares will not be transferred to IGO (and will be retained by Sirius Shareholders);
- (c) Sirius will continue to be listed on ASX;
- (d) Sirius will retain ownership of the S2 Assets and continue to operate as a standalone entity, and S2 Resources will continue to be a wholly owned subsidiary of Sirius;
- (e) the advantages set out in Section 1.3 of this Demerger Scheme Booklet will not be realised, and the disadvantages set out in Section 1.4 will no longer be applicable;
- (f) Sirius will continue with its publicly stated strategy, including in relation to the exploration program for the S2 Assets;
- (g) Sirius Shareholders will continue to be exposed to the benefits and risks associated with an investment in standalone Sirius (see Section 8 of this Demerger Scheme Booklet for further details of these risk factors); and
- (h) in the absence of a Superior Proposal, or speculation regarding an alternative proposal, it is not possible to predict how the Sirius Share price may move. The Sirius Share price may fall, and may trade at levels below the value implied by the Transaction.

In addition, some circumstances which cause the Acquisition Scheme not to proceed will trigger the payment of a liquidated amount of A\$18.45 million by either Sirius or IGO to the other in the form of a break fee, further details of which are set out in the Acquisition Scheme Booklet.

An aerial photograph showing a wide, muddy river flowing through a landscape of dry, brownish vegetation and agricultural fields. The river is the central focus, with its banks showing signs of erosion and sediment. In the upper left, a small cluster of trees and a few vehicles are visible on a road or path. The overall scene is arid and rural.

11. TAXATION IMPLICATIONS FOR SIRIUS SHAREHOLDERS

11. Taxation Implications for Sirius Shareholders



Tax
235 St Georges Terrace
Perth WA 6000

GPO Box A29
Perth WA 6837
Australia

ABN: 51 194 660 183
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

Private and confidential

The Directors
Sirius Resources NL
253 Balcatta Road
BALCATTWA 6021

Our ref 23900794_1

24 July 2015

Dear Directors

Demerger - Tax Consequences

This letter has been prepared at the request of Sirius for inclusion in the Demerger Scheme Booklet.

All capitalised terms contained in this letter that are not otherwise defined take on the meaning given to them in the Demerger Scheme Booklet.

1 Introduction

1.1 Purpose of this letter

The purpose of this letter is to provide a general overview of the expected Australian income tax, GST and stamp duty consequences for individual and corporate Sirius shareholders who:

- Are a resident of Australia for tax purposes;
- Hold their interests on capital account;
- Are not subject to the Taxation of Financial Arrangements (TOFA) Rules contained in Division 230 of the Income Tax Assessment Act 1997 (Cth);
- Acquired their Sirius shares on or after 20 September 1985; and
- Did not acquire their Sirius shares as a result of participation in an employee share scheme.

All references to “Sirius Shareholders” in this section refer to the class of shareholders above.

This letter has been prepared for inclusion in this Demerger Scheme Booklet and should be read in conjunction with the remainder of this Demerger Scheme Booklet. In providing our views, we have relied upon facts as set out in the Demerger Scheme Booklet that have not been independently verified by KPMG.

The following summary is based upon the legislation and established interpretation of legislation as at the date of this Demerger Scheme Booklet, but is not intended to be an authoritative or complete statement of the law relevant to the circumstances of each

11. Taxation Implications for Sirius Shareholders (cont)

Shareholder. Shareholders should seek independent professional advice in relation to their own particular circumstances.

The information contained in this summary is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act on such information without appropriate professional advice after a thorough examination of their particular situation. As KPMG does not undertake to update this advice for any changes in the Australian tax law after the date of this letter, it is the responsibility of the Shareholders to take further advice, if they are to rely on our advice at a later date.

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

1.2 ***Class Ruling Application***

A Class Ruling is currently being sought from the Australian Taxation Office (ATO) by Sirius on behalf of Sirius Shareholders to confirm many of the income tax consequences set out in this letter including the availability or otherwise of demerger rollover relief.

The final Class Ruling will be published on Sirius' website and the ATO website following the completion of the transaction.

It is the ATO's standard practice that class rulings are not issued until the completion of the relevant transaction. Ultimately, the ATO may or may not issue a final class ruling consistent with the outline below.

2 **CGT Consequences**

The Capital Reduction will result in capital gains tax (CGT) event G1 occurring in relation to each Sirius share held by a Sirius Shareholder. The CGT consequences will depend on whether demerger rollover relief is available, and whether Sirius Shareholders choose to apply it.

To the extent that the market value of S2 exceeds the Capital Reduction, the excess should be treated as a demerger dividend for tax purposes. The tax consequences in relation to any dividend will depend on whether demerger rollover relief is available, and whether Sirius Shareholders choose to apply it.

3 **Implications for Sirius Shareholders if demerger rollover relief is available**

3.1 ***Implications for Sirius Shareholders who choose demerger rollover relief***

(a) Capital Reduction component

If demerger rollover relief is available and a Sirius Shareholder chooses to apply it, any capital gain that arises as a result of CGT event G1 occurring in relation to each of their Sirius shares will be disregarded. No amount should therefore be immediately assessable.

11. Taxation Implications for Sirius Shareholders (cont)

The first element of the cost base and the reduced cost base of Sirius shares and S2 shares held by a Sirius Shareholder immediately after the Demerger will be determined as follows:

- Calculate the total cost base in Sirius shares held just before the Demerger (including the amount paid to acquire the shares); and
- Apportion the above amount between the Sirius shares and S2 shares held after the Demerger on a reasonable basis, having regard to the market values of each just after the Demerger.

The total cost base or reduced cost base of the Sirius shares and the S2 shares immediately after the Demerger will equal the total cost base of the Sirius shares before the Demerger.

Sirius will advise Sirius Shareholders of the relevant market values of Sirius and S2 shares following the Demerger.

Sirius Shareholders will be treated as having acquired the corresponding S2 shares on the same date as their Sirius shares for the purpose of determining the availability of the CGT discount in relation to any subsequent disposal of those shares after the Demerger.

(b) Dividend component

To the extent that the market value of S2 exceeds the Capital Reduction, the excess will be treated as a demerger dividend for tax purposes. This demerger dividend component should not be assessable to Sirius Shareholders.

3.2 ***Implications for Sirius Shareholders who do not choose to apply demerger rollover relief***

(a) Capital Reduction component

Sirius Shareholders who do not choose to apply demerger rollover relief must reduce the cost base and reduced cost base of the Sirius shares by the Capital Reduction at the time of the Demerger (but not below zero). If the Capital Reduction at the time of the Demerger exceeds the cost base of the Sirius shares, a capital gain will be realised to that extent.

Individuals and trustees of trusts (other than trusts that are complying superannuation entities) may be entitled to the 50% CGT discount in relation to the amount of any capital gain (i.e. after taking into account current year or carry forward capital losses) if the Capital Reduction of their Sirius shares occurs 12 months after the date on which they acquired them.

Complying superannuation entities may be eligible for a 33⅓% discount if the disposal of their Sirius shares occurs 12 months after the date they acquired (or are deemed to have acquired) them.

The cost base and reduced cost base of the Sirius shares and the corresponding S2 shares will be apportioned as in Section 3.1 (a) above. The S2 shares will be treated as having been acquired on the same date as their Sirius shares for the purpose of determining the availability of the CGT discount in relation to any subsequent disposal of those shares.

11. Taxation Implications for Sirius Shareholders (cont)

(b) Dividend component

To the extent that the market value of S2 exceeds the Capital Reduction, the excess will be treated as a demerger dividend for tax purposes. This demerger dividend component should not be assessable to Sirius Shareholders.

4 Implications for Sirius Shareholders if demerger rollover relief is not available

If demerger rollover relief is not available, Sirius Shareholders:

- may be required to include any demerger dividend component in their assessable income as an unfranked dividend;
- may realise an assessable capital gain as a result of CGT event G1 occurring in respect of their Sirius shares and should refer to the discussion at section 3.2(a) above in this regard; and
- will be treated as having acquired the S2 shares corresponding to their Sirius shares on the implementation date.

Ordinary CGT cost base rules will apply in determining the first element of the cost base and reduced cost base of the S2 shares. Sirius Shareholders in these circumstances should obtain their own independent taxation advice.

5 Implications of holding Sirius shares and S2 shares after the Demerger

5.1 *Subsequent receipt of dividends*

Sirius Shareholders will be required to include dividends in relation to the Sirius shares and S2 shares they hold after the Demerger in their assessable income for the income year in which dividends are paid.

Dividends may be franked (i.e. have franking credits for tax paid by the relevant company attached to those dividends). Where a franked dividend is received, the gross amount of the dividend will be included in the Sirius Shareholder's assessable income (i.e. the amount of the dividend and the associated franking credit). A tax offset should then be available in respect of the franking credit.

5.2 *Subsequent sale of shares*

(a) CGT Consequences

Sirius Shareholders will need to consider the CGT implications of any disposal of Sirius shares or S2 shares after the Demerger.

A capital gain will arise to the extent that capital proceeds from the disposal of shares exceed the cost base of the shares held by a Sirius Shareholder. A capital loss will arise to the extent that capital proceeds are less than the reduced cost base of the shares at the time of the subsequent disposal.

11. Taxation Implications for Sirius Shareholders (cont)

The capital gains, after applicable discounts and any capital losses of a taxpayer from all CGT events are aggregated to calculate the taxpayer's net capital gain or loss for the income tax year. A net capital gain is included in the assessable income of the taxpayer and may be subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

(b) CGT Discount

Sirius Shareholders may be entitled to reduce any capital gain on the disposal of their Sirius shares or S2 shares by applying the CGT discount.

Certain shareholders such as individuals may be entitled to discount the amount of their capital gain from the disposal of Sirius shares or S2 shares by 50% after taking into account current year or carry forward capital losses.

Complying superannuation entities may be eligible for a 33⅓% discount if the disposal of their Sirius shares occurs 12 months after the date they acquired (or are deemed to have acquired) them.

The above CGT discount will only be available if Sirius Shareholders dispose of shares they acquired at least 12 months before the disposal (noting, in relation to S2 shares, that the time of acquisition may be determined in accordance with the principles set out above in Sections 3 and 4).

The CGT discount is not available to Sirius Shareholders who are companies or for Sirius Shareholders who have chosen to apply the indexation method to the cost base of their Sirius shares.

6 Stamp Duty

No stamp duty should be payable by Sirius Shareholders in relation to their participation in the Demerger.

7 GST

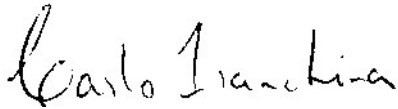
No GST should be payable by Sirius Shareholders in relation to their participation in the Demerger.

However GST may be charged to Sirius Shareholders in advisor fees and other costs relating to their participation in the demerger. The eligibility for Sirius Shareholders to claim full or partial input tax credits in relation to this GST payable will depend on the individual circumstances of each shareholder. Sirius Shareholders should seek their own independent tax advice in relation to this.

11. Taxation Implications for Sirius Shareholders (cont)

* * * * *

Yours faithfully

A handwritten signature in black ink that reads "Carlo Franchina". The signature is written in a cursive style with a large initial 'C'.

Carlo Franchina
Partner



12. IMPLEMENTATION OF THE DEMERGER SCHEME

12. Implementation of the Demerger Scheme

12.1 Demerger Transaction Documents

(a) Demerger Implementation Deed

On Tuesday, 28 July 2015, Sirius and S2 Resources entered into the Demerger Implementation Deed pursuant to which (among other things) Sirius agreed to propose the Demerger Scheme to Sirius Shareholders.

The Demerger Implementation Deed sets out the obligations of Sirius and S2 Resources in connection with the implementation of the Demerger Scheme. A summary of the key terms of the Demerger Implementation Deed is set out in Annexure A and provides details in relation to (among other things):

- (i) the Conditions to the Demerger Scheme; and
- (ii) each party's obligations on the Demerger Scheme Implementation Date.

(b) Demerger Transition Deed

On Tuesday, 28 July 2015, Sirius and S2 Resources entered into the Demerger Transition Deed.

The Demerger Transition Deed sets out the transitional and ongoing relationship between Sirius and S2 Resources. A summary of the key terms of the Demerger Transition Deed is set out in Annexure B and provides details in relation to (among other things):

- (i) the fundamental principles of the Demerger; and
- (ii) each party's obligations in relation to allocation of assets, contracts and records between the parties.

(c) Demerger Deed Poll

S2 Resources has executed the Demerger Deed Poll in favour of the Scheme Participants.

Among other things, in the Demerger Deed Poll, S2 Resources has:

- (i) covenanted to perform its obligations under the Demerger Scheme; and
- (ii) agreed to pay each Scheme Participant the Demerger Scheme Consideration on the Demerger Scheme Implementation Date, should the Demerger Scheme become Effective.

Under the Demerger Scheme, each Scheme Participant irrevocably appoints Sirius as its attorney and agent to enforce the Demerger Deed Poll against S2 Resources.

A copy of the Demerger Deed Poll is set out in Annexure C.

12.2 Internal Restructuring and capitalisation of S2 Resources

As part of preparing S2 Resources for the Demerger, Sirius will undertake an internal restructuring of its subsidiaries (**Internal Restructuring**). The Internal Restructuring mainly contemplates the transfer of the applicable Sirius subsidiaries, Polar Metals and Sirius Europa, to S2 Resources. The Internal Restructuring can be summarised by the following steps:

- (a) issue of shares in Sirius Europa to Sirius to capitalise the intercompany loan;
- (b) issue of shares in Polar Metals to Sirius to capitalise the intercompany loan;

12. Implementation of the Demerger Scheme (cont)

- (c) issue of S2 Shares to Sirius to purchase the investment in Sirius Europa;
- (d) issue of S2 Shares to Sirius to purchase the investment in Polar Metals; and
- (e) issue of S2 Shares to Sirius in return for the receipt of the A\$20 million cash for working capital purposes.

As a consequence of the S2 Share issues, S2 Resources will have approximately half the number of ordinary shares on issue, as Sirius has on issue. After the capitalisation of the intercompany loans occurs, there will be no intercompany loans between S2 Resources and its subsidiaries, and Sirius and its subsidiaries.

12.3 Effecting the Demerger

(a) What is the Capital Reduction?

The Demerger will be effected by the Capital Reduction, and implemented by the Demerger Scheme. The Capital Reduction is an equal capital reduction pursuant to section 256B(1) of the Corporations Act. Sirius Shareholders will have the opportunity to vote on resolutions relating to both the Demerger Scheme and the Capital Reduction at two separate meetings.

The Capital Reduction requires separate Sirius Shareholder approval, and is a necessary step in the process of effecting the Demerger (in addition to the Demerger Scheme). The Capital Reduction is a return of capital on your Sirius Shares which, pursuant to the Demerger Scheme, Sirius will apply equally across the Sirius Shares as consideration for the transfer of the Demerger Scheme Consideration to the Scheme Participants (other than Ineligible Overseas Shareholders). As such, if the Capital Reduction Resolution is approved, Sirius will reduce its capital by the Capital Reduction Amount, and Scheme Participants will receive the Demerger Scheme Consideration.

While the Demerger Scheme Resolution must be approved by the Requisite Majorities, the Capital Reduction Resolution must only be approved by a simple majority of the votes cast on the Capital Reduction Resolution.

(b) Effect of the Capital Reduction on Sirius' ability to pay its creditors

The Sirius Board does not consider that the Capital Reduction will materially prejudice Sirius' ability to pay its creditors.

(c) What is the Demerger Scheme?

The Demerger Scheme is a scheme of arrangement under Part 5.1 of the Corporations Act. The Demerger Scheme must be approved by the Requisite Majorities at the Demerger Scheme Meeting. The purpose of the Demerger Scheme is to separate S2 Resources from Sirius.

(d) Effect of the Demerger Scheme (and relationship with the Acquisition Scheme)

The Demerger Scheme and the Acquisition Scheme are separate transactions, however, they are inter-conditional. This means that neither the Demerger Scheme nor the Acquisition Scheme will proceed unless the other becomes Effective (among other conditions precedent). If either the Demerger Scheme or the Acquisition Scheme does not become Effective, Sirius will continue to operate as a standalone entity.

The Acquisition Scheme Booklet, which was sent to Sirius Shareholders at the same time as this Demerger Scheme Booklet, contains detailed information in relation to the Acquisition Scheme and that information is not provided in this Demerger Scheme Booklet. The Sirius Board recommends that each Sirius Shareholder reads the Acquisition Scheme Booklet in its entirety.

12. Implementation of the Demerger Scheme (cont)

12.4 Key steps to implement the Demerger Scheme

The key steps to implement the Demerger Scheme and relevant information concerning these steps is set out below. All dates following the Demerger Scheme Meeting are indicative only and are subject to change. Sirius will announce any change to the dates set out in the Important Dates section to ASX.

Step 1: Demerger Scheme Meeting – Sirius Shareholders vote on the Demerger Scheme at the Demerger Scheme Meeting

In accordance with an order of the Court dated Thursday, 30 July 2015:

- (a) Sirius has convened the Demerger Scheme Meeting to be held at 9.00am on Thursday, 3 September 2015 at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia; and
- (b) Sirius Shareholders as at 5.00pm on Tuesday, 1 September 2015 will be eligible to vote at the Demerger Scheme Meeting. The Notice of Demerger Scheme Meeting is set out in Annexure E to this Demerger Scheme Booklet.

At the Demerger Scheme Meeting, the Requisite Majorities of Sirius Shareholders must approve the Demerger Scheme Resolution. To be approved by the Requisite Majorities, the resolution must be approved by:

- (a) **(headcount test)** a majority in number (ie more than 50%) of Sirius Shareholders present and voting on the Demerger Scheme Resolution at the Demerger Scheme Meeting (in person, or by proxy or representative); and
- (b) **(voting test)** at least 75% of the total number of votes cast on the Demerger Scheme Resolution at the Demerger Scheme Meeting by Sirius Shareholders (in person, or by proxy or representative).

If the Demerger Scheme is not approved by Sirius Shareholders at the Demerger Scheme Meeting, the Demerger Scheme will not proceed.

Instructions on how to vote at the Demerger Scheme Meeting are set out in Section 7.4 of this Demerger Scheme Booklet.

Steps 2 to 7 described below will only occur if the Demerger Scheme Resolution is passed by the Requisite Majorities of Sirius Shareholders.

Step 2: Acquisition Scheme Meeting – Sirius Shareholders to vote on the Acquisition Scheme at the Acquisition Scheme Meeting

In accordance with an order of the Court dated Thursday, 30 July 2015:

- (a) Sirius has convened the Acquisition Scheme Meeting to be held at 10.00am on Thursday, 3 September 2015 at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia; and
- (b) Sirius Shareholders as at 5.00pm on Tuesday, 1 September 2015 will be eligible to vote at the Acquisition Scheme Meeting. The Notice of Acquisition Scheme Meeting is set out in Annexure F to the Acquisition Scheme Booklet.

At the Acquisition Scheme Meeting, the Requisite Majorities of Sirius Shareholders must approve the Scheme Resolution. To be approved by the Requisite Majorities, the resolution must be approved by:

- (a) **(headcount test)** a majority in number (ie more than 50%) of Sirius Shareholders present and voting on the Acquisition Scheme Resolution at the Acquisition Scheme Meeting (in person, or by proxy or representative); and

12. Implementation of the Demerger Scheme (cont)

- (b) **(voting test)** holders of at least 75% of the total number of votes cast on the Acquisition Scheme Resolution at the Acquisition Scheme Meeting by Sirius Shareholders (in person, or by proxy or representative).

If the Acquisition Scheme is not approved by Sirius Shareholders at the Acquisition Scheme Meeting, the Demerger Scheme will not proceed.

Instructions on how to vote at the Acquisition Scheme Meeting are set out in the Acquisition Scheme Booklet which was dispatched to Sirius Shareholders on Tuesday, 4 August 2015.

Steps 3 to 7 described below will only occur if the Acquisition Scheme Resolution is passed by the Requisite Majorities of Sirius Shareholders.

Step 3: General Meeting – Sirius Shareholders vote on the Capital Reduction Resolution at the General Meeting

- (a) Sirius has convened the General Meeting of Sirius Shareholders in accordance with section 249CA of the Corporations Act, to be held at 11.00am on Thursday, 3 September 2015 at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia; and
- (b) Sirius Shareholders as at 5.00pm on Tuesday, 1 September 2015 will be eligible to vote at the Demerger Scheme Meeting. The Notice of Demerger Scheme Meeting is set out in Annexure E to the Demerger Scheme Booklet.

At the General Meeting, the Capital Reduction Resolution is an ordinary resolution that must be passed by a simple majority.

Instructions on how to vote at the General Meeting are set out in Section 7.4 of this Demerger Scheme Booklet.

Steps 4 to 7 described below will only occur if the Capital Reduction Resolution is passed by a simple majority of Sirius Shareholders.

Step 4: Second Court Hearing – Sirius to apply to the Court for approval of the Demerger Scheme

In the event that:

- (a) the Demerger Scheme and the Acquisition Scheme are both approved by the Requisite Majorities; and
- (b) all of the conditions precedent to the Demerger Scheme and the Acquisition Scheme (other than Court approval) have been satisfied or, if applicable, waived,

Sirius will apply to the Court for orders approving both the Demerger Scheme and the Acquisition Scheme.

Any Sirius Shareholder and, with the Court's permission, any other interested person has a right to appear at the Second Court Hearing.

Step 5: Effective Date – Sirius to make the Demerger Scheme Effective

If the Court makes an order approving the Demerger Scheme (referred to in this Demerger Scheme Booklet as the **Demerger Scheme Order**), Sirius will lodge an office copy of the Demerger Scheme Order with ASIC. Once lodged, the Demerger Scheme will become Effective and binding on S2 Resources, Sirius and each Scheme Participant.

On the Effective Date, Sirius will notify ASX that the Demerger Scheme has become Effective and lodge a copy of the Demerger Scheme Order with ASX. Trading in Sirius Shares will be suspended from close of trading on the Effective Date.

12. Implementation of the Demerger Scheme (cont)

Once the Demerger Scheme becomes Effective, each Scheme Participant, without the need for any further act, irrevocably appoints Sirius and any of its directors or officers (jointly and severally) as its attorney and agent for the purposes of executing any document or doing any other act necessary or desirable to give effect to the Demerger Scheme. This includes executing a proper instrument of transfer in respect of S2 Shares to be received by a Scheme Participant (or by the Nominee, in the case of Ineligible Overseas Shareholders).

Step 6: Scheme Record Date – Sirius to determine entitlements to Demerger Scheme Consideration

Those Sirius Shareholders on the Sirius Register on the Scheme Record Date (other than the Ineligible Overseas Shareholders), being 5.00pm on Tuesday, 15 September 2015 (three Business Days after the Effective Date), will be entitled to receive the Demerger Scheme Consideration in respect of the Sirius Shares they hold on this date.

(a) Dealings on or prior to the Scheme Record Date

For the purposes of determining who is a Scheme Participant (ie a Sirius Shareholder on the Scheme Record Date), dealings in Sirius Shares will only be recognised if:

- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Sirius Register as the holder of the relevant Sirius Shares on or before 5.00pm on the Scheme Record Date; and
- (ii) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Scheme Record Date at the place where the Sirius Register is kept.

Sirius will not accept for registration or recognise for any purpose, any transfer or transmission application in respect of Sirius Shares received after the Scheme Record Date.

(b) Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Demerger Scheme Consideration, Sirius will maintain the Sirius Register in its form as at the Scheme Record Date until the Demerger Scheme Consideration has been paid to the Scheme Participants. The Sirius Register in this form will solely determine entitlements to the Demerger Scheme Consideration.

After the Scheme Record Date:

- (i) all statements of holding for Sirius Shares will cease to have any effect as documents relating to title in respect of those shares; and
- (ii) each entry on the Sirius Register will cease to have effect, other than as evidence of entitlement to the Demerger Scheme Consideration in respect of the Scheme Shares relating to that entry.

Step 7: Demerger Scheme Implementation Date – Scheme Participants to receive Demerger Scheme Consideration by having S2 Shares transferred to them

The Demerger Scheme Implementation Date is expected to be Monday, 21 September 2015 (four Business Days after the Scheme Record Date).

On the Demerger Scheme Implementation Date, Sirius will provide the Demerger Scheme Consideration to the Scheme Participants by transferring S2 Shares to them without the Scheme Participants needing to take any further action, and the S2 Register will be updated accordingly.

12. Implementation of the Demerger Scheme (cont)

12.5 Deemed warranties by Scheme Participants

The Demerger Scheme provides that each Scheme Participant is taken to have warranted to Sirius that they have the full power and capacity to receive transfer of their S2 Shares from Sirius together with any rights and entitlements attaching to those shares.

12.6 Joint holders

In the case of any Scheme Shares that are held in joint names, any uncertificated holdings statements for S2 Shares to be issued to Scheme Participants will be issued in the names of joint holders and forwarded to the holder whose name appears first in the Sirius Register as at the Scheme Record Date.

12.7 Fractional entitlements

Any fractional entitlement of a Scheme Participant to part of an S2 Share will be rounded up or down to the nearest whole number of S2 Shares in accordance with the Demerger Scheme (and if the fractional entitlement would include one half of an S2 Share, the entitlement will be rounded up to the nearest whole number of S2 Shares in accordance with the Demerger Scheme).

Subject to disregarding fractional interests (in the manner described above), and to the treatment of Ineligible Overseas Shareholders pursuant to the Demerger Scheme, Scheme Participants will have the same proportionate interest in S2 Shares that they held in Sirius as at the Scheme Record Date.

12.8 Ineligible Overseas Shareholders

Sirius is not obliged to distribute S2 Shares to an Ineligible Overseas Shareholder as part of the Demerger Scheme if Sirius is not satisfied that it can lawfully issue S2 Shares to that Ineligible Overseas Shareholder, either unconditionally or after compliance with terms which Sirius reasonably regards as not unduly onerous or impractical.

Ineligible Overseas Shareholders are those Sirius Shareholders whose Registered Address is a place outside Australia or New Zealand and their respective external territories.

Instead, the S2 Shares that would otherwise have been issued to Ineligible Overseas Shareholders will be issued to a Nominee. The Nominee must, as soon as practicable after Listing (but, in any event, within one month after Listing), offer all the S2 Shares comprising such for sale on ASX in such manner, at such price or prices and on such other terms as the Nominee determines in good faith (and at the risk of the Ineligible Overseas Shareholders).

The Nominee must, as soon as reasonably practicable (but, in any event, within ten Business Days after settlement of all the sales of the S2 Shares that were issued to the Nominee), remit to Sirius the proceeds of the sales, the same proportion of the net proceeds of sale of all such S2 Shares (after deducting any applicable fees, brokerage, taxes, charges and costs of sale) as the Demerger Scheme Consideration issued to the Nominee in respect of that Ineligible Overseas Shareholder bears to the total number of S2 Shares issued to, and sold by, the Nominee. Pursuant to the Demerger Scheme, Sirius is obligated to distribute the cash proceeds of the sale of the S2 Shares to the Ineligible Overseas Shareholders (in lieu of the S2 Shares they would have received if they had been eligible under the Demerger Scheme).

12.9 Confirmation certificates

S2 Resources must send confirmation of the issue of the Demerger Scheme Consideration to each Scheme Participant at the address shown on the Sirius Register as at the Scheme Record Date. In the case of joint holders, confirmations will be sent to the address of the Scheme Participant whose name appears first on the Sirius Register.

12.10 Listing on ASX

S2 Resources will apply for the official quotation of S2 Shares on ASX as soon as practicable and, in any event, within seven days after the Demerger Scheme Implementation Date. Listing is at ASX's discretion,

12. Implementation of the Demerger Scheme (cont)

and there is a risk that S2 Resources may not meet the requirements for admission to the official list of ASX. Should this occur, the S2 Shares received by Scheme Participants as Demerger Scheme Consideration will not be able to be traded on ASX until such time as the requirements for Listing can be met (if at all), and Scheme Participants will hold shares in an unlisted public company. However, the S2 Board anticipates that S2 Shares will be admitted to quotation by ASX within six to eight weeks after the Demerger Scheme Implementation Date.

Sirius has applied on behalf of S2 Resources for, and has been given, consent to prepare an information memorandum incorporating the Demerger Scheme Booklet, pursuant to ASX Listing Rule 1.1, Condition 3, for the purposes of Listing.

If S2 Resources is admitted to the official list of ASX, it is anticipated that S2 Shares will commence trading on ASX on a deferred settlement basis within three Business Days after the date of admission.

S2 Resources will issue an issuer sponsored holding statement to each Scheme Participant and the Nominee by 5.00pm on the Business Day prior to the commencement of ordinary trading in S2 Shares on ASX. Each issuer sponsored holding statement will state the number of S2 Shares transferred to each Scheme Participant or the Nominee (as applicable).

S2 Resources has reserved "S2R" with ASX to use as its ASX ticker code.

A person wearing a red shirt and a cap is driving a tracked vehicle, possibly a military-style jeep or a specialized off-road vehicle, across a vast, flat, reddish-brown desert landscape under a clear blue sky. The vehicle has large, treaded tires and a rugged, boxy design. The person is looking towards the camera and giving a thumbs-up.

13. ADDITIONAL INFORMATION

13. Additional Information

This Section 13 sets out the statutory information required under section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations, but only to the extent that this information is not otherwise disclosed in other sections of this Demerger Scheme Booklet. This Section 13 also includes additional information that the Sirius Directors consider may be material to a decision on how to vote on the Demerger Scheme.

13.1 Interests of Sirius Directors in Sirius Securities

(a) Sirius Directors' interests in Sirius Shares

As at the date of this Demerger Scheme Booklet, the number of Sirius Shares held by or on behalf of each Sirius Director are as follows:

Sirius Director	Number of Sirius Shares	% interest in Sirius issued capital
Jeff Dowling	25,000	0.01%
Mark Bennett	2,590,001	0.63%
Anna Neuling	100,000	0.02%
David Craig	nil	nil
Neil Warburton	nil	nil
Terrence Grammer	nil	nil

Each Sirius Director intends to vote any Sirius Shares held or controlled by him or her in favour of the Demerger Scheme Resolution, in the absence of a Superior Proposal.

(b) Sirius Directors' interests in Sirius Options

As at the date of this Demerger Scheme Booklet, the number of Sirius Options held by or on behalf of each Sirius Director are as follows:

Sirius Director	Number of Sirius Options	Exercise price	Expiry date
Jeff Dowling	1,000,000	A\$3.51	21 November 2017
Mark Bennett	3,000,000	A\$3.17	22 November 2016
	750,000	A\$0.60	26 November 2015
Anna Neuling	200,000	A\$0.60	1 November 2015
	750,000	A\$3.17	22 November 2016
	200,000	A\$0.20	29 November 2016
David Craig	500,000	A\$3.51	21 November 2017
Neil Warburton	500,000	A\$3.51	21 November 2017

13. Additional Information (cont)

Sirius Director	Number of Sirius Options	Exercise price	Expiry date
Terrence Grammer	1,500,000	A\$3.17	22 November 2016
	500,000	A\$0.20	29 November 2016
	300,000	A\$0.60	26 November 2015

For information in relation to the treatment of Sirius Options, see Section 3.16 of the Acquisition Scheme Booklet which was sent to Sirius Shareholders at the same time as this Demerger Scheme Booklet.

(c) Sirius Directors' interest in Sirius Share Appreciation Rights

As at the date of this Demerger Scheme Booklet, the number of Sirius Share Appreciation Rights held by or on behalf of each Sirius Director are as follows:

Sirius Director	Number of Sirius Share Appreciation Rights	Vesting date
Jeff Dowling	nil	nil
Mark Bennett	326,479	30 June 2016
	242,027	30 June 2017
Anna Neuling	32,936	30 June 2016
	24,417	30 June 2017
David Craig	nil	nil
Neil Warburton	nil	nil
Terrence Grammer	nil	nil

For information in relation to the treatment of Sirius Share Appreciation Rights, see Section 3.17 of the Acquisition Scheme Booklet which was sent to Sirius Shareholders at the same time as this Demerger Scheme Booklet.

(d) Sirius Directors' interest in Sirius Performance Shares

No Sirius Director has an interest in any Sirius Performance Shares.

13.2 Sirius Directors' dealings in Sirius Securities

No Sirius Director has acquired or disposed of a Relevant Interest in any Sirius Security in the four month period ending on the date immediately before the date of this Demerger Scheme Booklet.

13.3 Sirius' securities and capital structure

There are 412,201,575 fully paid ordinary shares on issue of which all are quoted.

There are unlisted options totalling 17,750,000, comprising 1.9 million A\$0.20 Sirius Options, 1.95 million A\$0.60 Sirius Options, 0.3 million A\$2.80 Sirius Options, 8.75 million A\$3.17 Sirius Options, 1.35 million A\$3.50 Sirius Options, 0.5 million A\$3.00 Sirius Options, 1 million A\$3.34 Sirius Options and 2 million A\$3.51 Sirius Options.

13. Additional Information (cont)

There are 1,154,548 Sirius Share Appreciation Rights on issue of which 645,547 vest in June 2016 and 509,001 vest in June 2017.

The following table sets out the substantial shareholders

Name of holder	% held
Mark Gareth Creasy and the Creasy Group	34.59
National Australia Bank and its associated entities	5.003

The following table sets out the Top 20 Shareholders:

Name of Sirius Shareholder	% of Sirius issued share capital held
1. YANDAL INVESTMENTS PTY LTD <INVESTEC A/C>	15.41
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10.77
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	10.02
4. NATIONAL NOMINEES LIMITED	9.71
5. CITICORP NOMINEES PTY LIMITED	7.79
6. FRASERX PTY LTD	5.03
7. PONTON MINERALS PTY LTD	4.03
8. FREE CI PTY LTD	4.03
9. LAKE RIVERS GOLD PTY LTD	4.03
10. YANDAL INVESTMENTS PTY LTD	1.70
11. BNP PARIBAS NOMS PTY LTD <DRP>	1.55
12. PERTH SELECT SEAFOODS PTY LTD	0.95
13. AMP LIFE LIMITED	0.95
14. UBS NOMINEES PTY LTD	0.78
15. BT PORTFOLIO SERVICES LTD <WARRELL HOLDINGS S/F A/C>	0.63
16. BRISPTOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 AC>	0.55
17. DR MARK ANTHONY BENNETT	0.53
18. ROXTRUS PTY LTD	0.49
19. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	0.47
20. TARNEY HOLDINGS PTY LTD <DP & FL WADDELL FAMILY A/C>	0.39

13. Additional Information (cont)

13.4 Interests and dealings of Sirius Directors in S2 Resources

(a) Sirius Directors' interests in S2 Resources securities

As at the date of this Demerger Scheme Booklet, no securities in S2 Resources were held by or on behalf of any Sirius Director. Subject to the Demerger Scheme being implemented, the Sirius Directors who hold Sirius Shares will receive S2 Shares as part of the Demerger, in common with other Scheme Participants. The S2 Directors will, subject to implementation of the Demerger Scheme, receive the S2 Options referred to in Section 4(u) of this Demerger Scheme Booklet.

(b) Sirius Directors' dealings in S2 Resources securities

No Sirius Director acquired or disposed of a Relevant Interest in any S2 Resources securities in the four month period ending on the date immediately before the date of this Demerger Scheme Booklet.

13.5 Benefits and agreements

(a) Benefits in connection with retirement from office

It is proposed that no payment or other benefit be made or given to any director, secretary or executive officer of Sirius or of any Related Body Corporate as compensation for loss of, or as consideration for or in connection with his or her retirement from, office as director, secretary or executive officer of Sirius or of a Related Body Corporate, as a result of the Demerger Scheme, other than the following:

- (i) Mark Bennett will receive A\$1,158,993, plus accrued statutory leave entitlements; and
- (ii) Anna Neuling will receive A\$174,058, plus accrued statutory leave entitlements,

comprising an amount in respect of notice under the terms of executive services agreements and full payment of any statutory entitlements owed to them. These amounts are the same as, and not in addition to, the amounts referred to in Section 14.5(a) of the Acquisition Scheme Booklet.

(b) Other agreements or arrangements connected with or conditional on the Demerger Scheme

There is no agreement or arrangement made between any Sirius Director and another person in connection with or conditional on the outcome of the Demerger Scheme, other than in their capacity as a holder of Sirius Securities except as follows:

Each Non-Executive Director of Sirius has been paid a special exertion fee for the increased time already spent, and in anticipation of the time that will be spent, working on the Transaction until it is completed. There are two separate fee amounts, to reflect the differing levels of involvement each Non-Executive Director had in the Transaction process. This fee is not conditional on either the Acquisition Scheme or the Demerger Scheme being implemented, and was paid to the Non-Executive Directors in June 2015 as follows (inclusive of superannuation):

- (i) Jeff Dowling and David Craig: A\$50,000; and
- (ii) Neil Warburton and Terrence Grammer: A\$35,000.

(c) Interests of Sirius Directors in contracts with S2 Resources

None of the Sirius Directors have an interest in any contract entered into by S2 Resources.

13. Additional Information (cont)

(d) Benefits from S2 Resources

No Sirius Director has agreed to receive, or is entitled to receive, any benefit from S2 Resources or any Related Body Corporate of S2 Resources (other than a member of the Sirius Group) which is conditional on, or is related to, the Demerger Scheme, other than in their capacity as a holder of Sirius Securities or as set out in this Demerger Scheme Booklet.

(e) Employment with S2 Resources

Mark Bennett and Anna Neuling will be employed as executive directors by S2 Resources, if the Demerger Scheme is implemented on the following general terms:

- (i) Mark Bennett will receive a salary of A\$325,000 per year plus superannuation contributions in accordance with statutory entitlements; and
- (ii) Anna Neuling will receive a salary of A\$120,000 per year (the part time equivalent of A\$300,000 per year) plus superannuation contributions in accordance with statutory entitlements for two days per week, plus additional days (if required) to be charged at the same rate.

13.6 Material changes to the financial position of Sirius

Within the knowledge of the Sirius Directors, and other than as disclosed in this Demerger Scheme Booklet or announced on ASX, the financial position of Sirius has not materially changed since 31 December 2014, being the date of the balance sheet that was included in the Half-Year Report.

13.7 Overview of the S2 Constitution

The following is a summary of the key terms of the S2 Constitution and the principal rights of S2 Shareholders as set out in the S2 Constitution.

This summary is neither exhaustive nor does it constitute a definitive statement of the rights and liabilities of S2 Shareholders.

(a) Issue of shares

Subject to the S2 Constitution, the Corporations Act and the ASX Listing Rules, the S2 Directors may issue, grant options over, allot or otherwise dispose of shares in the capital of S2 Resources on such terms and conditions as the S2 Directors may determine.

The S2 Directors may issue preference shares, including preference shares that are liable to be redeemed.

(b) Transfer of shares

Subject to the S2 Constitution, the Corporations Act and the ASX Listing Rules, a member may transfer a share by any means permitted by law.

Where the S2 Directors refuse to register a transfer of shares, S2 Resources must, within five Business Days after the date of lodgement of the transfer, give to the lodging person notice of the refusal and the reasons for it.

(c) General meeting

The S2 Board or an S2 Director may convene a general meeting at any time. The Directors must convene annual general meetings in accordance with the Corporations Act. General meetings may be requisitioned or convened by S2 Shareholders under the Corporations Act.

13. Additional Information (cont)

Notice of general meetings must be given to every S2 Shareholder. 28 days written notice is required for any general meeting. A notice convening a general meeting must state (among other things) the general nature of the business to be transacted at the meeting.

At any general meeting, a quorum of S2 Shareholders is two voting members present in person.

(d) Chairman

The chairman, or in his or her absence, an S2 Director appointed by the S2 Directors, is entitled to be the chairman of all general meetings. The general conduct and the procedures of each general meeting will be determined by the chairman of that meeting.

(e) Voting

Generally, on a show of hands, each S2 Shareholder has one vote. On a poll, each S2 Shareholder has one vote for each fully paid share.

If two or more joint S2 Shareholders purport to vote, only the vote of the senior S2 Shareholder will be accepted.

S2 Shareholders may appoint a proxy to attend and vote at general meetings on their behalf.

(f) Demanding a poll

A poll can be demanded by the chairman of the relevant meeting, or by at least five shareholders entitled to vote, or by an S2 Shareholder or Shareholders with at least 5% of the votes that may be cast.

(g) S2 Directors

The S2 Directors must manage and control the business and affairs of S2 Resources.

Until S2 Shareholders determine otherwise, the number of S2 Directors must not be less than three.

Nominations to the position of director (other than S2 Directors standing for re-election) must be received at least 45 Business Days before the general meeting.

An S2 Director may at any time convene a director's meeting. The quorum for a meeting of S2 Directors is two.

(h) S2 Director's share qualification

An S2 Director need not be an S2 Shareholder.

(i) Retirement and removal of S2 Directors

At each annual general meeting, one S2 Director other than the managing director must retire from office. The S2 Director to retire is the S2 Director who has held office the longest since last being elected. Each S2 Director other than the managing director must retire from office at the close of the relevant annual general meeting following the S2 Director's last election, and that S2 Director is eligible for re-election at that meeting.

(j) Remuneration of S2 Directors

The remuneration of non-executive S2 Directors must be a fixed sum, allocated among the non-executive S2 Directors on an equal basis or as otherwise decided by the S2 Board.

13. Additional Information (cont)

The remuneration of executive S2 Directors is determined by the S2 Board and must not include a commission on or percentage of operating revenue.

In addition to director's fees, non-executive directors are entitled to be paid fees for consulting or other professional services provided at the request of the S2 Board.

(k) Dividends

The S2 Directors may declare a dividend or determine that a dividend is payable and fix the amount, the time for payment and the method of payment. Payments of dividends upon the shares shall be in proportion to the amounts paid up on such shares respectively at the date of declaration of the dividend.

The S2 Directors may deduct from any dividend payable to an S2 Shareholder any amount that the S2 Shareholder owes to S2 Resources on account of calls or otherwise in relation to the shares held by the S2 Shareholder.

(l) Sale of unmarketable parcels

The S2 Board may sell the S2 Shares of S2 Shareholders who hold unmarketable parcels once a year requiring them to elect if they wish to remain as a member who holds an unmarketable parcel. The notice must set a period of at least six weeks within which S2 Shareholders may notify S2 Resources that they wish to retain their shares. S2 Resources will not sell the shares of those S2 Shareholders who notify S2 Resources that they wish to retain their shares within that timeframe. If S2 does not receive any notification from the relevant S2 Shareholders with that timeframe, S2 Resources will be entitled to sell the shares of those S2 Shareholders.

(m) Proportional takeover approval provisions

If a proportional takeover bid is made, S2 Directors must hold a meeting of members of S2 Resources to consider passing an approving resolution in respect of the bid. An approving resolution must be voted on not less than 14 days before the end of the bid period. The resolution will be passed if more than 50% of votes are cast in favour of the resolution. The bidder and its associates are not allowed to vote on the resolution.

If a resolution to approve the bid is rejected, then under the Corporations Act binding acceptances are required to be rescinded and all unaccepted offers are taken to have been withdrawn.

If the bid is approved or taken to have been approved, the transfers resulting from the bid may be registered by S2 Resources.

The proportional takeover provisions do not apply to full takeover offers. Under the Corporations Act, the provisions will expire three years after the S2 Constitution is adopted, but may be redeemed by a resolution of S2 Shareholders.

(n) Indemnity

To the extent permitted by law, S2 Resources indemnifies certain officers of S2 Resources against:

- (i) any liabilities incurred by officers to other persons (other than S2 Resources); and
- (ii) legal costs incurred in defending an action for liability incurred by them as an officer of S2 Resources in which judgment is given in favour of the officer or in which the officer is acquitted.

(o) Winding up

Assets of S2 Resources which, upon a winding up, remain after payment of debts and liabilities and after the costs of the winding up, must be distributed as follows:

13. Additional Information (cont)

- (i) firstly, in repayment of paid-up capital in accordance with the respective rights of S2 Shareholders; and
- (ii) secondly, the balance is distributed among ordinary S2 Shareholders in proportion to the capital paid up on their shares.

The liquidator may, with the sanction of a special resolution of S2 Resources, distribute S2 Resources' surplus assets among the S2 Shareholders.

(p) Amendments to the S2 Constitution

Amendments to the S2 Constitution will require a special resolution of S2 Shareholders under the Corporations Act (at least 75% of votes cast on the resolution).

A copy of the S2 Constitution can be obtained from the S2 Resources website www.s2resources.com.au.

13.8 ASIC modifications

Regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC otherwise allows, this Demerger Scheme Booklet must contain the matters set out in Part 3 of Schedule 8 to the Corporations Act. ASIC has granted relief from the following disclosure requirements:

(a) Regulation 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations

This regulation requires the Demerger Scheme Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Sirius or a related body corporate of Sirius as compensation for the loss of office or as consideration for or in connection with, their retirement from office.

ASIC has granted Sirius relief from certain requirements of this regulation, the effect of which is that this Demerger Scheme Booklet:

- (i) is not required to contain particulars of any payments or benefits to be made to a director, secretary or executive officer of Sirius in connection with their loss of, or retirement from, office, unless that person will lose office or retire as a consequence of, or in connection with, the Demerger Scheme or the amount of any payment or benefit which may be made to that person on the loss of, or retirement from, office may be materially affected by the Demerger Scheme;
- (ii) is not required to disclose the names of directors, secretaries or executive officers of the broader Sirius Group who will lose office or retire except where that person is also a Sirius Director; and
- (iii) may describe any payments made in aggregate instead of on an individual basis.

(b) Regulation 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations

This regulation requires the Demerger Scheme Booklet to disclose whether, to the knowledge of the Sirius Board, the financial position of Sirius has materially changed since the date of the last balance sheet sent to Sirius Shareholders, and any details of any change.

ASIC has allowed Sirius to depart from this requirement, as:

- (i) Sirius has complied with the Corporations Act in respect of its half yearly reporting requirements;
- (ii) Sirius will provide a copy of its half year report for its controlled entities free of charge to anyone who requests a copy prior to the Effective Date;

13. Additional Information (cont)

- (iii) Sirius has disclosed any material changes in this Demerger Scheme Booklet on ASX; and
- (iv) the form of this Demerger Scheme Booklet is substantially the same as the form provided to ASIC on Wednesday, 29 July 2015.

(c) Regulation 8310 of Part 3 of Schedule 8 of the Corporations Regulations

This regulation requires that the Demerger Scheme Booklet set out particulars of intentions of the Sirius Directors in relation to:

- (i) any major changes to Sirius' business, including the redeployment of any fixed assets; and
- (ii) the future employment of Sirius' present employees.

ASIC has allowed Sirius to depart from this requirement on the basis that the form of this Demerger Scheme Booklet is substantially the same as the form provided to ASIC on Wednesday, 29 July 2015.

13.9 ASX waivers

For the purposes of the Demerger Scheme, ASX has given in principle confirmation to Sirius that it will grant Sirius a waiver from complying with the ASX Listing Rules and confirmations under the ASX Listing Rules as described below:

- (a) in relation to ASX Listing Rule 1.1, Condition 3, consent to allow S2 Resources to use an information memorandum incorporating this Demerger Scheme Booklet for the purposes of Listing;
- (b) in relation to ASX Listing Rule 1.1, Condition 7, confirmation and, if required, a waiver to the extent necessary so that S2 Resources may count any shareholder (excluding related parties and promoters of S2 Resources and Sirius, or any of their associates) who holds a parcel of ordinary shares with a value of at least A\$2,000 by reason of the Demerger Scheme in calculation of the spread;
- (c) in relation to ASX Listing Rule 1.3.1, confirmation that S2 Resources will satisfy the assets test;
- (d) in relation to ASX Listing Rule 2.1, Condition 2, confirmation that ASX will accept the value of an S2 Share as being the net asset backing per share based on the mid-point of the fair value of S2 Resources' assets as set out in the Independent Expert's Report in this Demerger Scheme Booklet;
- (e) in relation to ASX Listing Rule 10.14, a waiver for the issue of options of S2 Shares to S2 Resources' executive and non-executive directors pursuant to incentive plans;
- (f) confirmation that ASX Listing Rule 10.1 does not apply in the context of the Demerger Scheme; and
- (g) confirmation that Chapter 11 of the ASX Listing Rules does not apply in the context of the Demerger Scheme.

13.10 Formal disclosures and consents

The following parties have given and have not, before the date of this Demerger Scheme Booklet, withdrawn their written consent:

- (a) to be named in this Demerger Scheme Booklet in the form and context in which they are named; and

13. Additional Information (cont)

- (b) if applicable, to the inclusion of each statement made by them (and each statement based on statements made by them) (if any) in the form and context in which these statements appear in this Demerger Scheme Booklet.

Name	Role
BDO Corporate Finance	Independent Expert
Optiro	Independent Geologist
Hartleys Limited	Corporate adviser to Sirius
Ashurst Australia	Legal adviser to Sirius
KPMG	Australian tax adviser to Sirius
BDO Audit	Auditor of Sirius and Investigating Accountant
Computershare Investor Services Pty Ltd	Share Registry to Sirius

BDO Corporate Finance has given and has not, before the date of this Demerger Scheme Booklet, withdrawn its written consent to the inclusion of the Independent Expert's Report in the form and context in which it appears in Annexure G and references to the Independent Expert's Report in the form and context in which they appear.

Optiro has given, and has not, before the date of this Demerger Scheme Booklet, withdrawn its written consent to the inclusion of the Independent Geological Report in the form and context in which it appears as an annexure to the Independent Expert's Report and references to the Independent Geological Report in the form and context in which they appear.

BDO Audit has given, and has not, before the date of this Demerger Scheme Booklet, withdrawn its written consent to the inclusion of the Investigating Accountant's Report in the form and context in which it appears in Section 5 and references to the Investigating Accountant's Report in the form and context in which they appear.

KPMG has given, and has not, before the date of this Demerger Scheme Booklet, withdrawn its written consent to the inclusion of Section 11 of this Demerger Scheme Booklet and references to the information set out in this Section 13 in the form and context in which they appear.

Each person named above:

- does not make or purport to make any statement in this Demerger Scheme Booklet or any statement on which a statement in this Demerger Scheme Booklet is based, other than BDO Corporate Finance in respect of the Independent Expert's Report, KPMG in respect of Section 11 of this Demerger Scheme Booklet and BDO Audit in respect of the Sirius Group's audited financial reports for the half years ended 31 December 2013 and 31 December 2014;
- to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Demerger Scheme Booklet, other than (to the extent applicable) those statements included with the consent of BDO Corporate Finance, Optiro, KPMG or BDO Audit specified in Section 13.10; and
- has not authorised or caused the issue of the Demerger Scheme Booklet.

13. Additional Information (cont)

13.11 Exploration results

The information in this Demerger Scheme Booklet that relates to Exploration results is based on information compiled by John Bartlett who is an employee of Sirius and fairly represents this information. Mr Bartlett is a member of the Australasian Institute of Mining and Metallurgy. Mr Bartlett has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the JORC Code. Mr Bartlett consents to the inclusion in this Demerger Scheme Booklet of the matters based on information in the form and context in which it appears.

Exploration results are based on standard industry practices, including sampling, assay methods, and appropriate quality assurance quality control (QAQC) measures. Reverse circulation (RC), aircore (AC) and rotary air blast (RAB) drilling samples are collected as composite samples of 4 or 2 metres and as 1 metre splits (stated in results). Mineralised intersections derived from composite samples are subsequently re-split to 1 metre samples to better define grade distribution. Core samples are taken as half NQ core or quarter HQ core and sampled to geological boundaries where appropriate. The quality of RC drilling samples is optimised by the use of riffle and/or cone splitters, dust collectors, logging of various criteria designed to record sample size, recovery and contamination and use of field duplicates to measure sample representivity.

For soil samples, PGM and gold assays are based on an aqua regia digest with Inductively Coupled Plasma (ICP) finish and base metal assays may be based on aqua regia or four acid digest with inductively coupled plasma optical emission spectrometry (ICPOES) or atomic absorption spectrometry (AAS) finish. In the case of reconnaissance RAB, AC, RC or rock chip samples, PGM and gold assays are based on lead or nickel sulphide collection fire assay digests with an ICP finish, base metal assays are based on a four acid digest and inductively coupled plasma optical emission spectrometry (ICPOES) and atomic absorption spectrometry (AAS) finish, and where appropriate, oxide metal elements such as Fe, Ti and Cr are based on a lithium borate fusion digest and X-ray fluorescence (XRF) finish. In the case of strongly mineralised samples, base metal assays are based on a special high precision four acid digest (a four acid digest using a larger volume of material) and an AAS finish using a dedicated calibration considered more accurate for higher concentrations. Sample preparation and analysis is undertaken at Minanalytical, Genalysis Intertek and Bureau Veritas laboratories in Perth and Kalgoorlie, Western Australia.

The quality of analytical results is monitored by the use of internal laboratory procedures and standards together with certified standards, duplicates and blanks and statistical analysis where appropriate to ensure that results are representative and within acceptable ranges of accuracy and precision. Where quoted, nickel-copper intersections are based on a minimum threshold grade of 0.25% Ni and/or Cu, and gold intersections are based on a minimum gold threshold grade of 0.1g/t Au unless otherwise stated. Intersections are length and density weighted where appropriate as per standard industry practice. All sample and drill hole co-ordinates are based on the GDA/MGA grid and datum unless otherwise stated. Exploration results obtained by other companies and quoted by Sirius have not necessarily been obtained using the same methods or subjected to the same QAQC protocols. These results may not have been independently verified because original samples and/or data may no longer be available.

13.12 Material litigation

To the best knowledge of the Sirius Board, Sirius is not involved in any litigation or dispute which is material in the context of Sirius and its subsidiaries taken as a whole.

13.13 No unacceptable circumstances

The Sirius Directors believe that the Demerger Scheme does not involve any circumstances in relation to the affairs of Sirius that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

13.14 Foreign jurisdiction

The distribution of this Demerger Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any

13. Additional Information (cont)

failure to comply with such restrictions may contravene applicable securities laws. Sirius disclaims all liabilities to such persons.

Sirius Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Demerger Scheme Booklet, or any aspect of the Demerger Scheme, in any jurisdiction outside Australia.

13.15 Fees and expenses

The aggregate amount of the fees and expenses expected to be incurred by Sirius in connection with the Transaction after the Announcement Date will be approximately A\$14.7 million (exclusive of GST). Of this amount, A\$2.7 million (exclusive of GST) is expected to be payable by Sirius irrespective of whether or not the Demerger Scheme becomes Effective.

13.16 Other information material to the making of a decision in relation to the Demerger Scheme

Except as set out in this Demerger Scheme Booklet, so far as the Sirius Directors are aware, there is no information material to the making of a decision by a Sirius Shareholder in relation to the Demerger Scheme (being information that is within the knowledge of any Sirius Director or director of any Related Bodies Corporate of Sirius) as at the date of this Demerger Scheme Booklet, which has not been previously disclosed to Sirius Shareholders.

13.17 Supplementary information

Sirius will issue a supplementary document to this Demerger Scheme Booklet if between the date of this Demerger Scheme Booklet and the Effective Date, it becomes aware that:

- (a) a material statement in the Demerger Scheme Booklet is or becomes false or misleading in a material respect;
- (b) there is a material omission from this Demerger Scheme Booklet;
- (c) there has been a significant change affecting a matter included in this Demerger Scheme Booklet;
or
- (d) a significant new matter has arisen and it would have been required to be included in this Demerger Scheme Booklet if it had arisen before the date of this Demerger Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Sirius may circulate and publish any supplementary document by:

- (a) making an announcement to ASX;
- (b) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (c) posting the supplementary document to Sirius Shareholders at their Registered Address as shown in the Sirius Register; or
- (d) posting a statement on Sirius' website at www.siriusresources.com.au,

as Sirius, in its absolute discretion, considers appropriate in the circumstances.

13. Additional Information (cont)

13.18 Public information available for inspection

Sirius is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations broadly require Sirius to:

- (a) announce price sensitive information immediately after it becomes aware of the information, subject to certain exceptions for information that is confidential; and
- (b) prepare and lodge with ASIC and ASX both annual and half year financial statements.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au and Sirius' website at www.siriusresources.com.au. Copies of the documents lodged with ASIC in relation to Sirius may be obtained from, or inspected at, an ASIC office.

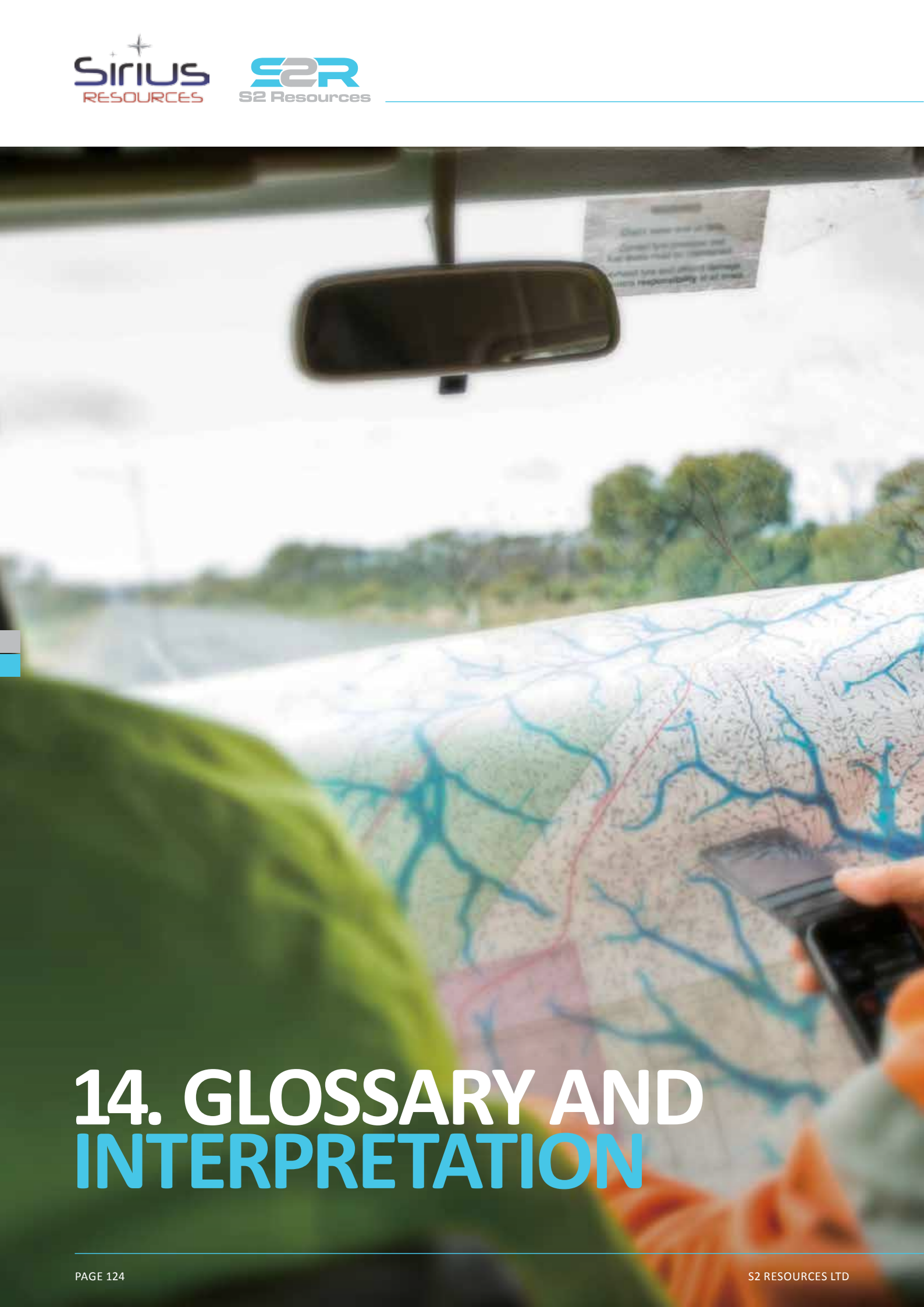
Sirius Shareholders may obtain a copy of:

- Sirius' June 2015 quarterly report (dated 17 July 2015);
- Sirius' most recent annual report;
- the Acquisition Scheme Booklet;
- this Demerger Scheme Booklet; and
- any document lodged by Sirius with ASX between the release of Sirius' annual report and the date of this Demerger Scheme Booklet,

from the ASX website at www.asx.com.au. All of those documents are also available on Sirius' website at www.siriusresources.com.au.

13.19 Registration with ASIC

This Demerger Scheme Booklet was registered with ASIC on Friday, 31 July 2015 in accordance with section 412(6) of the Corporations Act.



14. GLOSSARY AND INTERPRETATION

14. Glossary and Interpretation

14.1 Definitions

The meaning of the terms used in this Demerger Scheme Booklet are set out below.

TERM	MEANING
Acquisition	means the acquisition of Sirius by IGO via the Acquisition Scheme, following the implementation of the Demerger Scheme.
Acquisition Scheme	means the scheme of arrangement under Part 5.1 of the Corporations Act pursuant to which all Scheme Shares will be transferred to IGO, in the form set out in Annexure C to the Acquisition Scheme Booklet together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
Acquisition Scheme Booklet	means the booklet to be approved by the Court under section 411(1) of the Corporations Act for distribution to Sirius Shareholders in relation to the Acquisition Scheme, and which includes explanatory statements complying with the requirements of the Corporations Act and the <i>Corporations Regulations 2001</i> (Cth), the Acquisition Scheme, notices of meeting, proxy forms and the report of an independent expert.
Acquisition Scheme Consideration	means the Sirius Ordinary Share Consideration with respect to a Sirius Ordinary Shareholder or the Sirius Partly Paid Share Consideration with respect to a Sirius Partly Paid Shareholder.
Acquisition Scheme Meeting	means the meeting of Sirius Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Acquisition Scheme Resolution.
Acquisition Scheme Resolution	means the resolution to approve the Acquisition Scheme to be voted on at the Acquisition Scheme Meeting, as set out in the Notice of Acquisition Scheme Meeting.
Acquisition Scheme Transaction Documents	means the Scheme Implementation Deed, the Deed Poll and the Acquisition Scheme.
Affected Tenements	has the meaning given to it in Section 4.14 of this Demerger Scheme Booklet.
Announcement Date	means the date of announcement of the Transaction, being Monday, 25 May 2015.
ASIC	means the Australian Securities and Investments Commission.
Associates	has the meaning given to that term in sections 10 to 17 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.
ASX Listing Rules	means the official listing rules of the ASX.
ASX Settlement	means ASX Settlement Pty Limited (ABN 49 008 504 532).
ATO	means the Australian Taxation Office.

14. Glossary and Interpretation (cont)

TERM	MEANING
Baloo Gold Deposit or Baloo	means the accumulation of gold mineralisation defined by drilling beneath Lake Cowan to the east of the Eundynie Peninsula.
BDO Audit	means BDO Audit (WA) Pty Ltd (ACN 112 284 787), who is the auditor for Sirius and who has been appointed as the Investigating Accountant.
BDO Corporate Finance	means BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045), who has been appointed as the Independent Expert.
Business Day	means a day on which trading banks are open for business in Perth, Western Australia.
Capital Reduction	means, subject to Sirius Shareholder approval under section 256C(1) of the Corporations Act, the capital reduction to be undertaken as part of the implementation of the Demerger Scheme pursuant to section 256B(1) of the Corporations Act.
Capital Reduction Amount	means in relation to a Scheme Participant, so much of the amount allocated to the Scheme Participant under the Capital Reduction Resolution as is attributable to the Scheme Shares held by that Scheme Participant.
Capital Reduction Resolution	means the resolution to approve the Capital Reduction to be put to Sirius Shareholders at the General Meeting.
CGT	means Australian capital gains tax.
CHES	means the Clearing House Electronic Subregister System operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities.
Class Ruling	means the class ruling in relation to taxation implications for Australian tax resident Scheme Participants.
Commissioner of Taxation	means the Commissioner of Taxation of the ATO.

14. Glossary and Interpretation (cont)

TERM	MEANING
Competing Proposal	means any proposal, agreement, arrangement or transaction which, if entered into or completed in accordance with its terms, would result in: (a) a third party (either alone or with any associate): - directly or indirectly acquiring a relevant interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the issued shares in Sirius or in any material subsidiary of Sirius, or otherwise acquiring control of Sirius or any material subsidiary of Sirius; or - directly or indirectly acquiring or becoming the holder of, or otherwise having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of Sirius' business or assets or the business or assets of the Sirius Group; whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approval acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement, but excluding, for the avoidance of doubt: - any relevant interest acquired as a result of any restructuring of the Creasy Group where, following the restructuring, the Sirius Shares and Sirius Performance Shares controlled by Mark Creasy as at the date of this Demerger Scheme Booklet remain controlled by Mark Creasy; and - any internal reconstruction or restructuring undertaken in connection with preparing S2 Resources for the Demerger; (b) a material part of the business or assets of the Sirius Group being disposed of, demerged or otherwise separated from the rest of the business or assets of the Sirius Group, other than a disposal, demerger or other separation of S2 Resources or the assets of S2 Resources from the Sirius Group contemplated by the Demerger Transaction Documents; or (c) Sirius being prevented from implementing the Transaction.
Condition	means a condition precedent set out in the Demerger Implementation Deed and summarised in Annexure A.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Court	means the Federal Court of Australia, Western Australian registry or such other court of competent jurisdiction under the Corporations Act agreed to in writing by IGO and Sirius.

14. Glossary and Interpretation (cont)

TERM	MEANING
Creasy Group	means: (a) Mark Creasy; (b) FraserX Pty Ltd (ACN 099 488 114); (c) Ponton Minerals Pty Ltd (ACN 108 313 024); (d) Lake Rivers Gold Pty Ltd (ACN 122 986 681); (e) Free CI Pty Ltd (ACN 147 090 542); and (f) Yandal Investments Pty Ltd (ACN 070 684 810), and all entities who are Associates of those listed above.
Deed Poll	means the deed poll entered into by IGO, in the form set out in Annexure B to the Acquisition Scheme Booklet.
Demerger	means the demerger of S2 Resources from Sirius to be implemented by the Demerger Scheme on the terms set out the Demerger Transaction Documents.
Demerger Deed Poll	means the deed poll for the Demerger Scheme in the form set out in Annexure C to this Demerger Scheme Booklet.
Demerger Implementation Deed	the deed between Sirius and S2 Resources which governs implementation of the Demerger Scheme, subject to such amendments as agreed between Sirius and IGO (such agreement not to be unreasonably withheld or delayed).
Demerger Scheme	means, subject to Sirius Shareholder approval, the scheme of arrangement between Sirius and the Scheme Participants pursuant to which Sirius will demerge S2 Resources by applying the Capital Reduction on behalf of Scheme Participants as consideration for the transfer of the Demerger Scheme Consideration to each Scheme Participant (other than Ineligible Overseas Shareholders).
Demerger Scheme Booklet	means this document, including all the Annexures.
Demerger Scheme Consideration	means the Demerger Scheme Ordinary Share Consideration with respect to a Sirius Ordinary Shareholder and the Demerger Scheme Partly Paid Share Consideration with respect to a Sirius Partly Paid Shareholder.
Demerger Scheme Implementation Date	means four Business Days after the Scheme Record Date, or such other date as Sirius and IGO agree.
Demerger Scheme Meeting	means the meeting of Sirius Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Demerger Scheme Resolution.
Demerger Scheme Order	means an order of the Court approving the Demerger Scheme.

14. Glossary and Interpretation (cont)

TERM	MEANING
Demerger Scheme Ordinary Share Consideration	means 1 S2 Share for every 2 Sirius Ordinary Shares held by a Sirius Ordinary Shareholder as at the Scheme Record Date, but which is subject to the terms of the Demerger Scheme and is subject to change at the sole discretion of Sirius, or as required by ASX in order to achieve Listing.
Demerger Scheme Partly Paid Share Consideration	means 57/60ths of the Demerger Scheme Ordinary Share Consideration per Sirius Partly Paid Share held by a Sirius Partly Paid Shareholder on the Scheme Record Date, but which is subject to the terms of the Demerger Scheme and is subject to change at the sole discretion of Sirius, or as required by ASX in order to achieve Listing.
Demerger Scheme Resolution	means the resolution to approve the Demerger Scheme to be voted on at the Demerger Scheme Meeting, as set out in the Notice of Demerger Scheme Meeting.
Demerger Transaction Documents	means the Demerger Transition Deed, the Demerger Scheme, the Demerger Deed Poll and the Demerger Implementation Deed.
Demerger Transition Deed	means the demerger transition deed between Sirius and S2 Resources setting out the transitional and ongoing relationship between Sirius and S2 Resources.
Effective	means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Acquisition Scheme and the Demerger Scheme.
Effective Date	means the date on which the Acquisition Scheme and the Demerger Scheme becomes Effective.
Eundynie Joint Venture	means the joint venture between Shumwari Pty Ltd (ACN 130 873 004) and Polar Metals which is 80% owned by Polar Metals.
General Meeting	means the meeting of Sirius Shareholders to be convened to vote on the Capital Reduction Resolution and certain other resolutions to carry into effect the matters to be set out in this Demerger Scheme Booklet, including any resolutions to constitute S2 Resources in readiness for the Demerger Scheme and to prepare S2 Resources for listing on ASX.
Government Agency	means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including ASIC, ASX the Takeovers Panel, and any self-regulatory organisation established under statute or by ASX.
Green Proxy Form	means the proxy form on green coloured paper accompanying this Demerger Scheme Booklet, to be completed in respect of voting on the Capital Reduction Resolution at the General Meeting.
Half-Year Report	means Sirius' half year report to 31 December 2014, released on ASX on 27 February 2015.
Halls Knoll Nickel Prospect	means the area considered prospective for nickel with nickel mineralisation defined by drilling on and around Halls Knoll Island on Lake Cowan.

14. Glossary and Interpretation (cont)

TERM	MEANING
Highly Prospective	has the meaning given to it in Section 4.4 of this Demerger Scheme Booklet.
HIN	means holder identification number, being the number identifying registration on the CHESS subregister.
IGO	means Independence Group NL ACN 092 786 304.
IGO FY2015 Final Dividend	means IGO's final dividend for the financial year ending on 30 June 2015, in respect of which IGO undertakes to ensure that neither the record date for, or payment date for, is before the Longstop Date.
IGO Group	means IGO and each of its Related Bodies Corporate.
IGO Share	means a fully paid ordinary share in IGO.
Independent Expert	means BDO Corporate Finance, who has prepared the Independent Expert's Report.
Independent Expert's Report	means the report prepared by the Independent Expert set out in Annexure G to this Demerger Scheme Booklet.
Independent Geologist	means Optiro, who has prepared the Independent Geological Report.
Independent Geological Report	means the VALMIN Code compliant valuation report for exploration assets, prepared by the Independent Geologist.
Ineligible Overseas Shareholders	means a Scheme Participant whose address shown in the Sirius Register is a place outside Australia or New Zealand and their respective external territories.
Internal Restructuring	means the steps undertaken to transfer the S2 Assets to S2 Resources, to capitalise S2 Resources and to prepare it for the Demerger, as summarised in Section 12.2 of this Demerger Scheme Booklet.
Investigating Accountant	means BDO Audit, who has prepared the Investigating Accountant's Report.
Investigating Accountant's Report	means the report prepared by the Investigating Accountant set out in Section 5 to this Demerger Scheme Booklet.
JORC / JORC Code	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Geoscientists and Minerals Council of Australia.
KPMG	means KPMG Tax ABN 51 194 660 193.
Listing	means the initial inclusion of S2 Resources in the official list of the ASX.
Merged Group	means the combined Sirius Group and IGO Group, after the-Demerger of S2 Resources and implementation of the Acquisition Scheme.
Mineral Resource	has the meaning given to this term in the 2012 Edition of the JORC Code, which is available at www.jorc.org .

14. Glossary and Interpretation (cont)

TERM	MEANING
Monsoon, Nanook and Earlobe Gold Prospects	means the areas of gold mineralisation, anomalism and alteration defined by drilling beneath Lake Cowan and the Polar Bear Peninsula (or, separately, the Monsoon Prospect, the Nanook Prospect and the Earlobe Prospect).
Native Title Act	means <i>Native Title Act 1993</i> (Cth).
New IGO Share	means an IGO Share issued as part of the Acquisition Scheme Consideration.
Ngadju Claim	means the Ngadju native title claim (WAD 6020/1998, as amended from time to time).
Ngadju People	means the people: (a) on whose behalf the Ngadju Claim is made, as described in Schedule A of the Ngadju Claim, and as replaced or varied from time to time; (b) the common law holders of native title in respect of the area the subject of the Ngadju determination (WCD 2014/004) made on 21 November 2014; and (c) if a Determination (as defined in the Nova Mining Agreement) is made in respect of the remaining portion of the Ngadju Claim, those people who are, from time to time, the common law holders of native title in respect of the determination.
Norcott Project	means the tenement application to the east of the Polar Bear Project.
Norse Exploration	means Norse Exploration Pty Ltd (ABN 37 603 486 899).
Notice of Acquisition Scheme Meeting	means the notice in relation to the Acquisition Scheme Meeting set out in Annexure D to the Acquisition Scheme Booklet.
Notice of Demerger Scheme Meeting	means the notice in relation to the Demerger Scheme Meeting set out in Annexure E to this Demerger Scheme Booklet.
Notice of General Meeting	means the notice in relation to the General Meeting set out in Annexure F to this Demerger Scheme Booklet.
Nova-Bollinger Project	means the 100% Sirius-owned tenements within which the Nova-Bollinger deposits are located, being Mining Lease 28/376.
Nova Mining Agreement	means the mining agreement dated 4 August 2014 between the Ngadju People, Sirius Gold Pty Ltd and Sirius.
Optiro	means Optiro Pty Ltd (ACN 131 922 739), who has been appointed as the Independent Geologist.
Pink Proxy Form	means the proxy form on pink coloured paper accompanying this Demerger Scheme Booklet, to be completed in respect of voting on the Demerger Scheme Resolution at the Demerger Scheme Meeting.
Polar Bear Project	means the tenements and tenement applications as shown in Figure 3.
Polar Metals	means Polar Metals Pty Ltd (ABN 50 149 543 448).

14. Glossary and Interpretation (cont)

TERM	MEANING
Registered Address	in relation to a Sirius Shareholder, means the address of the shareholder shown in the Sirius Register as at the Scheme Record Date.
Related Body Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Relevant Interest	has the meaning given to that term in the Corporations Act.
Requisite Majorities	means - a majority in number (ie more than 50%) of Sirius Shareholders present and voting on the Demerger Scheme Resolution at the Demerger Scheme Meeting (either in person, or by proxy or representative); and - at least 75% of the total number of votes cast on the Demerger Scheme Resolution at the Demerger Scheme Meeting by Sirius Shareholders (either in person, or by proxy or representative).
S&P/ASX 200 Index	means the 200 largest index-eligible stocks listed on ASX by float-adjusted market capitalisation, from Standard & Poor's.
S2 Assets	means the assets set out in Annexure I of this Demerger Scheme Booklet.
S2 Board	means the board of directors of S2 Resources.
S2 Constitution	means the company constitution of S2 Resources.
S2 DIP	means the S2 Director incentive plan adopted by the S2 Board, the key terms of which are summarised in Section 4(u) of this Demerger Scheme Booklet.
S2 Directors	means each director of S2 Resources.
S2 ESOP	means the employee share ownership plan adopted by the S2 Board, the key terms of which are summarised in Section 4(v) of this Demerger Scheme Booklet.
S2 Group	means S2 Resources and each of its Related Bodies Corporate.
S2 Option	means an option to subscribe for an S2 Share.
S2 Register	means the share register of S2 Resources, maintained by S2 Resources' share registry.
S2 Resources	means S2 Resources Ltd ACN 606 128 090.
S2 Share	means each fully paid ordinary share in S2 Resources.
Sakumpu	means Sakumpu Exploration Oy, a company incorporated in Finland.
Scandinavian Assets	means those assets of Sirius Europa and Norse Exploration located in Sweden and Finland.
Scheme Implementation Deed	means the Scheme Implementation Deed between Sirius and IGO dated Monday, 25 May 2015, as varied on Wednesday, 29 July 2015.

14. Glossary and Interpretation (cont)

TERM	MEANING
Scheme Participant	means each person who is a Sirius Shareholder as at the Scheme Record Date.
Scheme Record Date	means 5.00pm on the day which is three Business Days after the Effective Date, currently expected to be Tuesday, 15 September 2015, to be the record date to determine entitlements to receive: - the Acquisition Scheme Consideration under the Acquisition Scheme; and - the Demerger Scheme Consideration under the Demerger Scheme.
Scheme Share	means a Sirius Share held by a Scheme Participant.
Second Court Date	means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Acquisition Scheme and the Demerger Scheme is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Second Court Hearing	means the hearing of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Acquisition Scheme and the Demerger Scheme.
Share Registry	means Computershare Investor Services Pty Limited (ABN 76 007 153 184).
Sirius	means Sirius Resources NL ACN 009 150 083.
Sirius Board	means the board of directors of Sirius.
Sirius Director	means a director on the Sirius Board.
Sirius Europa	means Sirius Europa Pty Ltd (ABN 31 603 292 333).
Sirius Group	means Sirius and each of its Related Bodies Corporate.
Sirius Option	means an option to subscribe for a Sirius Share, granted to various directors of Sirius, service providers and pursuant to Sirius' employee incentive option plan.
Sirius Ordinary Share	means a fully paid ordinary share in Sirius.
Sirius Ordinary Share Consideration	means 0.66 New IGO Shares and A\$0.52 cash per Sirius Ordinary Share held by a Sirius Ordinary Shareholder on the Scheme Record Date, subject to the terms of the Acquisition Scheme.
Sirius Ordinary Shareholder	means each person entered in the Sirius Register as a holder of Sirius Ordinary Shares.

14. Glossary and Interpretation (cont)

TERM	MEANING
Sirius Overseas Shareholder	means a Scheme Participant: • who is (or who is acting on behalf of) a citizen or resident of a jurisdiction other than Australia or New Zealand or their respective external territories; or • who is recorded in the Sirius Register at the Scheme Record Date as having an address outside Australia or New Zealand or their respective external territories.
Sirius Partly Paid Share	means a partly paid Sirius Share, paid up to A\$57.00, and capable of being subject to a further call of A\$3.00.
Sirius Partly Paid Share Consideration	means 57/60ths of the Sirius Ordinary Share Consideration per Sirius Partly Paid Share held by a Sirius Partly Paid Shareholder on the Scheme Record Date, subject to the terms of the Acquisition Scheme, or such other proportion of the Sirius Ordinary Share Consideration as agreed between the parties to reflect the value of the Sirius Partly Paid Shares.
Sirius Partly Paid Shareholder	means each person entered in the Sirius Register as a holder of Sirius Partly Paid Shares.
Sirius Performance Share	means a performance share granted under the Fraser Range Restructuring Agreement (being the agreement between the certain members of the Creasy Group, Sirius Gold Pty Ltd and Sirius, dated 20 October 2010) which may be converted into a Sirius Share on the occurrence of certain events described in Sirius' notice of general meeting and explanatory statement dated 11 November 2010 (of which there are 2,200,000).
Sirius Register	means the share register of Sirius, maintained by the Share Registry.
Sirius Security	means a Sirius Share, Sirius Option, Sirius Share Appreciation Right or a Sirius Performance Share.
Sirius Share	means a Sirius Partly Paid Share or a Sirius Ordinary Share, or both (as the context requires).
Sirius Share Appreciation Right	means a share appreciation right in relation to Sirius Shares, granted under Sirius' long term incentive plan as approved at Sirius' 2013 annual general meeting.
Sirius Shareholder	means each person who is registered in the Sirius Register as a holder of Sirius Shares.
Sirius Shareholder Information Line	means the information line set up for the purpose of responding to enquiries from Sirius Shareholders in relation to the Acquisition Scheme and the Demerger Scheme, being 1800 992 793 (within Australia) or +61 1800 992 793 (from outside Australia) on week days between 6.30am and 5.30pm (Perth time).
SRN	means security reference number allocated by an issuer to identify a holder on an issuer sponsored or certificated subregister.

14. Glossary and Interpretation (cont)

TERM	MEANING
Subscription Agreement	means the agreement between Norse Exploration and Sirius Europa under which Sirius Europa agrees subscribe for 1 million fully paid ordinary shares in Norse Exploration for A\$2 in total and, subject to certain conditions being met, may elect to subscribe for an additional 2 million fully paid ordinary shares in Norse Exploration at \$1.00 per share, for a total of A\$2 million.
Superior Proposal	means a bona fide Competing Proposal which the Sirius Board, acting in good faith and after taking advice from Sirius' financial and legal advisers, determines: • is capable of being implemented within a reasonable timeframe and in accordance with its terms; and • would, if so implemented, result in a more favourable outcome for Sirius Shareholders than would result from implementation of the Transaction.
Taipan Nickel Prospect	means the area with nickel mineralisation defined by drilling at the Taipan nickel prospect on the Polar Bear Peninsula.
Taipan North Nickel Prospect	means the area with nickel mineralisation defined by drilling at the Taipan North nickel prospect on the Polar Bear Peninsula.
Transaction	means the Acquisition Scheme, the Demerger Scheme, the Capital Reduction and other associated transactions contemplated by the Transaction Documents.
Transaction Documents	means the Acquisition Scheme Transaction Documents and the Demerger Transaction Documents.
Transaction Meetings	means the Demerger Scheme Meeting, the Acquisition Scheme Meeting and the General Meeting, together, and Transaction Meeting means any one of them, as the context requires.
Transaction Resolutions	means the Acquisition Scheme Resolution, the Demerger Scheme Resolution and the Capital Reduction Resolution, together.
VALMIN Code	means the VALMIN Code 2005, which sets out the requirements for the technical assessment and valuation for mineral assets and securities for independent expert reports.
VWAP	means volume-weighted average price.
Yogi South	means a prospect defined by a series of closely spaced drill holes containing gold mineralisation on the shore of Lake Cowan on the eastern side of the Polar Bear Peninsula.

14. Glossary and Interpretation (cont)

14.2 Interpretation

In this Demerger Scheme Booklet, unless the context requires otherwise:

- (a) headings are inserted for convenience and do not affect the interpretation of this Demerger Scheme Booklet;
- (b) words and phrases in this Demerger Scheme Booklet have the same meaning given to them (if any) in the Corporations Act;
- (c) the singular includes the plural and vice versa;
- (d) a gender includes all genders;
- (e) a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa;
- (f) if a word is defined, another part of speech has a corresponding meaning;
- (g) a reference to a Section or Annexure is a reference to a Section or Annexure of this Demerger Scheme Booklet;
- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) a reference to time is a reference to time in Perth, Western Australia; and
- (j) a reference to dollars, \$, A\$ or AUD is a reference to the lawful currency of Australia.



ANNEXURES

ANNEXURE A

A. Summary of Terms of Demerger Implementation Deed

This Annexure sets out a summary of the key terms of the Demerger Implementation Deed entered into between Sirius and S2 Resources on Tuesday, 28 July 2015.

Unless otherwise defined in this Annexure, capitalised terms used in this Annexure have the meaning given to those terms in the Glossary in Section 14.1 of the Demerger Scheme Booklet

OBLIGATIONS OF SIRIUS

Under the Demerger Implementation Deed, Sirius agrees that it will take the necessary steps to implement the Demerger, including:

- doing all things necessary to effect the internal restructure set out in Annexure A of the Demerger Implementation Deed;
- executing (and, where relevant, procuring that each Sirius subsidiary executes) all documents within its power and control to ensure that each of the steps set out in Annexure A of the Demerger Implementation Deed takes place in the sequent set out;
- executing (and, where relevant, procuring that each Sirius subsidiary executes) and delivering to S2 Resources, before the date the Demerger Scheme Booklet is lodged with ASIC, each Demerger Transaction Document;
- procuring that the S2 Board is reconstructed and that the S2 Board adopts appropriate corporate governance controls;
- preparing the Demerger Scheme Booklet in accordance with the Corporations Act, ASX and ASIC requirements applicable to a scheme of arrangement under part 5.1 of the Corporations Act;
- providing all assistance and information reasonably requested by the Independent Expert in connection with the Independent Expert's Report and the Independent Geological Report;
- providing an advance draft of the Demerger Scheme Booklet to ASIC for its review and approval;
- applying to ASIC for the production of a statement that ASIC has no objection to the Demerger Scheme under section 411(17)(b) of the Corporations Act;
- procuring that the Sirius Board approves the Demerger Scheme Booklet at a board meeting;
- promptly preparing all necessary Court documents relating to the Demerger Scheme;
- applying to the Court for orders convening the Demerger Scheme Meeting;
- if the Court makes orders convening the Demerger Scheme Meeting, applying to ASIC to register the Demerger Scheme Booklet;
- if the Court makes orders convening the Demerger Scheme Meeting, convening the General Meeting to be held on the same day as the Demerger Scheme Meeting for the purposes of seeking the approval of Sirius Shareholders to the Capital Reduction Resolution;
- convening and holding the Demerger Scheme Meeting;
- updating the Demerger Scheme Booklet with any information that is material to the decision of Sirius Shareholders on whether to approve the Demerger Scheme as soon as reasonably practicable;
- applying to the Court for orders approving the Demerger Scheme;

A. Summary of Terms of Demerger Implementation Deed (cont)

- lodging office copies of the Court order approving the Demerger Scheme with ASIC by no later than 4:00 pm on the first Business Day after the Effective Date;
- closing the Sirius Share Register as at the Record Date to determine the identity and entitlement of Scheme Shareholders to receive S2 Shares;
- promptly doing all things necessary to give effect to the Demerger Scheme and to effect the transfer of Scheme Shares to Scheme Shareholders;
- paying the S2 Resources Initial Working Capital less any amounts to be deducted to a bank account held in the name of S2 Resources;
- on the Demerger Implementation Date, reducing the capital of each Scheme Share by the Capital Reduction Amount in accordance with the Capital Reduction Resolution;
- publishing on its website home page the date of the Demerger Scheme Meeting and the text of all announcements made to the ASX promptly after they become available;
- doing everything reasonably within its power to ensure the Demerger Implementation Deed and other Demerger Transaction Documents are effected in accordance with applicable laws and regulations; and
- doing all other things contemplated by or necessary to lawfully give effect to the Demerger Scheme and the order of the Court approving the Demerger Scheme.

OBLIGATIONS OF S2 RESOURCES

Under the Demerger Implementation Deed, S2 Resources agrees that it will take certain steps necessary to implement the Demerger including:

- executing (and, where relevant, procuring that each S2 Resources subsidiary executes) each Demerger Transaction Document;
- doing all things necessary to effect the internal restructure set out in Annexure A of the Demerger Implementation Deed;
- doing all things and executing all documents necessary to ensure that each of the transaction steps set out in Annexure A of the Demerger Implementation Deed take place in sequence;
- considering, preparing and documenting incentive arrangements and plans for future directors, senior management and employees of S2 Resources;
- entering into agreements of access, insurance and indemnity with the Sirius Board;
- using its best endeavours to assist Sirius to implement the Demerger Scheme on its terms and subject to the terms and conditions of the Demerger Implementation Deed, in accordance with the timetable set out in the Demerger Implementation Deed;
- using its best endeavours to apply to ASX for admission of S2 Resources to the official list of ASX and for official quotation of all S2 Shares on ASX;
- using its best endeavours to ensure that ASX grants approval to the application for S2 Resources' admission to the official list of ASX and trading in S2 Shares commences on ASX;
- making the clean exit payment to Sirius;
- paying any amount required to be paid under the Sirius tax funding agreement;

A. Summary of Terms of Demerger Implementation Deed (cont)

- making payment of an exit contribution amount to Sirius and entering into the indirect tax sharing agreement deed of release as required by the Demerger Transition Deed;
- making payment of any adjusted GST leaving funding amount to Sirius;
- using its best endeavours to assist Sirius to assign, novate or separate contracts between S2 Resources and Sirius, as required by the Demerger Implementation Deed;
- using its best endeavours to assist Sirius to procure the release of each Sirius Group company from any guarantee or encumbrance which it has given in relation to S2 Resources;
- using its best endeavours to assist Sirius to obtain any third party consents which contain a change in control or other consent requirement which is triggered by the Demerger;
- registering the Scheme Shareholders of S2 Shares to which the Scheme Participates are entitled under the Demerger Scheme on the S2 Share register;
- procuring the sale by the Nominee of the S2 Shares to which Ineligible Overseas Shareholders would otherwise be entitled under the Demerger Scheme; and
- issue holding statements to Scheme Shareholders for their S2 Shares.

ADDITIONAL DEFINED TERMS

The terms defined below are used in this Annexure and are in addition to the terms defined in the Glossary in Section 14.1 of the Demerger Scheme Booklet.

Completion means the completion of the Demerger on the Demerger Implementation Date.

Initial Working Capital means \$20 million in cash to be paid by Sirius to S2 Resources for working capital purposes prior to Completion of the Demerger Scheme, such amount to be retained by S2 Resources for the sole and exclusive benefit of S2 Resources, with no obligation to repay any part of that amount to Sirius or any other person other than any part paid other than in accordance with this document.

ANNEXURE **B**

B. Summary of Terms of Demerger Transition Deed

This Annexure sets out a summary of the key terms of the Demerger Transition Deed entered into between Sirius and S2 Resources on Tuesday, 28 July 2015.

Unless otherwise defined in this Annexure, capitalised terms used in this Annexure have the meaning given to those terms in the Glossary in Section 14.1 of the Demerger Scheme Booklet

FUNDAMENTAL DEMERGER PRINCIPLE

The fundamental Demerger principle of the separation of S2 Resources from Sirius is that, following the Demerger, as between S2 Resources on one hand and Sirius on the other:

- Sirius will have:
 - the entire economic and commercial benefit of the Sirius Businesses on and from the Economic Separation Date;
 - the entire economic and commercial risks and liabilities of the Sirius Businesses as if Sirius had owned and operated the Sirius Businesses at all relevant times;
 - none of the economic or commercial benefit of the S2 Businesses on and from the Economic Separation Date; and
 - none of the economic or commercial risks or liabilities of the S2 Businesses whenever arising.
- S2 Resources will have:
 - the entire economic and commercial benefit of the S2 Businesses on and from the Economic Separation Date;
 - the entire economic and commercial risks and liabilities of the S2 Businesses as if S2 Resources had owned and operated the S2 Businesses at all relevant times;
 - none of the economic or commercial benefit of the Sirius Businesses on and from the Economic Separation Date; and
 - none of the economic or commercial risks or liabilities of the Sirius Businesses whenever arising.
- The parties acknowledge that they have substantially completed and, prior to the convening of the Demerger Scheme Meeting, will complete a comprehensive review of the assets and liabilities of the Sirius Pre-Demerger Group and that, as at the date of the Demerger Transition Deed, they are not aware of any assets or liabilities which need to be transferred to S2 Resources as part of the Demerger, other than the Demerged Asset Liabilities.

NO CLAIMS AGAINST THE OTHER

Consistent with the fundamental Demerger Principle, Sirius and S2 Resources acknowledge that once the Demerger is complete, S2 Resources will not have any rights against Sirius and Sirius will not have any rights against S2 Resources, except in specified circumstances.

Neither S2 Resources nor Sirius will have any right to make a claim for liability or loss arising directly or indirectly in relation to the Demerger (including the restructure of Sirius described in the Demerger Implementation Deed) or the S2 Businesses (in the case of S2 Resources) or the Sirius Businesses (in the case of Sirius) unless expressly permitted by the Demerger Implementation Deed, the other Demerger Transaction Documents or any other agreement between S2 Resources and Sirius in existence or entered into after Completion.

B. Summary of Terms of Demerger Transition Deed (cont)

A six year time limit applies to all claims which may be made under the Demerger Transition Deed other than claims under certain indemnities which each party gives to the other under the Demerger Transition Deed.

LIABILITY FOR DOCUMENTS ISSUED

Any liability which arises from claims made by a third party against Sirius or S2 Resources (as applicable) in respect of the Demerger Scheme Booklet, information memorandum or listing application to be issued by S2 Resources in connection with its application to be admitted to the official list of ASX to comply with legal requirements will be borne wholly by S2 Resources.

POST-DEMERGER TRANSFERS

The Demerger Transition Deed sets out agreed mechanisms for certain future matters, including any future transfer or grant of access as required between S2 Resources and Sirius of any asset, contract, licence or intellectual property rights and any related liability which either of them owns or holds after Completion but which formed part of or was primarily used in the conduct of:

- the S2 Businesses (in the case of S2 Resources); or
- the Sirius Businesses (in the case of Sirius),

and which:

- was not transferred as part of the internal restructuring to S2 Resources or Sirius, as the case may be; or
- the owning or holding of which is inconsistent with the fundamental Demerger principle outlined above.

LITIGATION MANAGEMENT

S2 Resources and Sirius will assist each other in relation to the management of current and new litigation matters. S2 Resources indemnifies Sirius in respect of liability or loss suffered by Sirius in connection with a claim arising from such matters where that liability related to the S2 Businesses. Sirius indemnifies S2 Resources in respect of liability or loss suffered by S2 Resources in connection with a claim arising from such matters where that liability relates to the Sirius Businesses.

INSURANCE

From Completion, S2 Resources is to maintain insurance in respect of the S2 Businesses, covering such risks and for such amounts as is usual business practice in a similar business. However, Sirius will use its reasonable endeavours to ensure that S2 Resources has access to benefits attaching to Sirius insurance policies in respect of claims arising before Completion or matters or claims in respect of which premiums have been paid by Sirius as at the Completion date. In addition, Sirius will on a transitional basis and at S2 Resources' cost maintain certain insurance for the benefit of S2 Resources' directors, officers and employees.

PREMISES

S2 Resources must pay the reasonable removal costs incurred by S2 Resources in connection with the relocation of S2 Resources to alternative premises.

ACCESS TO RECORDS

Under the Demerger Transition Deed, both Sirius and S2 Resources will have the right to hold, have copies of, or have access to, all records that are connected with or relevant to its business.

FINANCIAL AND TAX ASSISTANCE

S2 Resources and Sirius will assist each other in relation to the preparation of financial statements for the financial period during which the Completion date occurs and any uncompleted financial statements for any earlier relevant financial periods.

S2 Resources and Sirius will also assist each other to prepare their respective tax returns in the event of any tax audit by a relevant authority.

TAX CONSOLIDATION

Prior to the Effective Date, the S2 Group companies will make the payments required to be made by them under the tax funding agreements relating to the Sirius tax consolidated group in respect of their exit from that tax consolidated group. Upon making those payments, the S2 Group companies will be released from those tax sharing and tax funding agreements, the Sirius Group will have no right to make any claim against any S2 Group company in respect of a tax liability, and the S2 Group will have no right to make any claim against any Sirius Group company in respect of a tax benefit, where that tax liability or tax benefit relates to a period during which any S2 Group company was a party to the Sirius tax funding agreement.

INDEMNITIES

S2 Resources and Sirius each give certain indemnities to the other to ensure that the intended economic effect of the Demerger is achieved.

CONFIDENTIALITY

S2 Resources and Sirius must not use the other's confidential information for any purposes other than purposes permitted by the Demerger Transition Deed or other agreements between them, must store the other's confidential information securely and must not allow any person access to the other's confidential information except to the extent that the disclosure is strictly necessary and is permitted under the Demerger Transition Deed.

ADDITIONAL DEFINED TERMS

The terms defined below are used in this Annexure and are in addition to the terms defined in the Glossary in Section 14.1 of the Demerger Scheme Booklet.

Completion means the completion of the Demerger on the Demerger Implementation Date.

Demerged Assets means:

- (a) all shares in Polar Metals and all its assets (including the Polar Bear Project, the Baloo prospect, the Norcott Project, its 80% interest in the Eundynie Joint Venture, and various tenements in the name of Polar Metals);
- (b) all shares in Sirius Europa and all its assets (including the 67% ownership of Norse Exploration and its assets and Norse Exploration's 100% ownership of Sakumpu and its assets and the cash held by Sirius Europa and Norse Exploration, being \$3 million as at the date of entry into the Scheme Implementation Deed); and
- (c) cash of A\$20 million to be paid by Sirius to S2 Resources for working capital purposes in accordance with the Demerger Implementation Deed.

Economic Separation Date means 5:00pm on the Effective Date.

Liability means any liability, cost, loss or damage, however caused and includes:

- (a) a liability due to negligence or any other tort;
- (b) a liability to an employee or a trade creditor;
- (c) a liability in relation to a loan, bank overdraft, trade bill facility, other financial accommodation, guarantee or indemnity;
- (d) a judgement debt, fine, criminal or civil penalty, liability for damages or compensation or to account for profits or to make restitution; and

- (e) a fee, charge or expense for legal (on a solicitor and own client basis), accounting or other professional services,

irrespective of whether the liability:

- (f) is actual, prospective, contingent or otherwise;
- (g) is at any time ascertained or unascertained;
- (h) is owing or incurred by or on account of one person alone or severally or jointly with any other person; or
- (i) comprises any combination of the above,

including third party Liability. For the purpose of determining the amount of the Liability, the amount that would otherwise be taken to arise will be reduced by any tax benefit referable to that Liability.

S2 Businesses means any or all of the businesses and assets which comprise the Demerged Assets and the Liabilities in relation to those businesses and assets.

S2 Group means S2 Resources and its subsidiaries immediately following Completion and, where the context requires, any one of them.

Sirius Businesses means all or any of the businesses, assets and liabilities of the Sirius Pre-Demerger Group, other than the S2 Businesses.

Sirius Pre-Demerger Group means Sirius and its subsidiaries immediately prior to Completion (which for the avoidance of doubt will include S2 Resources and its subsidiaries immediately prior to Completion).

ANNEXURE C

C. Demerger Deed Poll

ashurst

Deed Poll – Demerger Scheme

S2 Resources Ltd

ACN 606 128 090

Deed Poll relating to proposed Demerger
Scheme of Arrangement between Sirius and its
members

29 July 2015

C. Demerger Deed Poll (cont)

DEED POLL

THIS DEED POLL is made on 29 July 2015

DATE**BY**

S2 Resources Ltd ACN 606 128 090 whose registered office is at 253 Balcatta Road, Balcatta, WA 6021 (**SpinCo**).

FOR THE BENEFIT OF

Each holder of fully paid ordinary shares and each holder of partly paid shares in Sirius Resources NL ACN 009 150 083 as at the Record Date (**Scheme Shareholder**).

RECITALS

- (A) Sirius Resources NL ACN 009 150 083 (**Sirius**) whose registered office is at 253 Balcatta Road, Balcatta, WA 6021 and SpinCo have entered into a Demerger Implementation Deed dated 28 July 2015 (the **Demerger Implementation Deed**).
- (B) Under the Demerger Implementation Deed, Sirius has agreed to propose a scheme of arrangement under section 411 of the Corporations Act between Sirius and the Scheme Shareholders, pursuant to which (among other things), subject to the satisfaction or waiver of certain conditions precedent, SpinCo will be demerged from Sirius in the manner more fully described in that scheme of arrangement (**Demerger Scheme**).
- (C) In accordance with the Demerger Implementation Deed, SpinCo is executing this deed poll (**Deed Poll**) to covenant in favour of each Scheme Shareholder that it will observe and perform the obligations contemplated of it under the Demerger Scheme.

SPINCO DECLARES AS FOLLOWS1. **INTERPRETATION**1.1 **Definitions**

The following definitions apply in this document.

End Date means 30 November 2015 or such later date as agreed under the Scheme Implementation Deed.

Nominee means the nominee appointed by SpinCo to sell the SpinCo Shares to which Ineligible Overseas Shareholders would otherwise become entitled to under the Demerger Scheme.

Registered Address means the registered address of Scheme Shareholders, as shown on the Sirius Share Register.

SpinCo Share Register means the register of SpinCo shareholders maintained by or on behalf of SpinCo.

A term that is not defined in this document and is defined in the Demerger Implementation Deed has the same meaning in this document as given to the term in the

C. Demerger Deed Poll (cont)

Demerger Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.2 **Rules for interpreting this document**

The rules in clause 1.2 and 1.3 of the Demerger Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

2. **NATURE OF THIS DOCUMENT**

SpinCo acknowledges that:

- (a) this document is a deed poll and may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not parties to it; and
- (b) under the Demerger Scheme, each Scheme Shareholder irrevocably appoints Sirius and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against SpinCo.

3. **CONDITIONS PRECEDENT AND TERMINATION**

3.1 **Conditions precedent**

SpinCo's obligations under this document are subject to the Demerger Scheme becoming Effective.

3.2 **Termination**

The obligations of SpinCo under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms;
- (b) the Demerger Implementation Deed is terminated in accordance with its terms; or
- (c) the Demerger Scheme does not become Effective on or before the End Date,

unless Sirius and SpinCo otherwise agree in writing (and, if required, as approved by the Court) in accordance with the Demerger Implementation Deed.

3.3 **Consequences of termination**

If this document is terminated pursuant to clause 3.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) SpinCo is released from its obligations under this document; and
- (b) each Scheme Shareholder retains any rights, powers or remedies it has against SpinCo in respect of any breach of this document which occurred before this document was terminated.

4. **SCHEME CONSIDERATION**

4.1 **Performance of obligations generally**

Subject to clause 3.1, SpinCo:

C. Demerger Deed Poll (cont)

- (a) must comply with its obligations under the Demerger Implementation Deed and must do all things necessary or desirable on their part to implement the Demerger Scheme; and
- (b) covenants in favour of the Scheme Shareholders to perform all steps required of it under, and to otherwise comply with, the Scheme Implementation Deed and other Share Scheme Transaction Documents (insofar as they relate to the Demerger Scheme).

4.2 Provision of Demerger Scheme Consideration

Subject to clause 3.1, SpinCo covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all obligations contemplated of it under the Demerger Scheme, including all obligations contemplated of it relating to the issue of SpinCo Shares to Sirius and the provision of the Demerger Scheme Consideration in accordance with the Demerger Scheme.

4.3 Payment of Demerger Scheme Consideration

SpinCo will:

- (a) issue the Demerger Scheme Consideration to Sirius for distribution to each Scheme Shareholder in accordance with the Demerger Scheme; and
- (b) as soon as practicable after the Demerger Implementation Date:
 - (i) enter into the SpinCo Share Register each Scheme Shareholder in respect of the SpinCo Shares to which they are entitled under the Demerger Scheme, and the Nominee in respect of the SpinCo Shares transferred to the Nominee on behalf of the Ineligible Overseas Shareholders under the Demerger Scheme; and
 - (ii) send to each Scheme Shareholder (other than Ineligible Overseas Shareholders) holding statements for the SpinCo Shares to which they are entitled under the Demerger Scheme by prepaid post to their Registered Address as at the Record Date, unless that Scheme Shareholder has directed otherwise, and to the Nominee, holding statements for the SpinCo Shares transferred to the Nominee on behalf of Ineligible Overseas Shareholders.
- (c) In the case of joint holders of SpinCo Shares, any uncertificated holding statements, share certificates or equivalent documentation for SpinCo Shares to be transferred to Scheme Shareholders will be issued in the names of the joint holders and forwarded to the holder whose name appears first in the SpinCo Share Register at the Record Date.
- (d) This clause 4.3 does not apply to a Scheme Shareholder (other than an Ineligible Overseas Shareholder) who does not have a Registered Address or where Sirius and SpinCo believe that such Scheme Shareholder (other than Ineligible Overseas Shareholders) is not known at their Registered Address.

4.4 Official quotation of SpinCo Shares

SpinCo must apply for admission of SpinCo to the official list of ASX and apply for the granting by ASX of permission for official quotation of those SpinCo Shares to be transferred pursuant to the Demerger Scheme on a financial market operated by ASX, subject only to the approval of the Share Scheme, the approval of the Demerger Scheme, the approval of the Capital Reduction Resolution, the Share Scheme taking effect, the

C. Demerger Deed Poll (cont)

Demerger Scheme taking effect and such other conditions that are acceptable to the Sirius Board and the SpinCo Board.

5. REPRESENTATIONS AND WARRANTIES

SpinCo represents and warrants in favour of each Scheme Shareholder that:

- (a) **(status)** it is a validly existing corporation under the laws of its place of incorporation;
- (b) **(power)** it has full legal capacity and power to execute this document and to carry out the transactions that this document contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its execution of this document, or will take all necessary corporate action to authorise the performance of this document, and its carrying out of the transactions that this document contemplates;
- (d) **(documents effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (e) **(no adverse regulatory action)** no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document and, to the knowledge of SpinCo, no such regulatory action has been threatened or is proposed to be taken against SpinCo;
- (f) **(solvent)** it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and
- (g) **(new SpinCo Shares)** each new SpinCo Share will, upon issue:
 - (i) be fully paid up;
 - (ii) be free from any security interest (other than as provided for under the constitution of SpinCo); and
 - (iii) rank equally in all respects with all SpinCo Shares then on issue.

6. CONTINUING OBLIGATIONS

This document is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of SpinCo having fully performed its obligations under this document or termination of this document pursuant to clause 3.

7. FURTHER ASSURANCES

SpinCo will, on its own behalf and to the extent authorised by the Demerger Scheme, on behalf of each Scheme Shareholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this document and the transactions contemplated by it.

8. NOTICES

8.1 How to give a notice

A notice, consent or other communication under this document is only effective if it is:

C. Demerger Deed Poll (cont)

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address;
 - (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full; or
 - (iii) sent in electronic form (such as email).

8.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if it is delivered or sent by fax:
 - (i) by 5.00 pm (local time in the place of receipt) on a Business Day – on that day; or
 - (ii) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day – on the next Business Day; and
- (b) if it is sent by mail:
 - (i) within Australia – one Business Day after the date of posting;
 - (ii) to or from a place outside Australia – three Business Days after posting; and
- (c) if it is sent in electronic form:
 - (i) if it is transmitted by 5.00 pm (Perth, Western Australia time) on a Business Day – on that Business Day; or
 - (ii) if it is transmitted after 5.00 pm (Perth, Western Australia time) on a Business Day or on a day that is not a Business Day – on the next Business Day.

C. Demerger Deed Poll (cont)

8.3 Address for notices

SpinCo's mail address and fax number are those set out below, or as SpinCo otherwise notifies:

**S2
Resources
Ltd**

Address: 253 Balcatta Road, Balcatta, WA 6021

Fax number: +61 8 6241 4299

Attention: Mark Bennett / Anna Neuling

Email: Mark.Bennett@siriusresources.com.au
Anna.Neuling@siriusresources.com.au

9. GENERAL

9.1 Costs and Duty

- (a) Subject to paragraph (b), Sirius will pay all the costs of Sirius and SpinCo in respect of the Demerger Scheme (excluding, to avoid doubt, any costs associated with listing SpinCo on ASX).
- (b) Sirius and SpinCo will be liable for any Duty payable on this document, the other Demerger Transaction Documents or any instrument or transaction contemplated in or necessary to give effect to this document or the other Demerger Transaction Documents as follows:
 - (i) Sirius and SpinCo will share equally between them any liability for any Duty payable, up to an aggregate amount of \$1 million (ie up to a maximum of \$500,000 each); and
 - (ii) any Duty payable in excess of \$1 million will be borne solely by SpinCo.

9.2 Amendment

A provision of this document may not be amended or varied unless:

- (a) before the Second Court Date, the amendment or variation is agreed to in writing by Sirius (on behalf of each Scheme Shareholder but without the need for Sirius to refer the amendment or variation to any Scheme Shareholder) and, if required, is approved by the Court; or
- (b) on or after the Second Court Date, the amendment or variation is agreed to in writing by Sirius (on behalf of each Scheme Shareholder but without the need for Sirius to refer the amendment or variation to any Scheme Shareholder) and is approved by the Court,

and SpinCo executes a further deed poll in favour of each Scheme Shareholder giving effect to that amendment or variation.

C. Demerger Deed Poll (cont)

9.3 **Waiver**

- (a) SpinCo may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of SpinCo as a waiver of any right unless the waiver is in writing and signed by SpinCo.

9.4 **Assignment**

The rights and obligations of SpinCo and of each Scheme Shareholder under this document are personal and, except with the prior written consent of Sirius and SpinCo cannot be assigned, encumbered, charged or otherwise dealt with.

9.5 **Operation of this document**

- (a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

9.6 **Governing law**

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of Western Australia.
- (b) SpinCo submits to the non-exclusive jurisdiction of the courts of Western Australia, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document. SpinCo irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

EXECUTED as a deed poll.

EXECUTED by **S2 RESOURCES LTD:**



Signature of director

Mark Bennett

Name



Signature of director

Anna Neuling

Name

ANNEXURE D

D. Demerger Scheme

ashurst

Scheme of Arrangement – Demerger Scheme

Sirius Resources NL

ACN 009 150 083

Scheme Shareholders

D. Demerger Scheme (cont)

SCHEME OF ARRANGEMENT

Under section 411 of the Corporations Act

BETWEEN:

- (1) **Sirius Resources NL** ACN 009 150 083 whose registered office is at 253 Balcatta Road, Balcatta, WA (**Sirius**); and
- (2) The holders of fully paid ordinary shares and partly paid shares in Sirius.

BACKGROUND

- (A) Sirius is a public company incorporated in Australia. It is registered in Western Australia and is a public company limited by shares. It has its registered office at 253 Balcatta Road, Balcatta, WA 6021. Sirius is admitted to the official list of ASX and Sirius Shares are quoted on the stock market conducted by ASX. As at the date of this document, 412,201,575 Sirius Shares were on issue.
- (B) SpinCo is a public company incorporated in Australia. It is registered in Western Australia and is a public company limited by shares under the name S2 Resources Limited ACN 606 129 090. It has its registered office at 253 Balcatta Road, Balcatta, WA 6021. As at the date of this document, 1 SpinCo Share was on issue. It is, and until the Demerger Implementation Date, will remain, a wholly owned subsidiary of Sirius.
- (C) Sirius and SpinCo entered into the Demerger Implementation Deed on or about 28 July 2015 to facilitate the implementation of the Demerger Scheme and the Capital Reduction. The directors of Sirius have proposed the Demerger Scheme to Sirius Shareholders and consider that the Demerger Scheme is in the best interests of Sirius and its members as a whole.
- (D) The Capital Reduction Resolution is to be voted on by the Sirius Shareholders at the General Meeting. The Share Scheme and the Demerger Scheme are both conditional on the Capital Reduction Resolution being passed by the requisite majority.
- (E) Under the Demerger Implementation Deed, Sirius and SpinCo have agreed that each of them will perform their respective obligations under the Demerger Scheme and do everything within their power that is necessary to give full effect to the Demerger Scheme.
- (F) SpinCo has executed the Deed Poll under which it covenants in favour of Scheme Shareholders to cause the name of each Scheme Shareholder (other than Ineligible Overseas Shareholders) to be entered on the SpinCo Share Register as the holder of the SpinCo Shares to which the Scheme Shareholder is entitled under this Demerger Scheme, subject to the Demerger Scheme coming into effect on the Effective Date.
- (G) If the Demerger Scheme becomes Effective:
 - (1) Sirius will reduce its share capital by the total amount of the Capital Reduction;
 - (2) Sirius will provide the Demerger Scheme Consideration to the Scheme Shareholders in accordance with the provisions of the Demerger Scheme; and
 - (3) SpinCo will cease to be a wholly owned subsidiary of Sirius from the Demerger Implementation Date.

D. Demerger Scheme (cont)

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

Demerger Implementation Deed means the Demerger Implementation Deed between Sirius and SpinCo dated 28 July 2015 relating to the implementation of the Demerger Scheme.

End Date means 30 November 2015 or such later date as agreed under the Scheme Implementation Deed.

Nominee means the nominee appointed by Sirius to sell the SpinCo Shares to which Ineligible Overseas Shareholders would otherwise become entitled to under the Demerger Scheme.

Registered Address means, in relation to a Sirius Shareholder, the address of the shareholder shown in the Register.

SpinCo Share Register means the register of SpinCo shareholders maintained by or on behalf of SpinCo.

Demerger Scheme Transfer, in relation to SpinCo Shares, means a proper instrument of transfer of the SpinCo Shares.

Sirius Share Registry means Computershare Investor Services Pty Ltd (ABN 48 078 279 277).

A term that is not defined in this document and is defined in the Demerger Implementation Deed has the same meaning in this document as given to the term in the Demerger Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

(a) A reference to:

- (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
- (ii) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
- (iii) anything (including a right, obligation or concept) includes each part of it.

(b) A singular word includes the plural, and vice versa.

(c) A word which suggests one gender includes the other genders.

(d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

D. Demerger Scheme (cont)

- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The words **officer** and **security interest** have the same meaning as in section 9 of the Corporations Act.
- (g) The expression **related body corporate** has the same meaning given in section 50 of the Corporations Act.
- (h) All references to time in this document are references to Perth, Western Australia.
- (i) A reference to **\$** or **dollar** is to Australian currency.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day:

- (a) if the act involves a payment that is due on demand, the person must do it on or by the next Business Day; and
- (b) in any other case, the person must do it on or by the previous Business Day.

2. CONDITIONS PRECEDENT

2.1 Conditions precedent to the Demerger Scheme

The Demerger Scheme is conditional on the following:

- (a) Sirius Shareholders pass the following resolutions put to them at the Transaction Meetings by the requisite majority vote:
 - (i) the resolution to approve the Demerger Scheme;
 - (ii) the resolution to approve the Share Scheme; and
 - (iii) the Capital Reduction Resolution;
- (b) the Court having made an order under section 411(4)(b) of the Corporations Act approving the Share Scheme, without modification or with modifications which are acceptable to both Sirius and IGO (each acting reasonably);
- (c) the Court having made an order under section 411(4)(b) of the Corporations Act approving the Demerger Scheme, without modification or with modifications which are acceptable to both Sirius and SpinCo (each acting reasonably);
- (d) the lodgement with ASIC of an office copy of the Court order approving the Share Scheme under section 411(4)(b) of the Corporations Act; and
- (e) the lodgement with ASIC of an office copy of the Court order approving the Demerger Scheme under section 411(4)(b) of the Corporations Act; and
- (f) the fulfilment of such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Demerger Scheme as are acceptable to Sirius and SpinCo (each acting reasonably).

D. Demerger Scheme (cont)

2.2 **Effective Date**

The Demerger Scheme takes effect on the Effective Date. Sirius must lodge with ASIC an office copy of the order of the Court approving the Demerger Scheme under section 411(4)(b) of the Corporations Act and by no later than 10.00 am on the first Business Day after the date on which the Court makes that order.

2.3 **End Date**

The Demerger Scheme will lapse and be of no effect if:

- (b) the Effective Date has not occurred on or before the End Date; or
- (c) the Demerger Implementation Deed is terminated in accordance with its terms.

3. **THE DEMERGER SCHEME**

3.1 **Sirius to lodge Court orders with ASIC**

Following approval of the Demerger Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, Sirius will, as soon as reasonably practicable, lodge with ASIC an office copy of that order in accordance with section 411(11) of the Corporations Act.

3.2 **Effective Date**

The Demerger Scheme takes effect on the Effective Date.

4. **IMPLEMENTATION**

4.1 **Issue of SpinCo Shares to Sirius**

- (a) Prior to the Effective Date, Sirius and SpinCo will undertake the Internal Restructuring Steps as set out in Schedule 3 to the Demerger Implementation Deed, which will include the issue of SpinCo Shares to Sirius for the purposes of satisfying all intercompany debt owing by SpinCo to Sirius.
- (b) Prior to the Effective Date, SpinCo will issue the balance of the number of SpinCo Shares that have not already been issued pursuant to the Internal Restructuring Steps as required for the purposes of ensuring that Sirius has enough SpinCo Shares to distribute the Demerger Scheme Consideration to the Scheme Shareholders in full.
- (c) All SpinCo Shares must:
 - (a) be validly issued;
 - (b) be fully paid; and
 - (c) rank equally in all respects with all other SpinCo Shares then issued and outstanding.

4.2 **Capital Reduction and distribution**

- (a) On the Demerger Implementation Date, Sirius must reduce its capital by the total amount of the Capital Reduction and will reduce the capital of each Scheme Share by the Capital Reduction Amount in accordance with the Capital Reduction Resolution and the Demerger Scheme.

D. Demerger Scheme (cont)

- (b) Each Scheme Shareholder (other than Ineligible Overseas Shareholders, if applicable) irrevocably directs Sirius to apply and Sirius must apply the Capital Reduction Entitlement of that Scheme Shareholder as consideration in full for the transfer by Sirius to that Scheme Shareholder of the Demerger Scheme Consideration. This clause does not apply to a Scheme Shareholder who does not have a Registered Address or where Sirius and SpinCo believe that such Scheme Shareholder (other than Ineligible Overseas Shareholders) is not known at their Registered Address.
- (c) If applicable, each Ineligible Overseas Shareholder irrevocably directs Sirius to apply and Sirius must apply the Capital Reduction Entitlement of that Ineligible Overseas Shareholder as consideration in full for the transfer of the Demerger Scheme Consideration to the Nominee.

4.3 Transfer of SpinCo Shares

The obligations of Sirius under clause 4.2 will be discharged in full by Sirius duly executing the Demerger Scheme Transfers for all the SpinCo Shares to the Scheme Shareholders or (in respect of the Ineligible Overseas Shareholders, if applicable) the Nominee, as the case may be, based on the Demerger Scheme Consideration, and deliver the Demerger Scheme Transfers to SpinCo for registration on the Demerger Implementation Date.

4.4 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the SpinCo Shares to be transferred under the Demerger Scheme must be transferred to and registered in the names of the joint holders; and
- (b) any other document required to be sent under the Demerger Scheme will be forwarded to either, at the sole discretion of Sirius, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

4.5 Unclaimed monies

- (a) Sirius may cancel a cheque issued under the Demerger Scheme if the cheque:
 - (i) is returned to Sirius; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) The applicable legislation relating to unclaimed monies will apply in relation to any Demerger Scheme Consideration which becomes unclaimed money within the meaning of such legislation.

D. Demerger Scheme (cont)

4.6 Sirius to remit proceeds of sale of SpinCo Shares to Ineligible Overseas Shareholders

- (a) If Sirius is not satisfied that it may lawfully transfer SpinCo Shares to an Ineligible Overseas Shareholder either unconditionally or after compliance with terms which Sirius reasonably regards as not unduly onerous or impractical, Sirius has no obligation to transfer SpinCo Shares to the Ineligible Overseas Shareholder and, instead, Sirius will transfer those SpinCo Shares to the Nominee to sell on behalf of the Ineligible Overseas Shareholder.
- (b) Where the Nominee is transferred SpinCo Shares under this clause, Sirius will:
 - (i) cause the Nominee, as soon as reasonably practicable (but, in any case within one month after Listing), to offer all the SpinCo Shares comprising such for sale on ASX in such manner, at such price or prices and on such other terms as the Nominee determines in good faith (and at the risk of the Ineligible Overseas Shareholders);
 - (ii) as soon as reasonably practicable but in any case within ten Business Days after settlement of all the sales of the SpinCo Shares transferred to the Nominee having occurred, cause the Nominee to remit to Sirius the proceeds of the sales, the same proportion of the net proceeds of sale of all such shares (after deduction of any applicable fees, brokerage, taxes, charges and costs of sale) as the SpinCo Shares transferred to the Nominee in respect of that Ineligible Overseas Shareholder bears to the total number of SpinCo Shares transferred to and sold by the Nominee under this clause 4.6; and
 - (iii) pay or procure the payment of the proceeds of sale in clause 4.6(b)(ii) to each Ineligible Overseas Shareholder by dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Overseas Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Ineligible Overseas Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.4).
- (c) If Sirius receives professional advice that any withholding or other tax is required by law to be withheld from a payment to an Ineligible Overseas Shareholder, Sirius is entitled to withhold the relevant amount before making the payment to the Ineligible Overseas Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of the Demerger Scheme. Sirius must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Overseas Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Overseas Shareholder.
- (d) Each Ineligible Overseas Shareholder appoints Sirius, and each director and officer of Sirius, as its agent to receive on its behalf any financial services guide or other notice that may be given under the Corporations Act by the Nominee to each Ineligible Overseas Shareholder for or in connection with its appointment or the sales.
- (e) None of Sirius or the Nominee gives any assurance as to the price that will be achieved for the sale of SpinCo Shares described in this clause 4.6.

D. Demerger Scheme (cont)

- (f) Payment of the amount calculated in accordance with clause 4.6(b) to an Ineligible Overseas Shareholder in accordance with this clause 4.6 satisfies in full the Ineligible Overseas Shareholder's right to the Demerger Scheme Consideration.

4.7 Agreement to become member of SpinCo

Each Scheme Shareholder agrees for all purposes:

- (a) to become a member of SpinCo (without the need for any further act on its part) and to be bound by the constitution of SpinCo; and
- (b) agrees and acknowledges that the provision of the Demerger Scheme Consideration constitutes the satisfaction of all their entitlements in and to the Capital Reduction Entitlement (without the need for any further act on its part).

5. DEALINGS IN SIRIUS SHARES

5.1 Dealings in Sirius Shares by Scheme Shareholders

To establish the persons who are Scheme Shareholders, dealings in Sirius Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the Sirius Shares as at the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Sirius Share Registry at or before the Record Date,

and Sirius will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Sirius Shares received after the Record Date, any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

5.2 Sirius to register transfer and transmission applications

Sirius will register registrable transfers and transmission applications of the kind referred to in clause 5.1(b) by, or as soon as practicable after, the Record Date, provided that, for the avoidance of doubt, nothing in this clause 5.2 requires Sirius to register a transfer that would result in a Sirius Shareholder holding a parcel of Sirius Shares that is less than a "marketable parcel" (and for these purposes "marketable parcel" has the meaning given in the ASX Operating Rules).

5.3 Sirius to maintain Register to determine entitlements

In order to determine entitlements to the Demerger Scheme Consideration, Sirius will maintain, or procure the maintenance of, the Register in accordance with this clause 5 until the Demerger Scheme Consideration has been paid to Scheme Shareholders and the Register in this form will solely determine entitlements to the Demerger Scheme Consideration.

5.4 Sirius to provide contact information for Scheme Shareholders

As soon as practicable after Record Date and in any event at least three Business Days before the Demerger Implementation Date, Sirius will give to SpinCo or procure that SpinCo be given details of the name, Registered Address and the number of Sirius Shares held by each Scheme Shareholder, as shown in the Register at the Record Date, in whatever form SpinCo reasonably requires.

D. Demerger Scheme (cont)

5.5 Suspension of trading

It is expected that the suspension of trading in Sirius Shares on the stock market conducted by ASX will occur from the close of trading on the Effective Date.

6. GENERAL PROVISIONS

6.1 Sirius giving effect to the Demerger Scheme

Sirius must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that is necessary, expedient or incidental to give full effect to the Demerger Scheme and the transactions contemplated by it. Without limiting Sirius' power under the Demerger Scheme, Sirius has power to do all things that it considers necessary or desirable to give effect to the Demerger Scheme and the Demerger Implementation Deed and each Scheme Shareholder consents to Sirius doing all such things, whether on behalf of the Scheme Shareholders, Sirius or otherwise.

6.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (a) agrees and acknowledges that the provision to it of its Demerger Scheme Consideration in accordance with the terms of the Demerger Scheme constitutes the satisfaction of all its entitlements under the Demerger Scheme;
- (b) agrees to become a member of SpinCo and to have its name entered in the SpinCo Share Register and accepts the SpinCo Shares transferred to it under the Demerger Scheme on the terms and conditions of the constitution of SpinCo;
- (a) acknowledges that the Demerger Scheme binds Sirius and all Scheme Shareholders (including those who do not attend the Demerger Scheme Meeting and those who not vote, or vote against the Demerger Scheme, at the Demerger Scheme Meeting); and
- (c) consents to Sirius doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Demerger Implementation and to give full effect to the Demerger Scheme and the transactions contemplated by it and Sirius, as agent of each Scheme Shareholder, may sub-delegate its functions under this document to any of its directors and officers, jointly and severally,

without the need for any further act by the Scheme Shareholder.

6.3 Appointment of Sirius as attorney of Scheme Shareholders

Each Scheme Shareholder without the need for any further act, irrevocably appoints Sirius and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Shareholder's attorney and agent,

- (a) to execute any document or do any other act necessary, expedient or incidental to give full effect to the Demerger Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or execution and delivery of any Demerger Scheme Transfer) under clause 3; and
- (b) to enforce the Demerger Deed Poll against SpinCo,

D. Demerger Scheme (cont)

and Sirius accepts each such appointment. Sirius may as agent and attorney of each Scheme Shareholder sub-delegate any of its functions, authorities or powers under this clause to all or any of its directors and officers (jointly, severally, or jointly and severally).

6.4 Binding effect of Demerger Scheme

The Demerger Scheme binds Sirius and all Sirius Shareholders from time to time, including those who do not attend the Demerger Scheme Meeting, do not vote at that meeting or vote against the Demerger Scheme and, to the extent of any inconsistency, overrides the constitution of Sirius.

6.5 Alteration or condition to Demerger Scheme

If the Court proposes to approve the Demerger Scheme subject to any alteration or condition Sirius may, by its counsel or solicitors, but subject to the prior approval of SpinCo (which may not be unreasonably withheld or delayed), consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions, and each Scheme Shareholder agrees to any such alternations or conditions which counsel for Sirius consents to.

6.6 Demerger Deed Poll

Sirius undertakes in favour of each Scheme Shareholder to enforce the Demerger Deed Poll against SpinCo for and on behalf of each Scheme Shareholder.

6.7 Official quotation of SpinCo Shares

Sirius will procure that on or before the Effective Date, SpinCo applies to ASX for admission of SpinCo to the official list of ASX and for SpinCo Shares to be quoted on ASX.

6.8 Notices

- (a) A notice, consent or other communication under this document is only effective if it is:
 - (i) in writing, signed by or on behalf of the person giving it;
 - (ii) addressed to the person to whom it is to be given; and
 - (iii) either:
 - (A) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address;
 - (B) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full; or
 - (C) sent in electronic form (such as email).
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
 - (i) if it is delivered or sent by fax:
 - (A) by 5.00 pm (local time in the place of receipt) on a Business Day – on that day; or

D. Demerger Scheme (cont)

- (B) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day – on the next Business Day; and
- (ii) if it is sent by mail:
 - (A) within Australia – one Business Day after the date of posting;
 - (B) to or from a place outside Australia – three Business Days after posting; and
- (iii) if it is sent in electronic form:
 - (A) if it is transmitted by 5.00 pm (Perth, Western Australia time) on a Business Day – on that Business Day; or
 - (B) if it is transmitted after 5.00 pm (Perth, Western Australia time) on a Business Day or on a day that is not a Business Day – on the next Business Day.
- (c) Sirius' address and fax number are those set out below, or as Sirius notifies the sender:

Sirius

Address: 253 Balcatta Road, Balcatta, WA 6021

Fax number: +61 8 6241 4299

Attention: Mark Bennett / Anna Neuling

Email: Mark.Bennett@siriusresources.com.au
Anna.Neuling@siriusresources.com.au

6.9 **Costs and Duty**

- (a) Subject to paragraph (b), Sirius will pay all the costs of Sirius or SpinCo in respect of the Demerger Scheme (excluding, to avoid doubt, any costs associated with listing SpinCo on ASX).
- (b) Sirius and SpinCo will be liable for any Duty payable on this document, the other Demerger Transaction Documents or any instrument or transaction contemplated in, or necessary to give effect to, this document or the other Demerger Transaction Documents as follows:
 - (i) Sirius and SpinCo will share equally between them any liability for any Duty payable, up to an aggregate amount of \$1 million (ie up to a maximum of \$500,000 each); and
 - (i) any Duty payable in excess of \$1 million will be borne solely by SpinCo.

D. Demerger Scheme (cont)

6.10 **Governing law**

This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of Western Australia.

6.11 **No liability when acting in good faith**

Each Scheme Shareholder agrees that neither Sirius nor SpinCo, nor any director, officer, secretary or employee of either of them, shall be liable for anything done or omitted to be done in the performance of the Demerger Scheme or the Demerger Deed Poll in good faith.

ANNEXURE E

E. Notice of Demerger Scheme Meeting

Notice is hereby given that by an order of the Court made on Thursday, 30 July 2015 pursuant to Section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares in Sirius Resources NL ACN 009 150 083 (**Sirius**) will be held at 9.00am on Thursday, 3 September 2015 at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia.

PURPOSE OF THE DEMERGER SCHEME MEETING

The purpose of this Demerger Scheme Meeting is to consider, and, if thought fit, to agree to a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which Sirius and S2 Resources agree) proposed to be made between Sirius and Sirius Shareholders and to consider and, if thought fit, to pass the Demerger Scheme Resolution.

The Demerger Scheme Booklet accompanying this Notice of Demerger Scheme Meeting constitutes an explanatory statement for the purposes of section 412(1) of the Corporations Act.

BUSINESS OF THE MEETING – DEMERGER SCHEME RESOLUTION

To consider and, if thought fit, to pass the following resolution in accordance with Section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with Section 411 of the Corporations Act, the Demerger Scheme, the terms of which are contained in and more particularly described in the Demerger Scheme Booklet (of which this Notice of Demerger Scheme Meeting forms part) is approved (with or without modification as approved by the Court).”

CHAIRMAN

The Court has directed that Jeff Dowling is to act as Chairman of the Demerger Scheme Meeting (and that, if Jeff Dowling is unable or unwilling to attend, David Craig is to act as Chairman of the Demerger Scheme Meeting) and has directed the Chairman to report the result of the Demerger Scheme Resolution to the Court.

Dated Friday, 31 July 2015

BY ORDER OF THE SIRIUS BOARD



Anna Neuling
Company Secretary

E. Notice of Demerger Scheme Meeting (cont)

This Notice of Demerger Scheme Meeting relates to the Demerger Scheme and should be read in conjunction with the accompanying Demerger Scheme Booklet. The Demerger Scheme Booklet contains important information to assist you in determining how to vote on the Demerger Scheme Resolution, including the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth).

A copy of the Demerger Scheme is set out in Annexure D of the Demerger Scheme Booklet.

Terms used in this Notice of Demerger Scheme Meeting have the same meaning as set out in the Glossary in Section 14.1 of the Demerger Scheme Booklet.

REQUIRED VOTING MAJORITY

In accordance with Section 411(4)(a)(ii) of the Corporations Act, the Demerger Scheme Resolution must be approved by:

- a majority in number (ie more than 50%) of Sirius Shareholders present and voting on the Demerger Scheme Resolution at the Demerger Scheme Meeting (either in person, or by proxy or representative); and
- at least 75% of the total number of votes cast on the Demerger Scheme Resolution at the Demerger Scheme Meeting by Sirius Shareholders (either in person, or by proxy or representative),

(the **Requisite Majorities**).

ENTITLEMENT TO VOTE

The Court has ordered that, for the purposes of the Demerger Scheme Meeting, each Sirius Shareholder who is registered on the Sirius Register at 5.00pm on Tuesday, 1 September 2015 is entitled to attend and vote at the Demerger Scheme Meeting, and will have the following voting rights:

- one vote for each Sirius Ordinary Share; and
- 57/60ths of a vote for each Sirius Partly Paid Share (being, a fraction of a vote which represents the proportion paid up on each Sirius Partly Paid Share over the issue price of each Sirius Partly Paid Share).

In the case of jointly held Sirius Shares, only one of the joint shareholders is entitled to vote. If more than one Sirius Shareholder votes in respect of jointly held Sirius Shares, only the vote of the Sirius Shareholder whose name appears first in the Sirius Register will be counted.

VOTING AT THE DEMERGER SCHEME MEETING

You may vote on the Demerger Scheme Resolution by:

- attending the Demerger Scheme Meeting in person; or
- proxy, attorney or, in the case of a corporation which is a Sirius Shareholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods is set out below.

Voting in person

To vote in person, you must attend the Demerger Scheme Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

E. Notice of Demerger Scheme Meeting (cont)

Voting by proxy

To vote by proxy, you must complete and return the personalised Pink Proxy Form accompanying this Demerger Scheme Booklet in accordance with the instructions on the form so that it is received by the Share Registry by no later than 9.00am on Tuesday, 1 September 2015.

You may appoint an individual or body corporate as your proxy.

Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the name of the Sirius Shareholder, the attorney, the meetings at which the appointment may be used and that the power of attorney applies in relation to Sirius. The appointment may be a standing one and the attorney need not be a Sirius Shareholder.

Voting by corporate representative

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of section 250D of the Corporations Act. The representative should bring this appointment to the meeting. The appointment may set out restrictions on the representative's powers.

An "Appointment of Corporate Representative" may be obtained for this purpose from the Share Registry's website at <https://www-au.computershare.com>.

LODGEMENT OF PROXY FORMS AND POWERS OF ATTORNEY

To be effective, completed Pink Proxy Forms, powers of attorney and authorities must be received by the Share Registry in accordance with the method set out below at least 48 hours before the time for holding the Demerger Scheme Meeting (that is, by no later than 9.00am on Tuesday, 1 September 2015) or, if the Demerger Scheme Meeting is adjourned, at least 48 hours before the resumption of the Demerger Scheme Meeting:

- **Postal address:**

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne, Victoria 3001
Australia

- **Facsimile number:**

(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

E. Notice of Demerger Scheme Meeting (cont)

COURT APPROVAL

If the Demerger Scheme Resolution is approved at the Demerger Scheme Meeting by the Requisite Majorities, the implementation of the Demerger Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.

JOINTLY HELD SECURITIES

If Sirius Shares are jointly held and more than one member votes in respect of those jointly held Sirius Shares, only the vote of the Sirius Shareholder whose name appears first in the Sirius Register will be counted.

ATTENDANCE

If you or your proxies, attorneys or representative(s) plan to attend the Demerger Scheme Meeting, please arrive at the venue at least 15 minutes before the scheduled time for commencement of the Demerger Scheme Meeting, which is scheduled to be the first meeting of the three Transaction Meetings to be held, so that your shareholding can be checked against the Sirius Register, any power of attorney or certificate of appointment of a body corporate representative verified, and your attendance noted.

ADVERTISEMENT

Where this Notice of Demerger Scheme Meeting is advertised unaccompanied by the Demerger Scheme Booklet, a copy of the Demerger Scheme Booklet can be obtained by anyone entitled to attend the Demerger Scheme Meeting from Sirius' website (www.siriusresources.com.au) or by contacting the Share Registry.

ANNEXURE F

F. Notice of General Meeting

Notice is hereby given that a general meeting of the holders of ordinary shares in Sirius Resources NL ACN 009 150 083 (**Sirius**) will be held at 11.00am (or as soon as thereafter following the conclusion or adjournment of the Demerger Scheme Meeting) on Thursday, 3 September 2015 at the Duxton Hotel Perth, 1 St Georges Terrace, Perth, Western Australia.

BUSINESS OF THE MEETING – CAPITAL REDUCTION RESOLUTION

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional on the Demerger Scheme becoming Effective and for the purposes of section 256C(1) of the Corporations Act, approval be given for:

- (a) the share capital of Sirius be reduced on the Demerger Implementation Date by an amount equal to the book value of 100% of the shares on issue in S2 Resources, being A\$31.6 million, such amount, subject to paragraph (b), to be distributed by Sirius to the holders of all the Sirius Shares on the Record Date, on the basis of an equal amount for each Sirius Share held by such holder on that date; and*
- (b) Sirius' obligations under paragraph (a) are to be satisfied by Sirius applying the amount to be distributed to each holder of Sirius Shares thereunder in accordance with the provisions of the Demerger Scheme."*

Dated Friday, 31 July 2015

BY ORDER OF THE SIRIUS BOARD



Anna Neuling
Company Secretary

F. Notice of General Meeting (cont)

EXPLANATORY NOTES

The Notice of General Meeting relates to the Capital Reduction and should be read in conjunction with the accompanying Demerger Scheme Booklet. The Demerger Scheme Booklet contains important information to assist you in determining how to vote on the Capital Reduction Resolution, including the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth).

Terms used in this Notice of General Meeting have the same meaning as set out in the Glossary in Section 14.1 of the Demerger Scheme Booklet.

REQUIRED VOTING MAJORITY

For the Capital Reduction Resolution to be passed, it must be approved by a simple majority of the votes cast on the ordinary resolution.

ENTITLEMENT TO VOTE

For the purposes of the General Meeting, each Sirius Shareholder who is registered on the Sirius Register at 5.00pm on Tuesday, 1 September 2015 is entitled to attend and vote at the General Meeting, and will have the following voting rights:

- one vote for each Sirius Ordinary Share; and
- 57/60ths of a vote for each Sirius Partly Paid Share (being, a fraction of a vote which represents the proportion paid up on each Sirius Partly Paid Share over the issue price of each Sirius Partly Paid Share).

In the case of jointly held Sirius Shares, only one of the joint shareholders is entitled to vote. If more than one Sirius Shareholder votes in respect of jointly held Sirius Shares, only the vote of the Sirius Shareholder whose name appears first in the Sirius Register will be counted.

VOTING AT THE GENERAL MEETING

You may vote on the Capital Reduction Resolution by:

- attending the General Meeting in person; or
- proxy, attorney or, in the case of a corporation which is a Sirius Shareholder, by corporate representative appointed in accordance with the Corporations Act.

Relevant details in respect of each of these methods is set out below.

Voting in person

To vote in person, you must attend the General Meeting. If you attend, you will be admitted to the meeting and given a voting card at the point of entry to the meeting upon disclosing your name and address. Please bring a form of personal identification with you, such as your driver's licence.

Voting by proxy

To vote by proxy, you must complete and return the personalised Green Proxy Form accompanying this Demerger Scheme Booklet in accordance with the instructions on the form so that it is received by the Share Registry by no later than 11.00am on Tuesday, 1 September 2015.

You may appoint an individual or body corporate as your proxy.

Voting by attorney

To vote by attorney, the attorney must have a duly executed power of attorney, specifying the name of the Sirius Shareholder, the attorney, the meetings at which the appointment may be used and that the power of attorney

F. Notice of General Meeting (cont)

applies in relation to Sirius. The appointment may be a standing one and the attorney need not be a Sirius Shareholder.

Voting by corporate representative

For a body corporate to vote by corporate representative, the representative must have a duly executed appointment which complies with the requirements of section 250D of the Corporations Act. The representative should bring this appointment to the meeting. The appointment may set out restrictions on the representative's powers.

An "Appointment of Corporate Representative" may be obtained for this purpose from the Share Registry's website at <https://www-au.computershare.com>.

LODGEMENT OF PROXY FORMS AND POWERS OF ATTORNEY

To be effective, completed Green Proxy Forms, powers of attorney and authorities must be received by the Share Registry in accordance with the method set out below at least 48 hours before the time for holding the General Meeting (that is, by no later than 11.00am on Tuesday, 1 September 2015) or, if the General Meeting is adjourned, at least 48 hours before the resumption of the General Meeting:

- **Postal address:**

Computershare Investor Services Pty Limited

GPO Box 242

Melbourne, Victoria 3001

Australia
- **Facsimile number:**

(within Australia) 1800 783 447

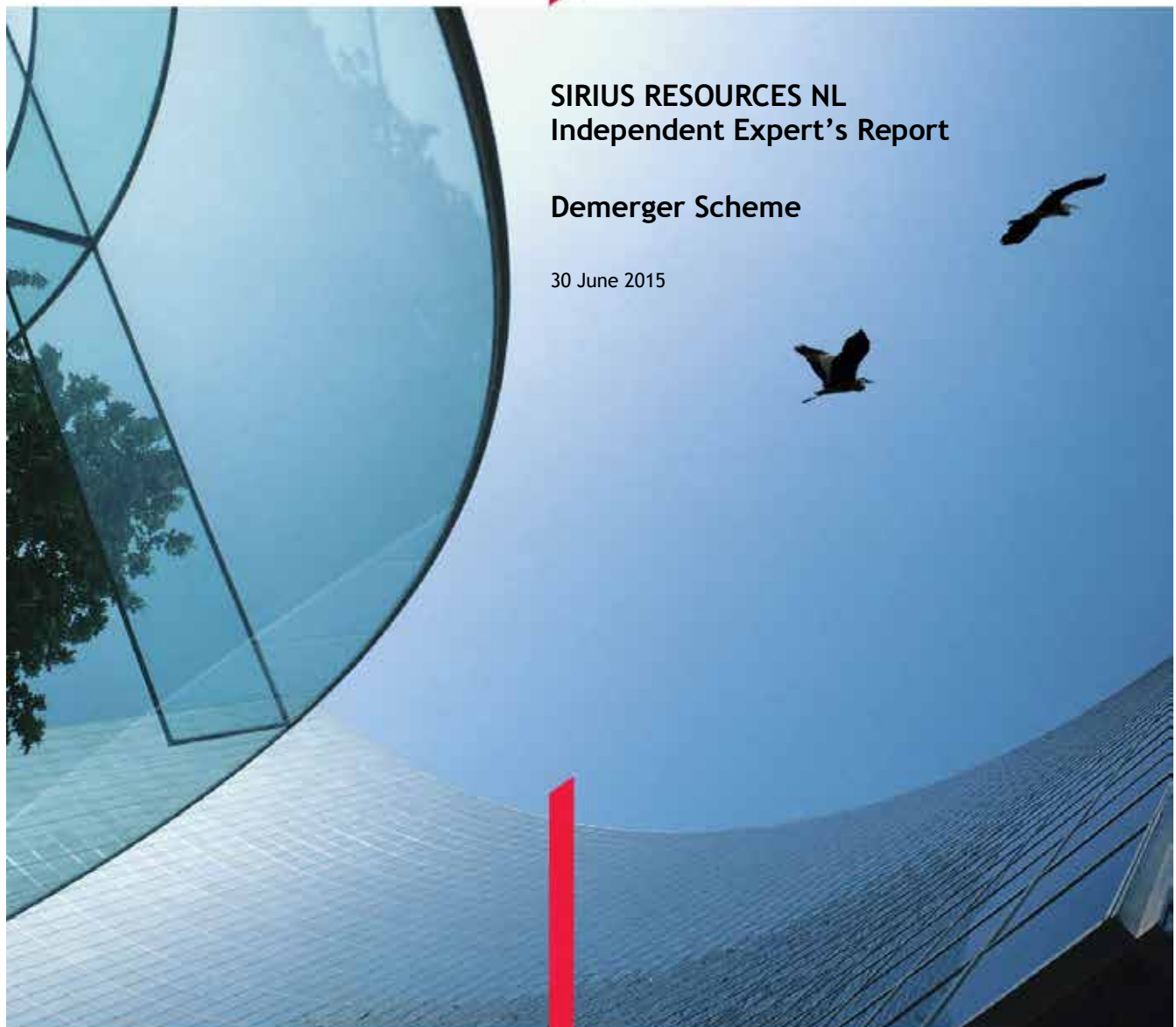
(outside Australia) +61 3 9473 2555

JOINTLY HELD SECURITIES

If Sirius Shares are jointly held and more than one member votes in respect of those jointly held Sirius Shares, only the vote of the Sirius Shareholder whose name appears first in the Sirius Register will be counted.

ANNEXURE G

G. Independent Expert's Report



G. Independent Expert's Report (cont)



Financial Services Guide

30 June 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Sirius Resources NL ('Sirius') to provide an independent expert's report on the proposed demerger of certain of Sirius' exploration assets, including Polar Bear and Scandinavian exploration assets through a demerger scheme. You will be provided with a copy of our report as a retail client because you are a shareholder of Sirius.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

G. Independent Expert's Report (cont)



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The combined fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement and another independent expert's report prepared for the proposed acquisition of Sirius by Independence Group Limited through an acquisition scheme is approximately \$175,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments

BDO Corporate Finance (WA) Pty Ltd prepared an independent expert report for Sirius in connection with the proposal to acquire the Creasy Group's 30 per cent interest in the Nova-Bollinger Project. Our fee for the preparation of that report was \$40,000.

BDO Corporate Finance (WA) Pty Ltd also undertook a financial model audit for Sirius in relation to Sirius securing debt funding for the Nova Nickel Project. Our fee for providing those services was approximately \$25,400.

BDO Audit (WA) Pty Ltd is currently the independent auditor of Sirius and IGO.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Sirius for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

G. Independent Expert's Report (cont)



TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	2
3.	Scope of the Report	3
4.	Outline of the Acquisition Share and Demerger Scheme	5
5.	Advantages and Disadvantages of the Demerger Scheme	6
6.	Other considerations	11
7.	Conclusion	12
8.	Background of Sirius	13
9.	Profile of S2 Resources Limited	27
10.	Economic analysis	28
11.	Industry analysis	29
12.	Sources of information	38
13.	Independence	38
14.	Qualifications	39
15.	Disclaimers and consents	39

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Technical and Valuation Report prepared by Optiro

© 2015 BDO Corporate Finance (WA) Pty Ltd

G. Independent Expert's Report (cont)



Tel: +61 8 6382 4600
 Fax: +61 8 6382 4601
 www.bdo.com.au

38 Station Street
 Subiaco, WA 6008
 PO Box 700 West Perth WA 6872
 Australia

30 June 2015

The Directors
 Sirius Resources NL
 253 Balcatta Road
 BALCATTWA 6021

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 25 May 2015, Sirius Resources NL ('Sirius' or 'the Company') announced that it had entered into a binding Scheme Implementation Deed under which Independence Group NL ('IGO') has agreed to acquire all the issued capital of Sirius by way of a scheme of arrangement ('the Acquisition Scheme').

Sirius will also undertake a demerger of certain of its exploration assets, including the Polar Bear project and its Scandinavian assets ('Demerger') via a capital reduction. The Demerger will also be implemented by way of a scheme of arrangement ('the Demerger Scheme'). The new listed vehicle will be called S2 Resources Ltd ('S2') and will be led by Mark Bennett.

Under the Demerger Scheme, if approved by the shareholders of Sirius ('Shareholders'), each Sirius shareholder will receive one S2 share for every 2 Sirius shares held.

Under the Acquisition Scheme, if approved by Shareholders, each Sirius shareholder holding fully paid ordinary shares in Sirius ('Sirius Ordinary Shares') will receive:

- 0.66 IGO shares for each Sirius Ordinary Share held; and
- cash consideration of \$0.52 for each Sirius Ordinary Share held.

Sirius shareholders holding partly paid shares in Sirius ('Sirius Partly Paid Shares') will be entitled to participate in both the Demerger Scheme and the Acquisition Scheme in proportion to the amount paid up on their Sirius Partly Paid Shares.

Following the completion of the transactions, S2 will apply for admission to the official list of the Australian Securities Exchange ('ASX').

The Acquisition Scheme and the Demerger Scheme are collectively referred to as 'the Schemes'.

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (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) in each State or Territory other than Tasmania.

G. Independent Expert's Report (cont)



2. Summary and Opinion

2.1 Purpose of the report

BDO Corporate Finance (WA) Pty Ltd (“**BDO**”) has been engaged by the directors of Sirius to prepare an independent expert's report (“**our Report**”) to express an opinion as to whether or not the Demerger Scheme is fair and reasonable and therefore in the best interests of the Shareholders of Sirius.

Our Report is prepared pursuant to Section 411 of the Corporations Act 2001 Cth (**‘Corporations Act’** or **‘the Act’**) and is to be included in the Demerger Scheme Booklet by Sirius in order to assist the Shareholders in their decision whether to approve the Demerger Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**‘ASIC’**) Regulatory Guide 60 ‘Schemes of Arrangement’ (**‘RG 60’**), Regulatory Guide 111 ‘Content of Expert's Reports’ (**‘RG 111’**) and Regulatory Guide 112 ‘Independence of Experts’ (**‘RG 112’**).

In arriving at our opinion, we have assessed the terms of the Demerger Scheme as outlined in the body of our Report. We have considered:

- the advantages and disadvantages of the Demerger Scheme;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Demerger Scheme; and
- the position of Shareholders should the Demerger Scheme not proceed.

2.3 Opinion

We have considered the terms of the Demerger Scheme as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Demerger Scheme is in the best interests of Shareholders.

2.4 Advantages and Disadvantages

We have considered the analysis in section 5 of our Report, in terms of both:

- advantages and disadvantages of the Demerger Scheme; and
- other considerations, including the position of Shareholders if the Demerger Scheme does not proceed and the consequences of not approving the Demerger Scheme.

In our opinion, the position of Shareholders if the Demerger Scheme is approved is more advantageous than the position if the Demerger Scheme is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the advantages of the Demerger Scheme outweigh the disadvantages for Shareholders.

G. Independent Expert's Report (cont)



The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
5.1	The Demerger Scheme is in the best interests of Shareholders	5.2	Loss of synergies / increased on-going costs
5.1	Suitable and focused management team	5.2	Reduced liquidity
5.1	Dedicated funding	5.2	Reduction in size
5.1	Shareholder flexibility	5.2	Transaction costs
5.1	Focus on exploration information		
5.1	Potential future takeover target		

Other key matters we have considered include:

Section	Description
6.1	Alternative proposals
6.2	Consequences of not approving the Demerger Scheme
6.2	Potential decline in share price if the Demerger Scheme is not approved
6.3	Value created by demergers
6.4	Ineligible overseas shareholders
6.5	Taxation implications of the Demergers

3. Scope of the Report

3.1 Purpose of the Report

The Demerger Scheme is to be implemented pursuant to section 411 of the Corporations Act. Part 3 of Schedule 8 to the Corporations Act Regulations 2001 (Cth) ('Regulations') prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act.

Schedule 8 of the Corporations Regulations requires an independent expert's report if:

- the corporation that is the other party to the scheme has a common director or directors with the company which is the subject of the scheme; or
- the corporation that is the other party is entitled to more than 30% of the voting shares in the subject company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interests of the members of the company the subject of the scheme and setting out his or her reasons for that opinion. Accordingly, there is no requirement for our Report pursuant to section 411 of the Act or pursuant to section 256C of the Act.

G. Independent Expert's Report (cont)



Notwithstanding the fact that there is no legal requirement to engage an independent expert to report on the Demerger Scheme, the directors of Sirius have requested that BDO prepare this report as if it were an independent expert's report pursuant to section 411, and to provide an opinion as to whether the directors of Sirius are justified in recommending the Demerger Scheme in the absence of a superior proposal.

3.2 Regulatory guidance

In determining the basis of our evaluation and opinion, we have had regard to the views expressed by ASIC in RG 111. RG 111.35 and RG 111.36 suggests that, in the case of a demerger, if there is not:

- a change in underlying economic interests of security holders;
- a change of control; or
- selective treatment of different security holders;

then the issue of 'value' may be of secondary importance.

An expert should provide an opinion as to whether the advantages of the demerger outweigh the disadvantages. An expert may choose to consider whether the value of the demerged entities is greater than or less than the value of the original entity.

RG 111.37 suggests that if the demerger involves a scheme of arrangement then the expert should comment on whether or not the demerger is in the best interest of security holders.

RG 111.38 states that in a demerger, security holders will typically have to balance issues such as the benefits of a greater focus afforded to the demerged entities against increased costs and reduction in diversified earnings streams.

In determining whether the advantages of the Demerger Scheme outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This Regulatory Guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

RG 111 sets out that the expert should inquire whether further transactions are planned between the entity, the vendor or their associates and if any are contemplated determine if these are at arm's length. RG 111 also suggests that an expert should consider whether the transaction will deter the making of a takeover bid.

3.3 Adopted basis of evaluation

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:

- an investigation into the advantages and disadvantages of the Demerger Scheme (Sections 5.1 and 5.2); and
- an analysis of any other issues that could be reasonably anticipated to concern Shareholders as a result of the Demerger Scheme (Section 6).

G. Independent Expert's Report (cont)



4. Outline of the Acquisition Share and Demerger Scheme

On 25 May 2015, each of IGO and Sirius announced that they had entered into a binding Scheme Implementation Deed ('SID') under which IGO will acquire all Sirius Ordinary Shares and Sirius Partly Paid Shares by way of a scheme of arrangement under the Act. Under the Acquisition Scheme, holders of Sirius Ordinary Shares will receive 0.66 IGO shares and \$0.52 cash for each existing Sirius Ordinary Share they hold (and holders of Sirius Partly Paid Shares will receive a fractional amount of this consideration proportionate to the amount paid up on the Sirius Partly Paid Shares). IGO shareholders will continue to hold their existing IGO fully paid ordinary shares.

Sirius has also entered into a Demerger Implementation Deed ('DID') with S2 under which Sirius will demerge S2 by way of a capital reduction in accordance with section 256C of the Act ('Capital Reduction'). A resolution to approve the Capital Reduction will be put to Shareholders of Sirius at a general meeting on the same day as the meetings to be held for the purposes of the Schemes. Under the Demerger Scheme, holders of Sirius Ordinary Shares will receive one share in S2 for every 2 Sirius shares they hold (and holders of Sirius Partly Paid Shares will receive a fractional amount proportionate to the amount paid up on the Sirius Partly Paid Shares).

The consideration offered under the Acquisition Scheme will result in a total of 511,082,556 shares in the Proposed Merged Entity as set out below.

Pro-forma Capital Structure	Number
Number of shares Sirius has on issue (as 30 June 2015)	412,201,575
Number of Sirius performance shares	2,200,000
Number of Sirius shares to be issued to the Ngadju people	400,000
Number of Sirius shares on issue	415,801,575
Exchange ratio, number of IGO shares issued for each Sirius share	0.66
Number of IGO shares to be issued to SIR shareholders	273,769,040
Number of IGO shares issued to SIR option holders (under private treaty)	2,056,943
Total number of IGO shares to be issued to SIR shareholders & option holders	275,825,983
Proposed Merged Entity after the Scheme	
Number of shares IGO has on issue	235,580,187
Maximum number of shares to be issued to Shareholders	275,825,983
Maximum number of shares on issue in IGO on completion of the Scheme	511,406,170
Interest held by Shareholders	53.93%
Interest held by existing IGO shareholders	46.07%
	100.00%

Source: BDO analysis

The above analysis assumes that Sirius' share appreciation rights holders accept a cash settlement by private treaty. We do not consider the scrip payment option if elected to have a material impact on our opinion.

We also note that the Sirius performance shares may be dealt with by a private treaty. However, we do not expect this to have a material impact on our opinion.

The Acquisition Scheme, the Demerger Scheme and the various obligations of the parties, IGO and Sirius, are conditional on the conditions set out in the SID, including but not limited to, the following:

G. Independent Expert's Report (cont)



- certain regulatory approvals of ASIC and the ASX;
- approval of the Acquisition Scheme and Demerger Scheme by the requisite majorities (under the Act) of Shareholders at the Scheme Meetings;
- approval by Shareholders of the capital reduction to effect the Demerger;
- the independent expert's report for the Acquisition Scheme concluding that the Acquisition Scheme is in the best interests of Shareholders;
- 75% of the total number of Sirius Options, Sirius Performance Shares and Sirius Share Appreciation rights on issue at 25 May 2015:
 - having vested and been exercised;
 - being subject of binding agreements pursuant to the terms contemplated in Schedule 5 of the SID; or
 - otherwise having been dealt with as between Sirius and IGO.
- court approval of both of the Schemes in accordance with section 411 (4)(b) of the Act; and
- such other conditions as are customary for transactions of this nature.

Further disclosures of the conditions precedent to the Schemes are included in the SID and the Scheme Booklets.

5. Advantages and Disadvantages of the Demerger Scheme

5.1 Advantages of Approving the Demerger Scheme

We have considered the following advantages when assessing whether the Demerger Scheme is in the best interests of Shareholders.

Advantage	Description
The Acquisition Scheme is in the best interests of Shareholders	The Acquisition Scheme and the Demerger Scheme are separate transactions. However, the Schemes are inter-conditional, which means that neither Scheme will be implemented unless all of the resolutions relating to the Schemes receive the requisite Sirius Shareholder approval and (in the case of the Schemes), court approval. It is a condition of the SID that the Acquisition Scheme is in the best interests of Sirius Shareholders.
Suitable and focused management team	S2 will be led by Dr Mark Bennett and it is intended that S2 will incorporate members of the original Sirius exploration team. Dr Mark Bennett is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Geological Society of London and a Fellow of the Australian Institute of Geoscientists. Dr Bennett is responsible for the discovery of the Thunderbox Gold Mine, the Waterloo nickel mine and the Nova nickel-copper mine in Western Australia. In addition, current Sirius Executive Director of Corporate and Commercial, Anna Neuling and Chairman, Jeff Dowling will be Directors of S2. This provides S2 with the experience required, both at board and management level, for the future exploration and development activities that will be undertaken by S2.

G. Independent Expert's Report (cont)



Advantage

Description

If the exploration assets that will comprise S2 were retained within Sirius (or were transferred to the merged group of IGO and Sirius following the Acquisition Scheme ('Merged Group')), there is a risk that due to the significance of the Nova development and future production, the focus would be concentrated on this asset, which requires a different skill set to that which would be best placed to enhance the value of the the proposed S2 exploration assets. In the Merged Group, it is likely that these explorations assets would not be a major focus, and would be less likely to provide increased value to Shareholders than in a separate, more focussed, dedicated exploration entity such as S2.

Mining at Nova commenced exactly two and a half years after the initial announcement of the discovery of Nova. The team that will be transferring to S2 have a demonstrated track record in managing the transition of mining projects from the exploration to the development phase efficiently and cost-effectively, in this regard.

Further information and the valuation of the Polar Bear project is contained in Appendix 3. Further information in relation to the Scandinavian assets is discussed in section 8.2.5.

Dedicated funding

As part of the Demerger, Sirius will pay or procure the payment of \$20 million in cash to S2 for working capital purposes and, via the transfer of ownership of Sakumpu Exploration Oy, S2 will hold a further \$2 million of working capital. An analysis of the quarterly cash flow statement of exploration companies illustrates that S2 will be well positioned amongst its peers in this regard.

The exploration budget represents 70% of the working capital available to 30 June 2017. This illustrates the focus of S2 in pursuing the enhancement of the asset as a standalone entity.

If the assets of S2 were retained within Sirius, or in the Merged Group, it is likely that there would be competition for the utilisation of this funding for other purposes such as expansion of current mining operations, the development of IGO's Stockman project or for dividend payments.

To illustrate the significance of the funding we have set out the cash position and market capitalisation of resources companies with a cash position between \$15 million and \$30 million listed on the ASX.

Company	Cash - last filing	Market Capitalisation
Mincor Resources	\$28,610,000	\$120,472,496
Heron Resources	\$28,316,000	\$39,696,548
Toro Energy	\$25,252,776	\$131,360,104
Bauxite Resources	\$24,643,684	\$14,609,555
Penninsula Energy	\$21,810,592	\$172,670,256
Cape Lambert Resources	\$16,681,835	\$17,547,224
Capral Ltd	\$16,502,000	\$73,576,112
Syrah Resources	\$16,423,819	\$609,673,152

G. Independent Expert's Report (cont)



Advantage	Description
	Source: Bloomberg As can be seen from the table the level of funds available covers a wide range of companies with different market capitalisations, which is a product of company-specific factors. The exploration budget for S2 based on the initial cash available extends to 30 June 2017, this will enable S2 to potentially enhance the value of the asset prior to undertaking any future capital raising. This insulates the Shareholders from potential dilution in the short to medium term. S2's assets in addition to the cash referred to above will consist of Polar Bear which has been valued by Optiro Pty Ltd between \$12.6 million and \$26.5 million with a preferred value of \$19.6 million. Please refer to section 8.2.4 for further details. S2 will also hold the Scandinavian assets which we have valued at \$2 million. Please refer to section 8.2.5 for further details. This results in a total value of S2 of between \$36.6 million and \$50.5 million with a preferred value of \$43.6 million.
Shareholder flexibility	On the implementation of the Demerger Scheme, Shareholders will have the same proportionate shareholding in S2 that they currently hold in Sirius (except for a slight discrepancy due to the fact that ineligible overseas shareholders will not be issued shares in S2, but will receive the proceeds of sale of those shares to which they would have otherwise been entitled). Following the implementation of the Schemes, Shareholders will be able to make a choice as to whether they continue to keep their exposure to the production and development assets that will be the focus of IGO in addition to the exploration assets held in S2 and the production and development assets held by IGO. This provides shareholders with the flexibility to structure their portfolios as they see fit. Whilst Shareholders will be diluted in their exposure to Nova, they will gain an exposure to the production and exploration assets of the Merged Group, and will retain the same proportionate interest in the Polar Bear project and the Scandinavian assets.
Focus on exploration information	Nova has been an exploration success for Sirius and a significant focus of market information and analyst commentary is in relation to that project. The Demerger has the potential to give more market focus to the Polar Bear project and the Scandinavian assets, which may have otherwise been less prominent as part of Sirius. The value of the S2 assets may not fully be realised in the context of Sirius or as part of the Merged Group. The transparency of the information available in relation to the Polar Bear project and the Scandinavian assets when part of an S2 standalone entity may result in the share price responding in accordance to any future exploration success.
Potential future takeover target	If the Demerger is implemented, the separation of S2 from Sirius may create an opportunity for potential acquirers to access S2 as a standalone entity, which would not otherwise be available. It is unrealistic to expect that a bidder would seek to

G. Independent Expert's Report (cont)



Advantage	Description
	acquire Sirius solely to access the early-stage exploration assets that will comprise S2. However, the Demerger Scheme, if implemented, will give the market the opportunity to assess the value of the S2 assets in a more direct manner. As mentioned above, in the context of S2, there will be more information in a greater level of detail available to the market in relation to the S2 assets. In addition, newly demerged entities are often identified by the market as potential takeover targets. Any takeover of S2 would likely involve an acquirer paying a premium for control of the S2 assets, which may not be factored in to any takeover of the entire of Sirius alone (and which may even be factored in as a discount to the offer price by an acquirer, if the S2 assets are unwanted). An example of this was the demerger of Tusker Gold Limited from Indago Resources Limited. Following the demerger Tusker Gold raised funds at 20 cents per share and was successfully taken over a few months later by Barrick Gold Corporation for an 80 cent per share cash offer. As such, there is evidence that a demerger has the potential to enhance the premium for control of the S2 assets, and allow the shareholders of Sirius to obtain full underlying value for these assets.

5.2 Disadvantages of Approving the Demerger Scheme

If the Demerger Scheme is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Advantage	Description
Loss of synergies / increased on-going costs	The Demerger will result in the creation of a new ASX listed entity with its own separate management structure. It is likely that some additional costs will be incurred by S2, as a result of the need to maintain its own board of directors, share register, and corporate and administrative functions. We note that if the Demerger Scheme was not available there would not be substantial reductions in overheads as the exploration staff would be required to complement the team working on the development and future production of Nova.
Reduced liquidity	As discussed in section 8.6, Sirius Shares display a high level of liquidity, with 102.90% of the issued capital trading in the 12 months prior to the announcement of the Demerger Scheme. It is likely that due to the reduction in size of the entity, and the focus on exploration assets, that the liquidity of S2 will be less than that currently exhibited by Sirius. We note that Mark Creasy will remain a substantial shareholder of S2 through the entities he controls, which may reduce the value of the free float available. We note that holders of exploration-based securities would most likely have an investment horizon which reflects the level of liquidity as they are likely to be investing for longer term capital gains based on exploration success.

G. Independent Expert's Report (cont)



Reduction in Size

Sirius currently has a market capitalisation of approximately \$1.56 billion. Sirius is also a member of the ASX 200 index which means that there is a degree of institutional shareholder support for the Company. S2 will be significantly smaller than Sirius and as such, may not be as attractive an investment to institutional investors as Sirius prior to the Demerger. The reduced scale may also make it more difficult for S2 to access debt or equity funding in comparison to Sirius, but, as noted above S2 will have adequate funding with approximately \$22 million for working capital purposes.

One-off transaction costs

S2 will also incur one-off listing expenses and adviser fees of approximately \$0.3 million to list on the ASX in addition to those incurred in undertaking the Demerger Scheme.

G. Independent Expert's Report (cont)



6. Other considerations

6.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Sirius a premium over the value resulting from the Demerger Scheme.

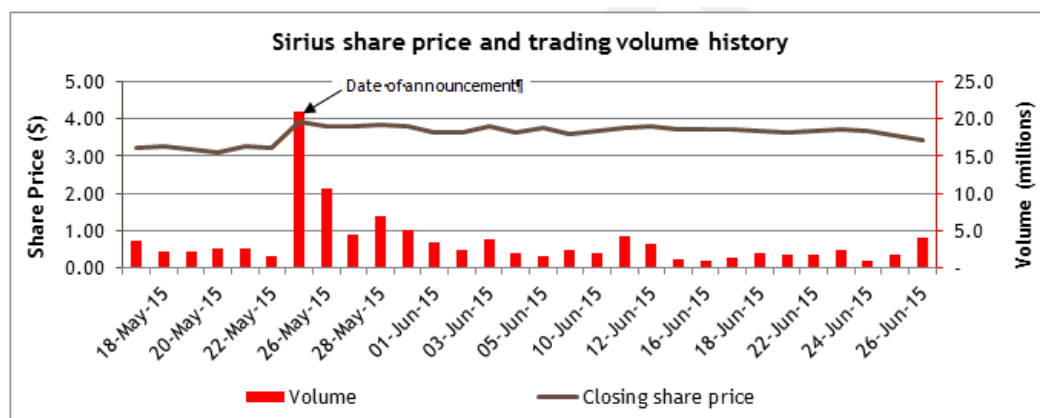
6.2 Consequences of not Approving the Demerger Scheme

Consequences

If the Demerger Scheme is not approved a condition of the Acquisition Scheme will not be met and accordingly, neither of the Schemes will proceed. In this instance, Shareholders would not receive the consideration payable under the Acquisition Scheme and Sirius and IGO will not merge.

Potential decline in share price

We have analysed movements in Sirius' share price since the Schemes were announced. A graph of Sirius' share price since the announcement is set out below.



Source: Bloomberg

The daily price of Sirius shares during the Post Announcement Trading Period ranged from a low of \$3.42 on 26 June 2015 to a high of \$4.04 on 25 May 2015. During the Post Announcement Trading Period, high volume of Sirius shares were traded on 25 May 2015 and 26 May 2015 and transacted at an intra-day weighted average price of \$3.926 and \$3.837 respectively. High volumes of Sirius shares were traded on the date of the announcement of the Schemes and over the Post Announcement Trading Period. Given the above analysis it is possible that if the Schemes are not approved then Sirius' share price may decline.

G. Independent Expert's Report (cont)



6.3 Value created by demergers

We have considered analysis of the value created by demergers historically. The general rationale of a demerger is based on the theory that the market does not attribute value to the diversification of assets held within a corporate portfolio unless there is a clear strategic purpose or substantial synergies that can be illustrated are available. In our view the data set is limited and the conclusions that can be drawn are not definitive.

6.4 Ineligible overseas shareholders

Any Shareholders that are ineligible overseas shareholders will not receive S2 shares under the Demerger Scheme. In those instances, a nominee will be appointed and will be issued the shares that would have otherwise been issued to the ineligible overseas shareholders. The nominee will then be required to sell those shares, and remit the proceeds (less any costs, brokerage etc) to the ineligible overseas shareholders.

Sirius Shareholders expected to be affected by this represent less than 1% of Sirius' issued capital.

6.5 Tax implications of the Demerger

The tax implications for Sirius Shareholders are set out in section 13 of the Demerger Scheme booklet and should be considered by Shareholders in making their assessment in light of their personal circumstances.

7. Conclusion

We have considered the terms of the Demerger Scheme as outlined in the body of this report and have concluded that the Demerger Scheme is in the best interests of Shareholders.

G. Independent Expert's Report (cont)



8. Background of Sirius

8.1 History

Sirius, formerly known as Croesus Mining NL, is an Australian mineral exploration company, with its head office located in Balcatta, Western Australia. The Company listed on the ASX on 24 July 1986. Sirius has a widespread tenement portfolio within Western Australia, covering approximately 3,500 square kilometres ('km²').



Source: Company website, investor presentations (released 30 September 2013)

Sirius explores for gold, nickel, zinc, copper, cobalt, other base metals, and platinum group metals. Sirius' primary exploration assets include a 100% owned Nova Nickel Mine ('Nova') and the Fraser Range project ('Fraser SIR') as well as a 70% interest in the Fraser Range Joint Venture ('Fraser Range JV'). In addition, Sirius has the 100% owned Polar Bear project ('Polar Bear') and the Norcott project, as well as an 80% interest in the Eundynie Joint Venture ('Eundynie JV').

Sirius' most recent capital raising occurred on 25 July 2014 for \$189 million through the placement of 49.5 million shares at \$3.82 per share. The share placement was heavily oversubscribed and placed the Company in a strong financial position prior to the finalisation of the debt funding for the Nova project.

The company's current board members and senior management are shown below:

- Mr Jeff Dowling - Non-Executive Chairman
- Dr Mark Bennett - Chief Executive Officer and Managing Director
- Ms Anna Neuling - Director - Corporate and Commercial
- Mr David Craig - Non-Executive Director
- Mr Neil Warburton - Non-Executive Director
- Mr Terry Grammer - Non-Executive Director
- Mr Grant Dyker - Chief Financial Officer
- Mr Rob Dennis - Chief Operating Officer
- Mr Jeffrey Foster - General Manager, Project Generation
- Mr John Barlett - General Manager, Exploration

G. Independent Expert's Report (cont)



Sirius Gold Pty Ltd incorporated in 2010, is a wholly owned subsidiary of Sirius. Sirius acquired Mark Creasy's 30% interest in Nova through Sirius Gold Pty Ltd.

Polar Metals Pty Ltd incorporated in 2011, is a wholly owned subsidiary of Sirius, which comprises the various Polar Bear tenements.

Sirius Europa Pty Ltd ("Europa") is a wholly owned subsidiary of Sirius. Europa was registered on 9 December 2014. Norse Exploration Pty Ltd ("Norse") is a 67% owned subsidiary of Europa. Norse was registered on 23 December 2014.

VMS Metals Pty Ltd incorporated in 2011 and Sirex Exploration Canada Ltd are also wholly owned subsidiaries of Sirius.

8.2 Projects

8.2.1 Fraser Range Tenements

Sirius holds various tenements in the Fraser Range which covers an area of 2,993 square kilometres, including 100 kilometres ('km') of strike length of the Proterozoic Albany-Fraser mobile belt on the southeast margin of the Yilgarn Craton. The Fraser Range tenements are located approximately 700 km east of Perth within the Albany-Fraser province. The area is considered prospective for nickel, copper and platinum group elements but is heavily dominated by the Tropicana gold and Nova nickel deposits. A number of companies have interests in the area with the main projects being Sirius' Nova-Bollinger nickel projects and AngloGold Ashanti and IGO's Tropicana JV project.

The Fraser Range project encompasses a total of one Mining Lease, 18 Exploration Licenses, two Prospecting Licenses and six Miscellaneous Licenses. Mining Lease ML28/376 hosts the Nova-Bollinger deposit.

Nova Nickel Mine (100%)

The Company's current focus is its wholly owned Nova comprising a nickel-copper sulphide deposit known as the Nova-Bollinger deposit. The Nova-Bollinger deposit is located 700km east of Perth. Sirius obtained 100% ownership in May 2014 following the purchase of Mark Creasy's 30% joint venture interest.

A Definitive Feasibility Study ("DFS") was completed on 14 June 2014. As part of the DFS, the Nova-Bollinger JORC resource estimate was updated to 14.3mt at 2.4% nickel, 0.9% copper and 0.09% cobalt for 325,000t of nickel, 134,000t of copper and 11,000t of cobalt.

On 4 August 2014, Sirius signed the Nova Mining Agreement with the Ngadju People, the traditional owners of the land comprising Nova. Subsequently, the Nova Mining Lease (M28/276) was granted on 19 August 2014. Construction at the Nova commenced on 26 January 2015, following receipt of final statutory approvals.

At levels of full production, Nova is expected to produce an average of 26,000t of nickel, 850t of cobalt and 11,500t of copper annually. On 27 February 2015, Sirius announced that it has signed a three-year offtake deal with BHP Billiton Nickel West ('BHP Billiton') for 50% of its forecast nickel sulphide concentrate to be produced from Nova. Subsequently, on 13 May 2015 Sirius announced it signed a three year offtake agreement with Trafigura for 100% of its future copper sulphide concentrate produced from Nova for the first three years of production.

Production is expected to begin in late 2016, as shown below.

G. Independent Expert's Report (cont)



Milestone	Estimated Timing Calendar Year
First Ore from Development	Q2 2016
First Ore Feed to the Processing Plant	Q3 2016
First Concentrate Production	Q4 2016
First Nickel Concentrate Shipment	Q1 2017
First Copper Concentrate Shipment	Q1 2017

Source: Sirius Annual Report 2014

In January 2015, following the granting of all mining permits, excavation and construction of the interim accommodation, aerodrome and access road commenced. A 492 person accommodation village has been largely completed and the initial construction camp has been decommissioned. The foundation for a two kilometre long, all-weather, sealed airstrip has been completed. The box cut was completed in May 2015 with the decline and tailings dam in progress.

In June 2015, GR Engineering Services Limited was awarded a \$114 million Engineering, Procurement and Construction contract for the design and processing of the mineral processing and paste fill plant at Nova. Design work on the plant is underway and expected to be completed in November 2016.

8.2.2 Fraser Range Joint Venture (70%)

Of the licenses held by Sirius at the Fraser Range project, eight Exploration Licenses and two Prospecting Licenses are held in a joint venture with various entities controlled by Mr Mark Creasy ('Creasy Group'). Collectively, these tenements are termed the Fraser Range JV.

The Fraser Range JV covers an area of 895 km² including the 100km of strike length of the Proterozoic Albany-Fraser mobile belt on the south-east margin of the Yilgarn Craton. Sirius has a 70% interest in the Fraser Range JV with the Creasy Group retaining a 30% free carried interest to the completion of a bankable feasibility study.

Nickel Exploration

At the Crux-Centauri area (70% Sirius), preliminary systematic aircore and reverse circulation drilling confirming the presence of nickel-copper sulphide mineralisation and anomalous zones of copper and nickel at shallow levels has been completed. Crux-Centauri is located 60 km southwest of the Nova-Bollinger deposit.

As of March 2015, 11 reconnaissance diamond holes have been drilled with results from four confirming the presences of magmatic nickel-copper sulphide mineralisation scattered throughout the region.

Gold Exploration

The Lake Harris Exploration Licence E28/1630 is located to the northwest of the nickel prospective part of the Albany-Fraser belt and covers part of the south western continuation of the gold prospective Tropicana belt.

8.2.3 Fraser Range SIR (100%)

In addition to Sirius' interest in the Fraser Range JV, the Company also has ten Exploration Licenses and six Miscellaneous Licenses throughout the nickel prospective part of the Albany-Fraser belt. Fraser Range

G. Independent Expert's Report (cont)



SIR comprises the Talbot and Southern Hill prospect located to the south of the Nova-Bollinger deposits, the Bunington prospect situated some 40km along strike from Nova.

8.2.4 Polar Bear, Western Australia (100%)

Polar Bear covers an area of approximately 550 km², located between Higginsville and Norseman. It is surrounded by the major gold camps of Norseman (10 million ounces), St Ives (12 million ounces) and Higginsville (12 million ounces). Large parts of the area are relatively under 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.

In total, Polar Bear consists of 25 tenements which include two Exploration Licences, six Mining Leases and 16 Prospecting Licences, covering 151 Km². In addition, Sirius has applications lodged for two exploration licenses, one mining lease and two prospecting licenses covering an additional 38 km².

Sirius has entered into an agreement to acquire 80% of an additional six exploration license applications, covering 103 km², located adjacent to the Polar Bear tenement package (Eundynie JV). Furthermore, Sirius has lodged an application for a single exploration license at Norcott, covering an area of 256 km² and located approximately 15 km to the east of the Polar Bear tenements. Polar Bear will be a continuing asset of S2 if the Demerger Scheme is approved.

We instructed Optiro to value the resources of Polar Bear. Optiro has considered that Polar Bear is deemed to be at an advanced exploration stage from a valuation standpoint.

Optiro adopted the following methodologies in valuing the Polar Bear tenements:

- the Geoscientific Rating method (or Kilburn method);
- comparable transactions method;
- joint venture terms; and
- exploration expenditure method.

The value of Polar Bear as determined by Optiro is as follows.

	Low \$m	Preferred \$m	High \$m
Value of Polar Bear (100%)	12.60	19.60	26.50

Source: Optiro's Independent Technical Assessment and Valuation Report

Further information in relation to Polar Bear and an independent market valuation prepared by Optiro Pty Ltd is contained in Appendix 3.

3 Please refer to Appendix 2 for a summary of valuation methodologies considered.

Baloo

In January 2015, Sirius announced the discovery of a significant zone of gold mineralisation at the Baloo prospect following reconnaissance aircore drilling in late 2014.

In the March 2015 Quarterly Activities Report, Sirius stated that infill air core drilling at Baloo had defined a zone of oxide gold mineralise measuring 700 metres in strike and up to 100 metres wide.

G. Independent Expert's Report (cont)



Diamond drilling beneath the oxide zone defined a mineralised shoot and a reverse circulation rig is being commissioned with the aim of replicating the original aircore drilling to provide the basis for a JORC resource estimate of the oxide zone. Baloo will be a continuing asset of S2 if the Demerger Scheme is approved

Monsoon

At Monsoon, which is located approximately 4km south, reconnaissance aircore drilling on an 80 metre by 40 metre grid has defined sporadic mineralisation over a 1 km strike length. Monsoon will be a continuing asset of S2 if the Demerger Scheme is approved.

Earlobe

The Earlobe gold prospect is located in a region containing numerous world class gold and nickel mines. The Earlobe prospect is the most advanced gold prospect. Drill intersections at Earlobe include 8m at 5.56g/t, 4m at 4.95g/t, 2m at 26.6g/t and 4m at 6.09g/t gold, and the limits of this prospect have not yet been defined. Earlobe will be a continuing asset of S2 if the Demerger Scheme is approved.

8.2.5 Scandinavian Assets

On 24 December 2014, Europa signed a Heads of Agreement with Norse and Sakumpu Exploration Oy ('Sakumpu'). The agreement was completed on 9 January 2015 with Europa owning 50.01% of Norse and Norse owning 100% of Sakumpu.

A Subscription Agreement between Europa and Norse was signed on 24 December 2014 and completed 20 January 2015 whereby Norse received \$2 million and as a result Sirius acquired a 67% interest in the assets held by Sakumpu, an option to increase this interest up to 80% of the assets for a further \$2 million was also granted. As such, we believe the value of the Scandinavian assets to be the transaction value of \$2 million as this was an arm's length purchase. We are of the opinion that a net asset value is the most appropriate approach to undertake in valuing the Scandinavian assets due to the recent arm's length transaction and the early stage nature of the tenements. Further information on the valuation methodologies considered are included in Appendix 2.

Sakumpu holds exploration permits in the Skellefte belt of Sweden and exploration reservations in the Central Lapland Greenstone Belt of Finland. The Swedish ground covers an area of 270 km² adjacent to several major copper-zinc and gold mines. The Finnish ground covers an area of 1,300 km² and is located near the 7 million ounce Kittila gold mine operated by Agnico Eagle Mines and the world-class Sakatti Nickel-Copper-Platinum Group Metals deposit owned by Anglo American. The Scandinavian assets will be continuing assets of S2 if the Demerger Scheme is approved.

8.3 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Mar-15 \$'000	Reviewed as at 31-Dec-14 \$'000	Audited as at 30-Jun-14 \$'000	Audited as at 30-Jun-13 \$'000
CURRENT ASSETS				
Cash and cash equivalents	210,103	245,489	58,715	41,378
Inventories	69	12	-	-
Other receivables	6,451	3,320	1,764	935

G. Independent Expert's Report (cont)



Statement of Financial Position	Reviewed as at 31-Mar-15 \$'000	Reviewed as at 31-Dec-14 \$'000	Audited as at 30-Jun-14 \$'000	Audited as at 30-Jun-13 \$'000
TOTAL CURRENT ASSETS	216,623	248,821	60,479	42,313
NON-CURRENT ASSETS				
Exploration and evaluation	324,094	287,571	267,803	13,545
Property, plant and equipment	2,972	2,475	2,546	303
Other non-current assets	238	-	-	-
TOTAL NON-CURRENT ASSETS	327,304	290,046	270,349	13,848
TOTAL ASSETS	543,927	538,867	330,828	56,161
CURRENT LIABILITIES				
Trade and other payables	21,014	13,862	4,726	2,446
Provisions	417	413	426	185
TOTAL CURRENT LIABILITIES	21,431	14,275	5,152	2,631
TOTAL LIABILITIES	21,431	14,275	5,152	2,631
NET ASSETS	522,496	524,592	325,676	53,530
EQUITY				
Share capital	694,526	693,906	490,666	203,723
Reserves	28,698	28,698	28,553	24,357
Accumulated losses	(201,982)	(198,012)	(193,543)	(174,550)
Non-controlling interest	1,254	-	-	-
TOTAL EQUITY	522,496	524,592	325,676	53,530

Source: Audited financial statements for the year ended 30 June 2013 and 30 June 2014, reviewed half-yearly financial statements for the period ended 31 December 2014 and reviewed financial statements for the nine months to 31 March 2015.

Sirius' statement of financial position for the nine months ended 31 March 2015 has been reviewed by BDO Audit (WA) Pty Ltd.

Commentary on Historical Balance Sheet

- The cash and cash equivalents balance increased significantly over the review period. This can be explained by cash received from the below capital raisings:
 - 34.16 million shares issued at an issue price of \$2.44 per share (completed in November 2013);
 - 49.5 million shares issued at an issue price of \$3.82 per share (completed in July 2014);
 - funds raised from the issue of shares on the exercise of options.
- Other receivables of \$3.32 million as at 31 December 2014 is largely attributable to a prepayment (\$2.4 million) relating to the transaction cost incurred to establish the Nova Project Financing Facility.
- Other receivables of \$6.45 million as at 31 March 2015 comprised receivables of \$2.39 million and other assets of \$4.06 million. Other assets of \$4.06 million relate to accrued interest, GST and prepayments.

G. Independent Expert's Report (cont)



- In the year ended 30 June 2013, the Company changed its accounting policy regarding the treatment of exploration and evaluation expenditure. Prior to the change, accumulated exploration and evaluation expenditure was capitalised and carried forward to the extent that it was expected to be recouped. As a result of the change, the Company now expenses exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until such time a JORC compliant resource is announced in relation to the identifiable area of interest.
 - during the financial year ended 30 June 2014 exploration and evaluation expenditure was \$267.80 million of which \$11.37 million was expensed. The significant increase from \$13.54 million to \$267.80 million is attributable to the acquisition of the remaining 30% interest in Nova for an acquisition consideration of \$28 million of cash and 70.9 million fully paid shares valued at \$2.90 per share.
 - during the financial year ended 30 June 2013, total exploration expenditure was \$33.77 million, of which \$25.17 million was expensed and \$8.6 million was capitalised with \$0.5 million written off. The majority of the exploration expenditure incurred related to the Fraser Range JV (\$31.5 million).
- The property, plant and equipment balance as at 30 June 2014 (\$2.5 million) increased significantly compared to the balance as at 30 June 2013 (\$0.3 million). The increase is primarily attributable to buildings, fixed plant and equipment, motor vehicles, furniture and fittings capitalised as part of the development of the Nova-Bollinger Project site.
- Other non-current assets of \$238,000 for the nine months ended 31 March 2015 relate to performance guarantees of \$198,000 and investments of \$40,238 which relate to the acquisition costs in relation to the purchase of Sakumpu.
- Provisions primarily relate to annual leave for all employees of the Group.
- The reserves balance of \$28.6 million as at 31 December 2014 reflects both option reserves issued to third parties in relation to the acquisition of tenements and mineral rights and to share based payment reserves which recognises the options issued to Directors, employees and service providers.

8.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the nine months to 31-Mar-15 \$'000	Reviewed for the six months to 31-Dec-14 \$'000	Audited for the year ended 30-Jun-14 \$'000	Audited for the year ended 30-Jun-13 \$'000
Revenue				
Other income	5,364	3,738	2,581	1,342
Expenses				
Administrative expenses	(5,010)	(3,231)	(5,769)	(3,121)
Depreciation expense	(224)	(145)	(237)	(94)
Share based payments	-	(145)	(4,196)	(20,156)
Exploration expenditure written off	-	-	-	(510)
Exploration expenditure incurred	(9,314)	(4,686)	(11,372)	(25,173)
Loss from continuing operations before income tax	(9,185)	(4,469)	(18,993)	(47,712)
Income tax expense	-	-	-	-

G. Independent Expert's Report (cont)



Statement of Comprehensive Income	Reviewed for the nine months to 31-Mar-15 \$'000	Reviewed for the six months to 31-Dec-14 \$'000	Audited for the year ended 30-Jun-14 \$'000	Audited for the year ended 30-Jun-13 \$'000
Loss from continuing operations after income tax	(9,185)	(4,469)	(18,993)	(47,712)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(9,185)	(4,469)	(18,993)	(47,712)

Source: Audited financial statements for the year ended 30 June 2014 and 30 June 2013, reviewed financial statements for the half-year ended 31 December 2014, and reviewed management accounts for the nine months to 31 March 2015.

Sirius' statement of comprehensive income for the nine months ended 31 March 2015 has been reviewed by BDO Audit (WA) Pty Ltd.

Commentary on Historical Statement of Comprehensive Income

- Other income relates to interest received.
- Exploration expenditure written off totalled to \$0.510 million at 30 June 2013 resulting from:
 - divestment of the Company's 70% interest in the Collurabbie Joint Venture, resulting in a write off of the future exploration potential of \$350,000;
 - reduction in exploration work on the tenements for Youanmi, resulting in a write off of the future exploration potential of \$150,000; and
 - withdrawal from the Canyon Creek project, resulting in a write off of the future exploration potential of \$10,000.
- Exploration expenditure expensed totalled to \$9.31 million at 31 March 2015 resulting from:
 - \$1.29 million incurred at Nova;
 - \$2.72 million incurred at the Fraser Range JV; and
 - \$5.30 million incurred at Polar Bear.
- Exploration expenditure incurred of \$11.37 million incurred for the financial year ended 30 June 2014 is primarily attributable to the expenditure incurred and expenses of:
 - \$5.16 million incurred at Nova;
 - \$2.66 million incurred at the Fraser Range JV;
 - \$2.44 million incurred at Polar Bear; and
 - and \$1.05 million incurred at Fraser Range (100%) Sirius.
- Exploration expenditure of \$4.68 million for the six months ended 31 December 2014 primarily related to exploration costs at Nova.
- The Company made a loss of \$18.99 million for the year ended 30 June 2014 and a loss of \$4.46 million for the half year ended 31 December 2014. The loss over the previous period was driven by extensive exploration activities undertaken primarily at the Nova Nickel Project.

8.5 Capital Structure

The share structure of Sirius as at 4 June 2015 is outlined below:

G. Independent Expert's Report (cont)



	Number
Total Ordinary Shares on Issue	412,201,575
Top 20 Shareholders	331,203,971
Top 20 Shareholders - Percentage of shares on issue	80.35%

Source: Company's share register

The range of shares held in Sirius as at 4 June 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Capital (%)
1-1,000	2,054	663,090	0.16%
1,001-5,000	1,609	4,573,190	1.11%
5,001-10,000	578	4,682,327	1.14%
10,001-100,000	844	28,177,848	6.84%
100,001 - and over	174	374,105,120	90.76%
TOTAL	5,259	412,201,575	100.00%

Source: Company's share register

The ordinary shares held by the most significant shareholders as at 4 June 2015 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Mark Gareth Creasy, Yandal Investments Pty Ltd and their related entities	142,592,300	34.59%
HSBC Custody Nominees (Australia) Ltd	44,518,155	10.80%
National Nominees Limited	42,268,931	10.25%
JP Morgan Nominees Australia Limited	36,235,219	8.79%
Citicorp Nominees Pty Limited	26,603,754	6.45%
Top 5 Subtotal	292,218,359	70.89%
Others	119,983,216	29.11%
Total Ordinary Shares on Issue	412,201,575	100.00%

Source: Company's share register

The table below details the options in Sirius on issue as at 4 June 2015:

Expiry Date	Exercise Price (\$)	Number of Options
01-Nov-15	0.6	200,000
26-Nov-15	0.6	1,650,000
21-Feb-16	0.6	100,000
22-Nov-16	3.17	8,750,000
29-Nov-16	0.2	1,850,000
14-May-17	0.2	50,000
17-Sep-17	2.8	300,000
06-Nov-17	3.34	1,000,000
21-Nov-17	3.51	2,000,000
22-Nov-17	3.5	1,350,000
21-Feb-18	3	500,000

G. Independent Expert's Report (cont)



Total number of Options	17,750,000
-------------------------	------------

Source: Sirius option register

As at 30 May 2015, Sirius has granted the following unlisted share appreciations rights:

Number	Vesting Dates
645,547	Vesting not earlier than 30 June 2016
509,001	Vesting not earlier than 30 June 2017

Source: Sirius' option register

Each share appreciation is subject to satisfaction of applicable performance and vesting conditions.

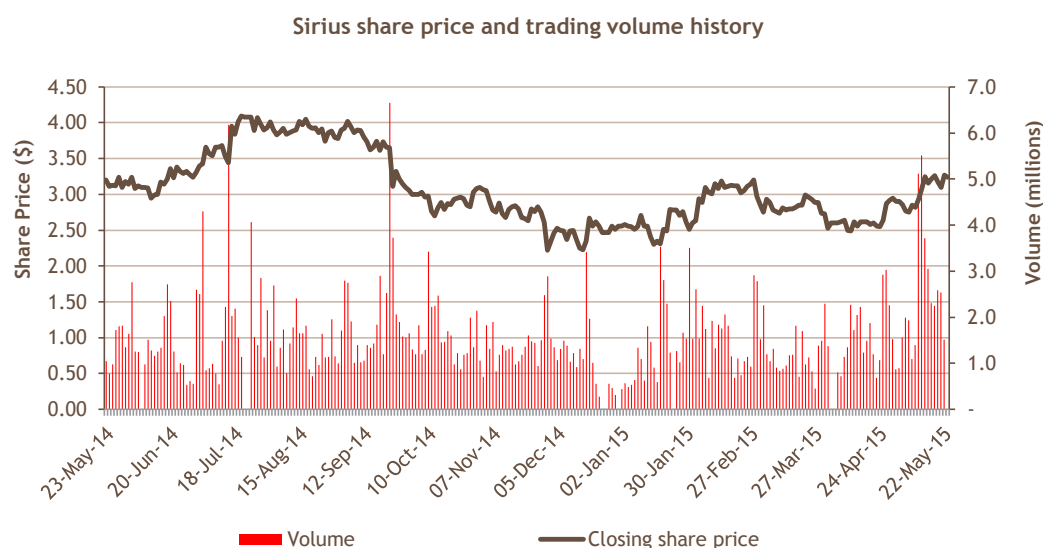
8.6 Quoted market price and liquidity

Information on the Schemes was announced to the market on 25 May 2015. Our analysis of the quoted market price of a Sirius share is based on the pricing prior to the announcement of the Schemes as well as the press speculation of a potential transaction between IGO and Sirius beginning from 11 May 2015. This is because the value of a Sirius share following any press speculation and the announcement may include the effects of any change in value as a result of the Schemes. However, we have considered the value of a Sirius share following the announcement when considering reasonableness in Section 15.

On 11 May 2015, a press article was published regarding speculation that there might be a potential transaction between IGO and Sirius' major shareholder, Mark Creasy. Therefore, the following chart provides a summary of the share price movement over the 12 months to 8 May 2015 which was the last trading day prior to the press speculation.

The chart below shows trading in Sirius from 23 May 2014 to 22 May 15 being the year to the announcement date.

G. Independent Expert's Report (cont)



Source: Bloomberg

To avoid the impact of press speculation our analysis considers the period 9 May 2014 to 8 May 2015. The daily price for Sirius shares traded on the ASX from 9 May 2014 to 8 May 2015 has ranged from a low of \$2.35 on 17 December 2014 to a high of \$4.09 on 21 July 2014.

Sirius' share price increased from around \$3.10 in early June 2014 by approximately 30% to approximately \$4.00 in late July 2014. The increase appears to be attributed to the successive positive announcements in relation to Sirius' acquisition of the remaining 30% interest in Nova to secure 100% ownership, releasing the results of the DFS for Nova, and also announcing positive exploration results for the Taipan prospect at Polar Bear.

Subsequent to this period, the share price fell back to trade within a band from \$2.50 to \$3.00 per share. The decline in the share price can be attributed to the gradual decrease in commodity prices, in particular for nickel and copper during this period. The largest trading volume spike of 6,652,616 shares occurred on 24 September 2014. On this day, Sirius' share price decreased by 15% following the release of exploration results.

During this period a number of announcements were made to the market. The key announcements are set out below:

G. Independent Expert's Report (cont)



Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
30/04/2015	Quarterly Activities Report - March 2015	2.900	▼	1.7%	2.770	▼	4.5%
30/04/2015	Quarterly Cashflow Report - March 2015	2.900	▼	1.7%	2.770	▼	4.5%
13/04/2015	Exploration Update	2.620	▲	5.2%	2.620	►	0.0%
30/03/2015	Nova and Exploration Update	2.740	▼	5.2%	2.600	▼	5.1%
02/03/2015	Baloo Exploration Update	2.970	▼	7.2%	2.930	▼	1.3%
02/03/2015	Nova Nickel Offtake signed	2.970	▼	7.2%	2.930	▼	1.3%
27/02/2015	Half Yearly Report	3.200	▲	1.9%	2.750	▼	14.1%
20/02/2015	Nova Project Update	3.120	►	0.0%	3.110	▼	0.3%
16/02/2015	Exploration Update - Baloo & Crux	3.100	▼	2.8%	3.120	▲	0.6%
11/02/2015	Polar Bear - Baloo Gold Update	3.150	▲	4.7%	3.100	▼	1.6%
28/01/2015	Quarterly Activities Report	2.760	▲	1.8%	2.600	▼	5.8%
28/01/2015	Quarterly Cashflow Report	2.760	▲	2%	2.600	▼	6%
27/01/2015	Nova underway on Australia Day	2.710	▼	3%	2.510	▼	7%
23/01/2015	Nickel Exploration Program kicks off	2.780	▼	0%	2.760	▼	1%
20/01/2015	Gold Discovery at Baloo Prospect, Polar Bear	2.510	▲	9%	2.780	▲	11%
17/12/2014	Nova Project Financing Complete	2.350	▲	5%	2.620	▲	11%
27/11/2014	Nova Nickel Project Update	2.750	▼	3%	2.340	▼	15%
29/10/2014	Quarterly Cashflow Report	3.030	▲	7%	3.070	▲	1%
29/10/2014	Quarterly Activities Report	3.030	▲	7%	3.070	▲	1%
24/09/2014	Exploration Update	3.110	▼	15%	3.150	▲	1%
10/09/2014	Nickel Exploration Update	3.890	▼	0%	3.620	▼	7%
25/08/2014	Nickel Exploration Update	3.910	▲	1%	3.880	▼	1%
19/08/2014	Nova Nickel Project Mining Lease Granted	3.950	▼	2%	3.860	▼	2%
04/08/2014	Nova Mining Agreement with Ngadju People completed	3.900	▼	3%	3.920	▲	1%
25/07/2014	A\$189 million raised for the Nova Nickel Project	3.890	▼	5%	3.900	▲	0%
21/07/2014	Exploration Update	4.090	▲	2%	4.080	▼	0%
16/07/2014	Exploration Update	3.950	▲	15%	4.090	▲	4%
14/07/2014	Minor correction to Nova Nickel Project DFS Announcement	3.530	▼	4%	3.840	▲	9%
14/07/2014	Nova Nickel Project Definitive Feasibility Study	3.530	▼	4%	3.840	▲	9%
14/07/2014	June 2014 Quarterly Activities and Cashflow Report	3.530	▼	4%	3.840	▲	9%
16/06/2014	Exploration Update	3.170	▲	6%	3.360	▲	6%
20/05/2014	Update on Nova Nickel Project Native Title	3.080	▲	4%	3.110	▲	1%

Source: Bloomberg

G. Independent Expert's Report (cont)



On 20 May 2014, Sirius announced that it had received notice from the Goldfields Lands and Sea Council that the Ngadju claim group have agreed to provide the necessary consent for the grant of Mining Lease M28/376, subject to Sirius and the Ndadju claim group entering into a binding and definitive agreement. As expected, the market reacted favourably to this news noting that on the day of the announcement, Sirius' share price increased by 4%.

On 16 June 2014, Sirius provided an exploration update which advised that first pass drilling at its Centauri and Crux nickel targets had identified zones of nickel, copper and cobalt enrichment. On the date of the announcement, the Company's share price increased by 6% to close at \$3.170. Over the three consecutive days after the announcement, the Company's shares increased by a further 6%.

On 14 July 2014, the Company announced the results of the DFS undertaken at Nova. The market, contrary to expectations, responded negatively to this information as reflected by Sirius' share price declining by 4% on the date of the announcement. However, over the subsequent three trading days, Sirius' share price increased significantly by 9%.

On 16 July 2014, the Company released positive exploration results at the Taipan prospect for Polar Bear. In particular, the announcement stated that a substantial nickel sulphide mineralisation had been identified in the first reconnaissance drill hole. The market responded positively to this information, as reflected by the Company's largest increase in share price of 15% to price sensitive information over the period. Sirius' share price continued to increase by a further 4% to close at \$4.090 three trading days after the announcement.

On 24 September 2014, the Company released further exploration updates for the Taipan prospect. The update confirmed that follow up drilling had identified further nickel mineralisation. Notwithstanding the positive information, the share price of Sirius declined significantly by 15% on the date of the announcement to close at \$3.110. This represents the largest decline in the price of Sirius' shares and we note that the ASX 300 metals and mining index had declined in the days prior to the announcement whilst Sirius did not and had experienced some appreciation and as such this may be considered to be a market correction.

On 29 October 2014, the Company released its quarterly activities and cash flow reports which reiterated prior announcements including a minor change in board composition, the granting of the mining lease for the Nova project, and the recent success of the institutional capital raising. Although no new material information was released in the quarterly reports, Sirius' shares closed 7% higher on the date of the announcement, and continued to increase by a further 1% over the subsequent three trading days.

On 17 December 2014, the Company announced that syndicate debt funding of \$440 million had been secured to fully fund the development of Nova. The market reacted positively to this announcement as observed by a 5% increase in the share price of Sirius' shares on the date of the announcement. Over the subsequent three trading days, the share price of Sirius continued to increase by 11% to close at \$2.620.

On 20 January 2015, Sirius announced it had discovered a significant zone of gold mineralisation at the Baloo prospect in Polar Bear. This was the first major announcement for this prospect. As expected the market responded positively to this information as reflected in the share price increase of 9% on the date of the announcement, and the subsequent increase of 11% over the following three trading days.

On 27 January 2015, the Company announced that the final statutory approvals for Nova had been received, and that it had identified capital cost savings since the release of the DFS. On the date of the announcement Sirius' share price decreased by 3% which was then followed by a continued decline of 7%.

G. Independent Expert's Report (cont)



We note the broader market including commodity prices remained relatively stable over this period, and our analysis of Sirius' announcements on or around this day does not indicate that any significant adverse information was released. On this basis we consider the declining share price movement to be unexplained. However we note that the trading volume on this date was slightly below the moving average volume traded and we do not consider this to be significant as an unexplained movement.

On 11 February 2015, the Company provided an exploration update on the Baloo prospect. The update informed that follow up drilling had confirmed significant zones of gold mineralisation. As expected, on the release of the update Sirius' share price increased by 4.7% to close at \$3.150. However, over the subsequent three trading days Sirius' share price declined by 1.3%.

On 27 February 2015, Sirius released their half year financial reports. On the date of the announcement, the share price of Sirius increased by 1.9%. This increase was however followed by a decrease over the next three trading days of 14.1%.

On 2 March 2015, the Company released two announcements, the first which announced that Sirius had secured an off-take agreement for 50% of its nickel concentrate production at Nova with BHP Billiton, and the second which provided an exploration update for the Baloo prospect. Contrary to expectations, on the date of the announcements Sirius' share price decreased by 7.2% and over the subsequent three trading days, continued to decline by an additional 1.3%.

On 11 May 2015 press speculation named Sirius as a potential takeover target for IGO which led to an increase in the Share price of Sirius.

To provide further analysis of the market prices for an Sirius share, we have also considered the volume weighted average market price ('VWAP') for 10, 30, 60 and 90 day periods to 8 May 2015 being the last trading day prior to the press speculation.

Share Price per unit	8-May-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$2.820				
Volume weighted average price (VWAP)		\$2.865	\$2.716	\$2.823	\$2.785
Source: Bloomberg, BDO analysis					

The above weighted average prices are prior to the date of the announcement of the Schemes, to avoid the influence of any increase in price of Sirius' shares that has occurred since the Schemes were announced.

An analysis of the volume of trading in Sirius' shares for the twelve months to 8 May 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$2.820	\$2.920	1,095,067	0.27%
10 Days	\$2.700	\$3.000	18,045,722	4.38%
30 Days	\$2.450	\$3.000	44,362,803	10.76%
60 Days	\$2.450	\$3.250	83,270,134	20.20%
90 Days	\$2.290	\$3.250	127,541,350	30.95%
180 Days	\$2.180	\$4.080	263,017,850	63.85%
1 Year	\$2.180	\$4.160	399,226,256	103.08%

Source: Bloomberg, BDO analysis

G. Independent Expert's Report (cont)



This table indicates that Sirius' shares display a high level of liquidity, with 103.08% of the Company's current issued capital being traded over a twelve month period. If the Creasy Group's holding of 34.59% is removed then the volume traded in the past year represents approximately 156% of the non-Creasy Group shares on issue. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Sirius, given there is regular trading of its shares with a cumulative trade over a one year period of 103.08%, and there are no significant unexplained price movements in the share price, we consider there to be a sufficiently deep market for Sirius' shares to reflect a liquid and active market.

9. Profile of S2 Resources Limited

S2 Resources Limited was incorporated in Western Australia on 29 May 2015 as a newly created Australian incorporated company that is to acquire (among other things):

- Polar Bear project (refer section 8.2.4);
- the Scandinavian assets (refer section 8.2.5); and
- \$20 million in cash.

S2 is currently a wholly owned subsidiary of Sirius. The existing entity that holds the Scandinavian assets that is to be acquired by S2 holds approximately \$2 million in working capital.

The objective of S2 is to provide 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 focussed on gold and base metals in politically stable jurisdictions such as Australia and Europe, and, potentially, North America.

S2 will be led by Dr Mark Bennett and it is intended that S2 will incorporate members of the original Sirius exploration team. Dr Mark Bennett is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Geological Society of London and a Fellow of the Australian Institute of Geoscientists.

Dr Bennett is responsible for the discovery of the Thunderbox Gold Mine and the Waterloo nickel mine and the Nova nickel-copper deposit in Western Australia.

In addition, current Sirius Executive Director of Corporate and Commercial, Anna Neuling and Chairman, Jeff Dowling will be Directors of S2. This provides S2 with the experience required, both at board and management level, for the future exploration and development activities that will be undertaken by S2.

Further information on S2 can be found in section 4 of the Demerger Scheme Booklet.

G. Independent Expert's Report (cont)



10. Economic analysis

The global economy is expanding at a reasonable pace despite the fall in commodity prices, which for some key commodities has been significant. These trends appear to be reflecting the increased supply of commodities. However, Australia's terms of trade is declining nonetheless.

The Australian economy has continued to grow at a rate below the longer-term average. The primary cause of the slow growth is attributed to weaknesses in business capital expenditure in both the mining and non-mining sectors, which is expected to persist over the coming year. Investment in the resources sector is forecast to decline significantly over the next few years as current projects reach the stage of completion.

Commodities

Global commodity production is being scaled back with the aim to rebalance the demand and supply of commodities. China has been able to take advantage of cheaper commodity prices which prevailed in 2014, importing record amounts of copper and iron ore.

Prices for aluminium and nickel have recently stabilised reflecting the stability of the US dollar and reductions by mining companies due to the tough global economic environment. However, with China's recent decision to support domestic aluminium producers we expect to see an increase in supply of aluminium into the global market, which will suppress prices in the short term.

New stimulus measures introduced in China have significantly assisted with the recovery of the copper price. Cost-cutting and supply issues in the world's biggest producer, Chile, may have a positive impact on the price of copper as mine projects face disruption by court battles between mining firms and local communities.

Following an approximately 16% decline in the first quarter of 2015, the price of nickel is now trading near six-year lows, weighed down by record inventories and slowing Chinese gross domestic product growth. China's subdued construction sector has weakened the demand for nickel despite reduced exports from the Philippines. However, prices are expected to improve as Chinese stockpiles decline fuelled by the export ban in Indonesia, and the closure of some mines in the Shandong province.

The recent improvement of global zinc prices can be attributed to a decline in inventories caused by slowing production and mine shutdowns. Global demand from emerging economies will sustain and slowly increase the price of zinc.

The price of gold has recently seen an increase amid new concerns over Greece's finances. Scope for a significant improvement in gold prices remains limited by the anticipation of US monetary policy tightening.

Interest Rates

The Reserve Bank of Australia ('RBA') has decided to leave the cash rate unchanged at 2.0%, however Glenn Stevens has stated that the RBA expects to start increasing its policy rate later this year. Financial conditions remain very accommodative globally, with long-term borrowing rates for several major sovereigns at all-time lows. Financing costs for creditworthy borrowers remain remarkably low.

The RBA's decision to maintain low interest rates has been made in order to support borrowing and spending, in the Australian economy. Credit is recording moderate growth overall. There has been

G. Independent Expert's Report (cont)



stronger lending to businesses, with prices for equities and commercial property supported by the lower long-term interest rates.

Foreign Exchange

Foreign exchange markets have continued to be influenced by the stance, both current and prospective, of monetary policy in the major advanced economies. The Australian dollar has declined noticeably against a rising US dollar over the past year, though less so against a basket of currencies. Further depreciation seems likely, particularly given the significant decline in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 2 June 2015 and Consensus Economics

11. Industry analysis

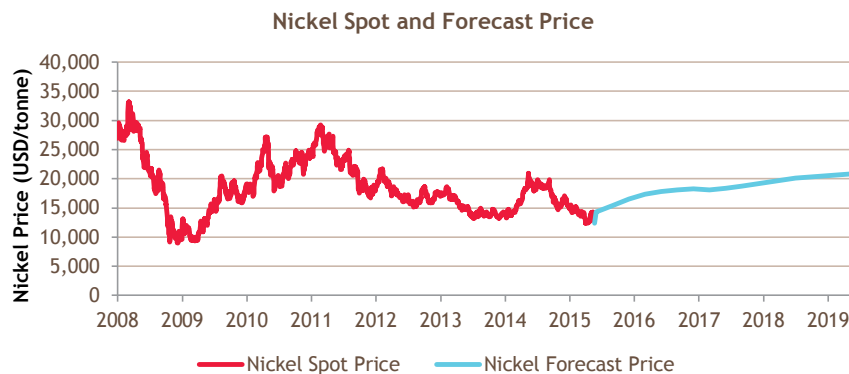
11.1 Nickel

The success of the nickel mining industry in Australia is dependent upon the prices of nickel ores, the exchange rate between United States Dollar ('US\$') and Australian Dollar, nickel ore production and general demand and supply for the metal. Nickel is primarily used in the manufacturing of stainless steel products. Stainless steel accounts for nearly two-thirds of the consumption of nickel worldwide. There are expected to be two main drivers for the demand of stainless steel and hence nickel through to 2019-20. The first is government spending on infrastructure such as road and rail networks, which is heavily dependent on stainless steel during construction. The second is consumer durable spending on steel-intensive products such as white goods and TVs, underpinned by growing wealth and increasing urbanisation.

Nickel Prices

The global demand for nickel is currently being driven by the economic conditions in China, which currently accounts for about 41% of total consumption. Demand from China is expected to rise over the next five years alongside other developing countries, such as India. The figure below describes the fluctuations in nickel spot prices from January 2008 through to May 2015. It also shows Consensus forecasts for nickel prices through to 2019.

G. Independent Expert's Report (cont)



Source: Bloomberg & Consensus Economics

The figure above illustrates that nickel prices did not respond well during the economic recession that occurred as a result of the global financial crisis. Since then, there has been a general improvement in the health of the economy, which has seen the demand for nickel as well as prices increase. The continued recovery and firming global economic activity is therefore expected to set the scene for higher nickel prices through to 2018-19 and as Consensus Economics forecasts indicates, in the long term the price of nickel is expected to increase to over US\$20,000 per tonne.

Production and Usage

Although global output of nickel is expected to be sufficient to meet demand, more production will come from higher cost lateritic ore, creating a floor under nickel prices. In addition, Australian producers will benefit from the expected continued slide of the local currency against the \$US.

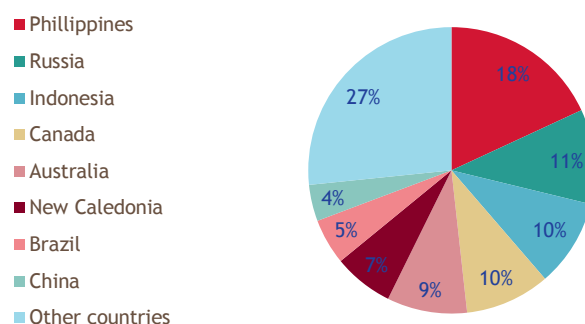
Nickel can be found in two different geological states, nickel sulphide and nickel laterite. The latter is associated with more complex mining processes and is therefore generally mined at newer mining sites. In Australia, approximately 80% of Nickel is mined from its nickel sulphide geological state.

In 2014, total world production for nickel decreased to 2.4 million metric tonnes from approximately 2.63 million metric tonnes in 2013. The cause of this is partially attributed to the significant reduction of production by Indonesia to 240,000 metric tonnes from 440,000 metric tonnes in 2013. For Australia specifically, nickel production decreased from 230,000 metric tonnes to 220,000 metric tonnes in 2014. As a result of this decrease, Australia is now the fifth largest producer in the world in comparison to being the fourth largest in the previous year. The estimated global nickel production by country in 2014 was reflected in the figure below.

G. Independent Expert's Report (cont)



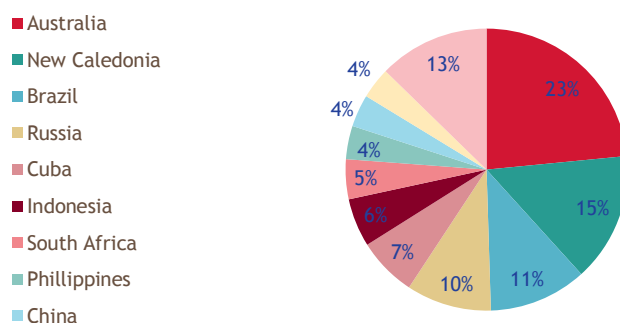
Global Nickel Production - 2014



Source: US Geological Survey

The potential output and rate of production of nickel are key factors in deciding whether or not Australian nickel mining companies will be able to compete globally. The figure below indicates the nickel resource potential in Australia. Australia has the largest nickel reserve holding approximately 23% of the world's total nickel reserves. Production of nickel in Australia is expected to increase by 2% in 2014-15 after higher cost operations were cut back in line with declining nickel prices.

Global Nickel Reserves - 2014



Source: US Geological Survey

Worldwide, the output of nickel is expected to grow over the five years through 2019-20. China, the major nickel consumer, is also expected to account for an increasing proportion of processed nickel output. Nickel ore exports from Australia are forecast to increase at a compound annual growth rate ('CAGR') 6.60% to \$1.02 billion in 2019-20 to account for 23.1% of industry revenue for the year.

Australia's nickel output is also poised to grow in later years. This increased output is likely to come from BHP Billiton, Glencore Xstrata and the Ravensthorpe mine, which has been restarted by Canada's First Quantum Minerals Limited. Similarly, output from Poseidon Nickel is expected to recommence during the next five years. Overall, by 2019-20, Australia's production of nickel is forecast to be approximately 267,800 tonnes per year.

G. Independent Expert's Report (cont)



11.2 Copper

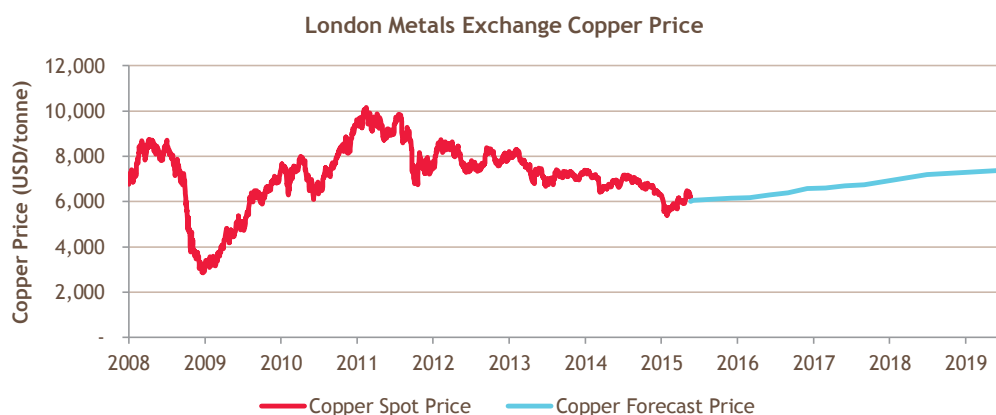
Copper is a soft, malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy. Copper is produced from an oxide or sulphide ore from which it is converted to copper metal.

The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), and volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). In these deposits copper is mined in very low concentrations and consequently is a volume intensive process. For this reason open pit mining is the preferred method of extraction, however underground mining and leach mining are also used in limited circumstances.

Copper Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements. At the beginning of 2008, supply concerns, falling inventories and increased demand from emerging economies provoked a significant and accelerated rise in the copper price. As with most commodities, prices fell during the global financial crisis. Prices have since overtaken the increases which occurred in 2008, occurring during the latter half of 2010 and throughout the beginning of 2011, reaching a peak of just over US\$10,000/Mt in February 2011. Since that peak, prices have shown a downward trend at around US\$8,000 per tonne in 2012, US\$7,000 per tonne in 2013 and US\$6,500 per tonne in 2014.

The average copper price from January 2015 through to May 2015 has been US\$5,929/Mt, ranging from a low of US\$5,395/Mt on 29 January 2015 to a high of US\$6,480/Mt on 5 May 2015. Looking forward, the recovering global economy is expected to support copper prices through growth in world usage resulting in an increase in demand. The consensus view is for copper prices to increase in the short to medium term.



Source: Bloomberg and BDO analysis

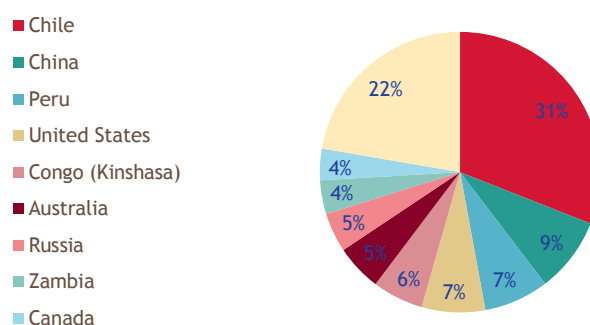
G. Independent Expert's Report (cont)



Production and Usage

Most of the world's copper comes from South and Central America, particularly in Chile and Peru. In 2014, Chile, China and Peru accounted for around 50% of the world's copper production. Although Australia has substantive reserves of copper, in terms of production, Australia only accounted for 5% in 2014. The graph below shows the split between the different country's estimated productions for the year 2014.

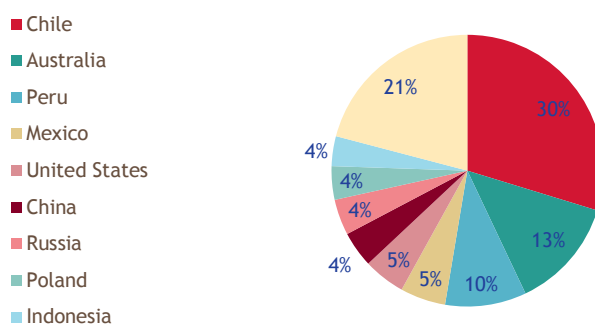
Global Copper Production - 2014



Source: U.S. Geological Survey

As at 2014, Chile, Australia and Peru are collectively estimated to account for just over 50% of global reserves of copper. A figure illustrating a country breakdown of reserves for 2014 is below.

Global Copper Reserves - 2014



Source: U.S. Geological Survey

The dominant consumers include China, Japan, India and South Korea. China acquires approximately 30% of the Australian copper exports given the demand influenced by the above average growth of urbanisation and energy use. Japan accounts for approximately 25%, and commonly utilises copper concentrate for further processing into final copper goods. For 2014/15, Australia copper exports are expected to increase by 1.3% to \$5.3 billion, and are expected to continue growing at a CAGR of 1.53% through to 2019-20.

G. Independent Expert's Report (cont)

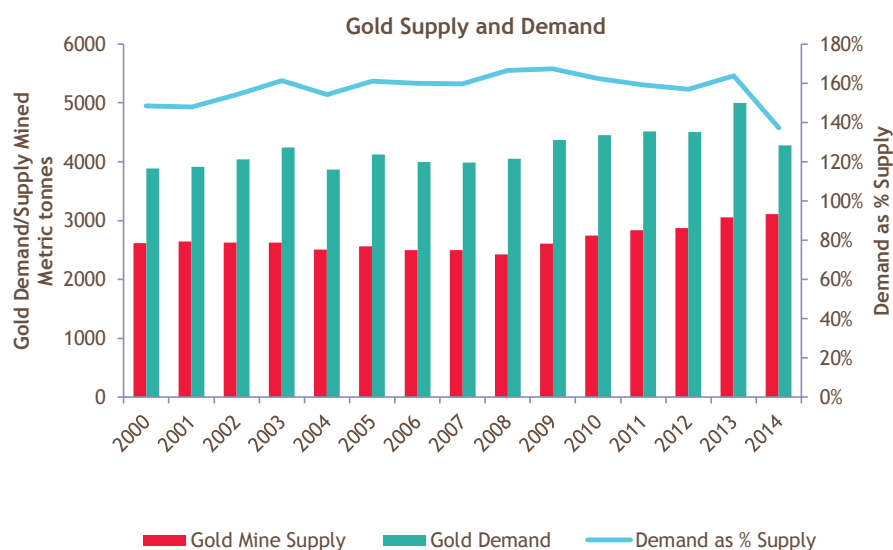


As a result of the forecasted price increases, the Australian copper industry revenue is expected to grow with a CAGR of 1.4% over the five years through to 2019-20, or up to \$7 billion. Over short to medium term, the industry revenue is forecast to grow by 5.2% in 2015/16 as mine construction and expansion activities continue to increase.

11.3 Gold

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

As illustrated in the chart below, gold mine production was approximately 3,114 metric tonnes in 2014 and gold consumption was 4,278 metric tonnes. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased at a CAGR of 4% between 2008 and 2013, but then decreased by 14.6% in 2014. Over the same period, demand as a percentage of supply was on average greater than 150%.



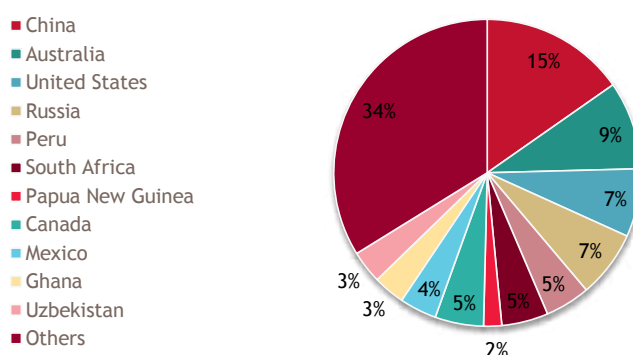
Source: Bloomberg and BDO analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China, Australia and the United States.

G. Independent Expert's Report (cont)



Global Gold Production - 2014

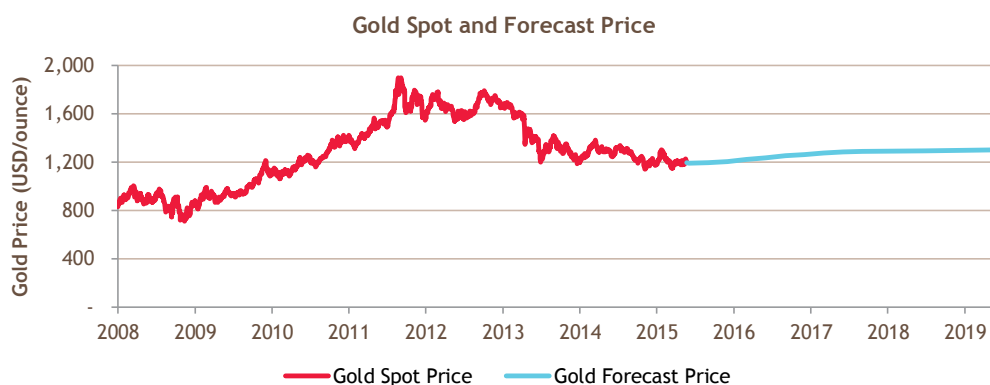


Source: Bloomberg and BDO analysis

Gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US\$1,900 per ounce on 5 September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold. Prices contracted in December 2011 reaching a low of US\$1,545 per ounce followed by a recovery in 2012, reaching US\$1,790 per ounce on 4 October 2012 before declining to US\$1,675 per ounce at 31 December 2012. Gold prices have modestly declined over 2013 and 2014. More recently, gold prices from January 2015 through to May 2015 have averaged US\$1,212 per ounce, ranging from a low of US\$1,150 per ounce on 13 March 2015 to a high of US\$1,302 per ounce on 22 January 2015.

According to Consensus Economics, gold prices are forecast to stabilise in the short to medium term, followed by a moderate increase with a long term nominal price forecast of approximately US\$1,264 per ounce.



Source: Bloomberg, Consensus Economics and BDO analysis

G. Independent Expert's Report (cont)



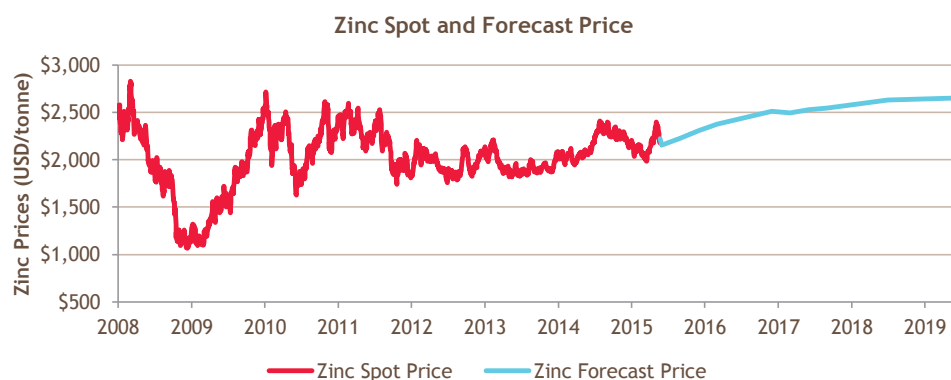
11.4 Zinc

Globally, Zinc is the most used metal after iron, aluminium and copper. It is typically found in complex deposits alongside lead and silver. It is an element known for its unique protective capacity given it is resistant to corrosion and as such a substantial portion of zinc is used for galvanising steel. Other uses include the production of zinc alloys e.g. brass from the combination of zinc and copper, and bronze from the combination of zinc and silver. Zinc is also used in chemical forms, for example in the pharmaceutical industry for skin products.

Refined zinc is produced from a two staged process of mining and smelting. The mining process involves extraction from both underground and open pit mines, producing a zinc ore typically containing approximately 5% to 15% zinc. This ore is then crushed and ground to produce a zinc concentrate that contains approximately 55% zinc. The zinc concentrate is then put through a smelting process to produce refined zinc metal.

Zinc prices

As a result of the demand drivers, the price of zinc has closely followed global economic conditions. Following the global financial crisis the price of zinc decreased significantly from the approximately US\$2,800 per tonne in early 2008, to a low of approximately US\$1,000 per tonne in late 2008. Since the global financial crisis, the price of zinc has recovered and more recently has traded in a band between approximately US\$2,000 and US\$2,400 per tonne. According to Consensus Economics the long term forecast zinc price in 2019 is approximately US\$2,600 per metric tonne. The figure below illustrates the historical fluctuations in the zinc spot prices from January 2008 to May 2015 and the Consensus forecasts for zinc prices through to 2019.



Source: Bloomberg, Consensus Economics and BDO Analysis

Production and Usage

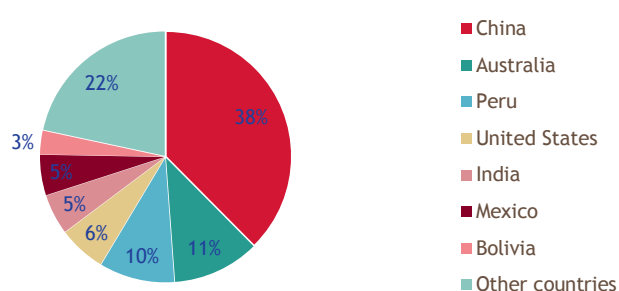
China accounts for over 40% of the global demand for refined zinc, with demand expected to continue to grow, supported by ongoing public sector spending on infrastructure and the production of manufactured goods. Other large consumers include India given their continuing economic development and Japan due to the continued rebuilding in the wake of the March 2011 earthquake and tsunami.

G. Independent Expert's Report (cont)



Total world production is estimated to have decreased in 2014, to approximately 13.3 million tonnes down from 13.4 million tonnes. In Australia, estimated production for 2014 was 1.5 million tonnes making it the second largest producer. This is reflected in the figure below, which provides a breakdown of total estimated world production by country in 2014.

Global Zinc Production - 2014

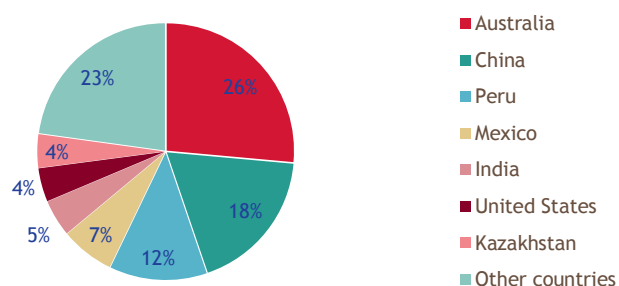


Source: U.S. Geological Survey

Zinc production in Australia is forecast to reach 3.4 million tonnes by 2019/20. The moderate growth in the production of zinc reflects the closure of some operations offset by expansions of existing mines and new mines. For example, Glencore Xstrata's output from its McArthur River mine and Mount Isa mine is expected to increase following significant expansions of the projects. The increasing production as well as increasing zinc prices is expected to result in higher revenues for the industry.

Australia has the world's largest deposits for zinc, with a substantial portion of zinc reserves located in the state of Queensland. The Australian zinc industry is also highly concentrated in terms of market share with the three largest companies, BHP Billiton Limited, Glencore Xstrata and Minerals and Metals Group Limited accounting for the majority of the market share. Globally, China and Peru also have substantive portions of zinc reserves. The figure below outlines global zinc reserves by country for 2014.

Global Zinc Reserves - 2014



Source: U.S. Geological Survey

G. Independent Expert's Report (cont)



In Australia, given the global demand determinants and forecasted production increases, industry revenues are estimated to increase by a CAGR of approximately 1.75% through to 2019-20. Combined with the lead and silver industries which are closely tied with zinc mining, in Australia the industries are collectively expected to increase revenue to approximately \$5.47 billion by 2019-20, up from industry revenue of \$5.01 billion in 2014-15.

12. Sources of information

This report has been based on the following information:

- draft Demerger Scheme Booklet on or about the date of this report;
- draft Acquisition Scheme Booklet on or about the date of this report;
- audited financial statements of Sirius for the years ended 30 June 2014 and 30 June 2013
- half year report of Sirius for the period ended 31 December 2014
- independent Valuation Report of Polar Bear dated [DATE] performed by Optiro;
- share registry information;
- information in the public domain; and
- discussions with Directors and Management of Sirius.

13. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$175,000 for the preparing and issuing the independent expert's reports relating to the Demerger Scheme and the Acquisition Scheme (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of our Reports. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Sirius in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Sirius, including the non provision of material information, in relation to the preparation of our Report.

Prior to accepting this engagement, BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Sirius and IGO and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Sirius and IGO and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Sirius or IGO.

A draft of our Report was provided to Sirius and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to our Report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

G. Independent Expert's Report (cont)



BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

14. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 17 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

15. Disclaimers and consents

This report has been prepared at the request of Sirius for inclusion in the Demerger Scheme Booklet which will be sent to all Sirius Shareholders. Sirius engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Demerger of S2 from Sirius is in the best interests of Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Demerger Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Demerger Scheme Booklet, other than this report and statements attributed to it in the Demerger Scheme Booklet.

G. Independent Expert's Report (cont)



We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Sirius. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Demerger Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Sirius, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets to be held by S2.

The valuer engaged for the mineral asset valuation, Optiro, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Adam Myers
Director



Sherif Andrawes
Director

G. Independent Expert's Report (cont)



Appendix 1 – Glossary of Terms

Reference	Definition
Acquisition Scheme	IGO's acquisition of all the issued capital of Sirius by way of a scheme of arrangement where each Sirius shareholder will receive 0.66 IGO shares for each Sirius share held and cash consideration of \$0.52 for each Sirius share held
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
BHP Billiton	BHP Billiton Nickel West
CAGR	Compound annual growth rate
Capital Reduction	Capital reduction in accordance with section 256C of the Act
The Company	Sirius Resources NL
Corporations Act	The Corporations Act 2001 Cth
Creasy Group	Various entities controlled by Mr Mark Creasy
DCF	Discounted future cash flows
Demerger	Sirius' undertaking of a demerger of its Polar Bear and Scandinavian assets via a capital reduction
Demerger Scheme	Sirius' undertaking of a demerger of its Polar Bear and Scandinavian assets via a capital reduction and by way of a scheme of arrangement
DFS	Definitive feasibility study
DID	Demerger Implementation Deed
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation

G. Independent Expert's Report (cont)



Reference	Definition
Eundynie JV	Eundynie Joint Venture
Europa	Sirius Europa Pty Ltd
FME	Future maintainable earnings
Fraser SIR	Fraser Range project
Fraser Range JV	Fraser Range Joint Venture
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
km	Kilometres
km ²	Square kilometres
Merged Group	The merged entity of IGO and Sirius following the Acquisition Scheme
NAV	Net asset value
Norse	Norse Exploration Pty Ltd
Nova	Nova Nickel Project
Polar Bear	Polar Bear Project
QMP	Quoted market price
RBA	Reserve Bank of Australia
Our Report	This Independent Expert's Report prepared by BDO
Regulations	Corporations Regulations 2001 (Cth)
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Sakumpu	Sakumpu Exploration Oy
Schemes	The Acquisition Scheme and the Demerger Scheme collectively
Shareholders	Shareholders of Sirius Resources NL
SID	Scheme Implementation Deed

G. Independent Expert's Report (cont)



Reference	Definition
Sirius	Sirius Resources NL
Sirius Ordinary Share(s)	fully paid ordinary share(s) in Sirius
Sirius Partly Paid Share(s)	Partly paid ordinary share(s) in Sirius
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume weighted average price

Copyright © 2015 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public or private use in any information retrieval system, or transmitted in any form by any mechanical, photographic or electronic process, including electronically or digitally on the Internet or World Wide Web, or over any network, or local area network, without written permission of the author. No part of this publication may be modified, changed or exploited in any way used for derivative work or offered for sale without the express written permission of the author.

For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

G. Independent Expert's Report (cont)



Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

G. Independent Expert's Report (cont)



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business or asset by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Copyright © 2015 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public

G. Independent Expert's Report (cont)



Appendix 3 - Independent Technical and Valuation Report

See Annexure H to this Acquisition Scheme Booklet

ANNEXURE H

H. Independent Geological Report



Sirius Resources NL Valuation of the Polar Bear project



J_1878

Principal Authors:

Jason Froud BSc Hons, MAusIMM

Principal Reviewer:

Ian Glacken FAusIMM(CP), CEng

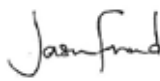
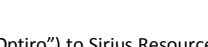
June 2015

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Doc Ref: 150619_J_1878_S2.docx Number of copies: Optiro: 1 Sirius Resources NL: 1	Perth Office Level 1, 16 Ord Street West Perth WA 6005 PO Box 1646 West Perth WA 6872 Australia Tel: +61 8 9215 0000 Fax: +61 8 9215 0011 Optiro Pty Limited ABN: 63 131 922 739 www.optiro.com
---	---

Principal Authors:	Jason Froud BSc Hons, MAusIMM	Signature:	
		Date:	19 June 2015
Contributors:			
Principal Reviewer:	Ian Glacken FAusIMM(CP),CEng	Signature:	 
		Date:	19 June 2015

Important Information:

This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Sirius Resources NL and the terms of Optiro's Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Sirius Resources NL for the purposes set out in Optiro's proposal and in accordance with the Agreement. Sirius Resources NL may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro's prior written consent.

Optiro has used its reasonable endeavours to verify the accuracy and completeness of information provided to it by Sirius Resources NL which it has relied in compiling the Report. We have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of Optiro acting as an independent valuer to perform any due diligence procedures on behalf of the Company. Optiro provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of Optiro is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of engagement are such that Optiro has no obligation to update this report for events occurring subsequent to the date of this report.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY	1
2. INTRODUCTION AND TERMS OF REFERENCE	2
2.1. TERMS OF REFERENCE AND PURPOSE OF REPORT	2
2.2. RESPONSIBILITY FOR THE REPORT AND DATA SOURCES	2
2.3. MINERAL ASSETS	3
2.4. LIMITATIONS AND EXCLUSIONS	3
3. SIRIUS RESOURCES.....	3
3.1. POLAR BEAR PROJECT	3
3.1.1. LOCATION AND ACCESS	3
3.1.2. TENURE AND OWNERSHIP	4
3.1.3. GEOLOGY	6
3.1.4. EXPLORATION ACTIVITIES	8
4. VALUATION APPROACH AND METHODOLOGY	11
4.1. MINERAL RESOURCES AND EXPLORATION POTENTIAL VALUATION	11
4.1.1. GEOSCIENTIFIC RATING METHOD	11
4.1.2. COMPARABLE TRANSACTION METHOD	12
4.1.3. JOINT VENTURE TERMS METHOD	13
4.1.4. APPRAISED VALUE METHOD	13
5. VALUATION	14
5.1. OVERVIEW	14
5.1.1. POLAR BEAR	14
5.2. POLAR BEAR PROJECT	14
5.2.1. EXPLORATION POTENTIAL	14
5.3. SUMMARY OF VALUATION	16
6. DECLARATIONS BY OPTIRO	17
6.1. INDEPENDENCE	17
6.2. QUALIFICATIONS	17
7. REFERENCES.....	18
8. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS.....	19

TABLES

Table 1.1	Valuation summary	1
Table 3.4	Polar Bear project tenement schedule (excluding Eundynie joint venture and Norcott licence).....	5
Table 5.1	Geoscientific rating criteria (modified by Optiro)	12

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Table 6.2	Polar Bear project - Geoscientific rating criteria applied to exploration mineralisation potential.....	15
Table 6.5	Valuation summary of Sirius' Polar Bear exploration potential.....	16

FIGURES

Figure 3.6	Location of Polar Bear project licences (Source: Sirius).....	4
Figure 3.7	Geology of the Polar Bear area (Source: Sirius).....	7
Figure 3.8	Nanook and Bindy prospects showing maximum down hole gold (Source: Sirius).....	9
Figure 3.9	Baloo prospect showing maximum down hole grade (Source: Sirius).....	10

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

1. EXECUTIVE SUMMARY

At the request of BDO Corporate Finance (WA) Pty Ltd (BDO) on behalf of Sirius Resources NL (Sirius), Optiro Pty Ltd (Optiro) has prepared an Independent Valuation of the Polar Bear project in Western Australia (held by Sirius). Optiro understands that Sirius also holds an interest in the Eundynie joint venture in Western Australia and exploration assets in Scandinavia but was not requested to value these assets.

Optiro understands that its valuation will be relied upon and appended to an Independent Expert's Report prepared by BDO for inclusion in a scheme booklet, to assist Sirius shareholders in their decision whether or not to approve a proposed scheme of arrangement. The scheme booklet will address the proposed acquisition of the shares in Sirius by IGO, which would result in a merger of IGO and Sirius Resources and the demerger of the Polar Bear, Eundynie joint venture and Scandinavian assets into a new company. As such, it is understood that Optiro's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005).

The Polar Bear project covers an area of approximately 151 km² of granted licences 100% held by Sirius, located between Higginsville and Norseman in Western Australia. The project is surrounded by known gold mines at Norseman, St Ives and Higginsville. Large parts of the project area are relatively underexplored 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 gold mineralisation elsewhere in the district. The project also contains extensions of the Kambalda and Widgiemooltha ultramafic stratigraphy, which hosts world class nickel sulphide mines along strike to the north and northwest. A number of broad gold anomalies have been defined beneath Lake Cowan by reconnaissance aircore drilling and these present highly prospective targets for further exploration. Gold mineralisation already identified at the Baloo, Monsoon and Nanook prospects potentially defines a previously unrecognised and unexplored gold trend beneath Lake Cowan. Consistent oxide gold mineralisation has been identified at Baloo that Optiro considers has a high likelihood of becoming a gold mine.

VALUATION

Optiro has determined the fair market value of the various projects at an effective valuation date of 12 June 2015.

Optiro's opinion of the fair market value of the exploration potential of Sirius' Polar Bear projects is summarised in Table 1.1. Optiro's opinion of the fair market value of Sirius' exploration potential contained within the Polar Bear project is that it lies within the range A\$12.6 M to A\$26.5 M, with a preferred value of A\$19.6 M.

Table 1.1 Valuation summary

Mineral asset	Value (A\$M)		
	Low	High	Preferred
Sirius – Polar Bear project Exploration potential	12.6	26.5	19.6

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

The values assigned to the mineral assets are in Australian dollars (A\$) and were prepared at the effective valuation date.

The opinions expressed and conclusions drawn with respect to this valuation of the mineral assets are appropriate at the valuation date of 12 June 2015. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions, in addition to future exploration results.

2. INTRODUCTION AND TERMS OF REFERENCE

2.1. TERMS OF REFERENCE AND PURPOSE OF REPORT

At the request of BDO Corporate Finance (WA) Pty Ltd (BDO) on behalf of Sirius Resources NL (Sirius), Optiro Pty Ltd (Optiro) has prepared an Independent Valuation of the Polar Bear project in Western Australia, held by Sirius. Optiro understands that Sirius also holds an interest in the Eundynie joint venture in Western Australia and exploration assets in Scandinavia but was not requested to value these assets.

Optiro understands that its review and valuations will be relied upon and appended to an Independent Expert's Report prepared by BDO for inclusion in a scheme booklet, to assist Sirius shareholders in their decision regarding the approval of a proposed scheme of arrangement. The scheme booklet will address the proposed acquisition of the shares in Sirius by IGO, which would result in a merger of IGO and Sirius Resources and the demerger of the Polar Bear, Eundynie joint venture and Scandinavian assets into a new company. As such, it is understood that Optiro's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005).

2.2. RESPONSIBILITY FOR THE REPORT AND DATA SOURCES

This report was prepared by Mr Jason Froud (Principal) and was reviewed by Mr Ian Glacken (Director and Principal) of Optiro. The report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 Edition (the VALMIN Code). The authors and reviewer of this report are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM), and therefore are obliged to prepare mineral asset valuations in accordance with the VALMIN Code. All values have been compiled in Australian dollar (A\$) terms.

In developing its technical assumptions for the valuation, Optiro has relied upon information provided by Sirius and their consultants, as well as information obtained from other public sources. The material on which this report is based includes internal and open-file project documentation, technical reports, drillhole databases and resource models.

Optiro has independently reviewed and assured itself of the mineral tenure at the Polar Bear project held by Sirius and reviewed all relevant technical and corporate information made available by the management of Sirius which was accepted in good faith as being true, accurate and complete, having made due enquiry of Sirius. Optiro has additionally sourced publically available information on recent transactions involving nickel and gold properties.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Optiro did not visit the Polar Bear project as it was considered that a site visit would not reveal information or data material to the outcome of this report. Optiro is satisfied that sufficient current information was made available for these projects in order to allow an informed appraisal to be made without carrying out a site inspection.

2.3. MINERAL ASSETS

Sirius' Polar Bear project comprises three Exploration Licences, six Mining Leases and 16 Prospecting Licences, as well as applications for two Exploration Licences and two Prospecting Licences and one mining lease.

Optiro understands that there are no current social or heritage issues that would affect its valuation of Sirius' mineral assets. Barrick (Putonic) Limited hold a 2% net smelter return royalty over the original Polar Bear licences.

2.4. LIMITATIONS AND EXCLUSIONS

This report is based predominantly on information provided by Sirius, either directly from discussions and data provided, or from reports and correspondence with other organisations whose work is the property of Sirius.

This report is based on information made available to Optiro up to 12 June 2015. Sirius has not advised Optiro of any material change, or event likely to cause material change, to the technical assessment of the mineral assets contained within Sirius' projects. This report specifically excludes any aspects relating to legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence the technical assessment of the asset.

The conclusions expressed in this report are valid as at 12 June 2015. The valuation is only appropriate for this date and may change with time and response to variations to economic, market, legal or political factors, in addition to ongoing exploration results.

All values are in Australian dollars unless otherwise indicated.

3. SIRIUS RESOURCES

3.1. POLAR BEAR PROJECT

3.1.1. LOCATION AND ACCESS

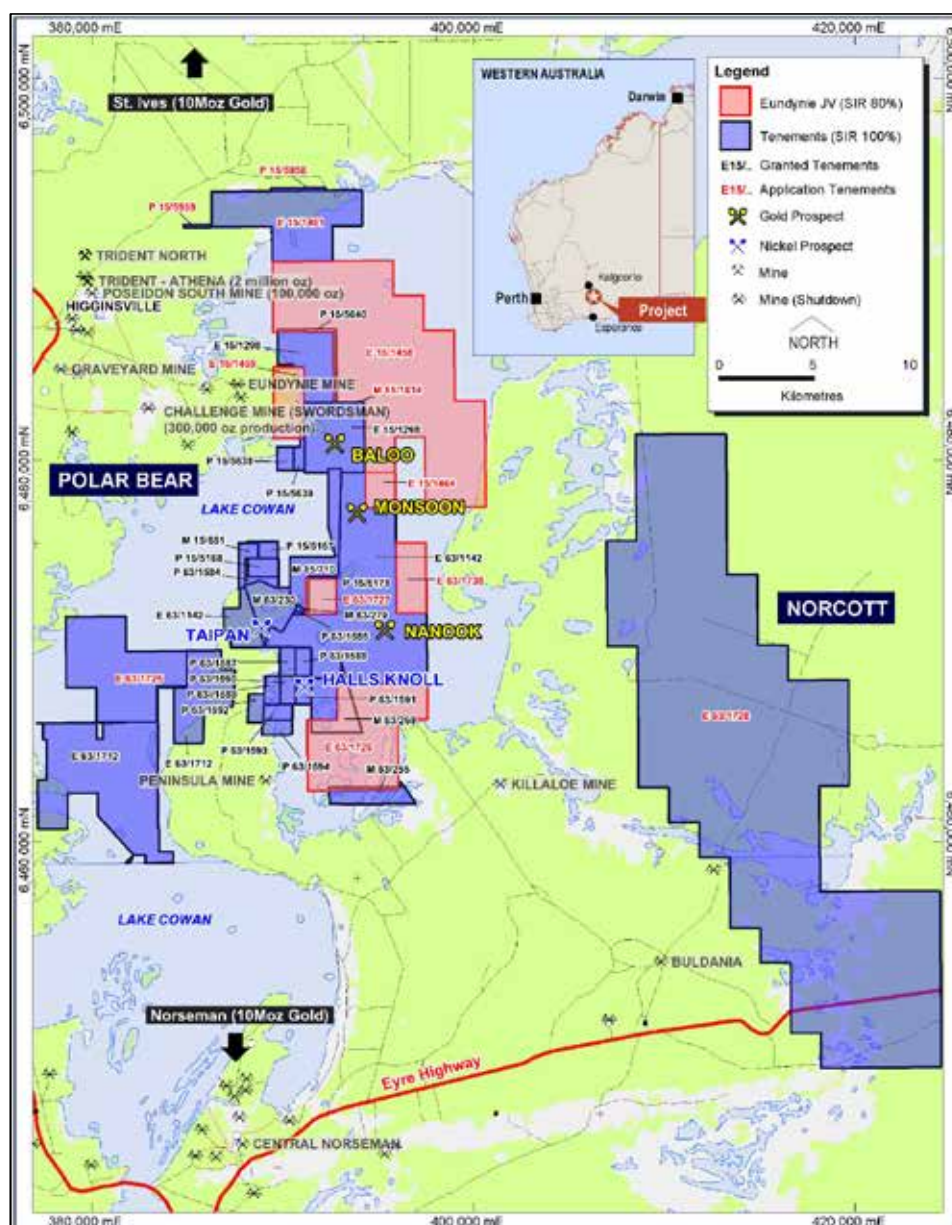
The Polar Bear project is located approximately 40 km north-northeast of Norseman (Figure 3.1). Much of the project area lies over Lake Cowan and covers the Polar Bear peninsula. Access is via Norseman, then east along the Eyre Highway for 12 km before turning along Peninsula and Hinamoa mine roads.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Figure 3.1 Location of Polar Bear project licences (Source: Sirius)



3.1.2. TENURE AND OWNERSHIP

Optiro reviewed the Polar Bear licences using the Government of Western Australia, Department of Mines and Petroleum's Tengraph Online system and found the licences to be in good standing. The Polar Bear project comprises a total of three Exploration Licences, 16 Prospecting Licences and six Mining Leases (Table 3.1) covering a combined total area 151.3 km² as well as applications for two Exploration Licences, two Prospecting Licences and one mining lease covering a further 38.3 km².

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Table 3.1 Polar Bear project tenement schedule (excluding Eundynie joint venture and Norcott licence)

Tenement number	Status	Grant date	Expiry date	Area (km ²)	Equity
E15/1298	Granted	31 Jul 2012	30 Jul 2017	20.4	100%
E63/1142*	Granted	13 Feb 2009	12 Feb 2019	58.4	100%
E63/1712	Granted	25/5/2015	24/5/2020	44.2	100%
M15/651*	Granted	11 Feb 1993	10 Feb 2035	1.4	100%
M15/710*	Granted	10 Aug 1994	9 Aug 2015	6.1	100%
M63/230*	Granted	19 Nov 1990	18 Nov 2032	5.0	100%
M63/255*	Granted	22 Oct 1992	21 Oct 2034	3.5	100%
M63/269*	Granted	1 Oct 1993	30 Sep 2035	6.7	100%
M63/279*	Granted	23 Mar 1994	22 Mar 2015	0.1	100%
P15/5167*	Granted	7 Apr 2009	6 Apr 2017	1.0	100%
P15/5168*	Granted	7 Apr 2009	6 Apr 2017	1.5	100%
P15/5171*	Granted	30 Sep 2008	29 Sep 2016	0.2	100%
P15/5638	Granted	14 Jun 2012	13 Jun 2016	1.1	100%
P15/5639	Granted	14 Jun 2012	13 Jun 2016	1.0	100%
P15/5640	Granted	3 Sep 2012	2 Sep 2016	1.0	100%
P63/1584*	Granted	30 Jun 2008	29 Jun 2016	0.7	100%
P63/1585*	Granted	30 Jun 2008	29 Jun 2016	0.1	100%
P63/1587*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1588*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1589*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1590*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1591*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1592*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1593*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
P63/1594*	Granted	10 Jun 2009	9 Jun 2017	1.2	100%
E15/1461	Pending				
E63/1725	Pending				
M15/1814	Pending				
P15/5958	Pending				
P15/5959	Pending				

- subject to 2% NSR royalty

Furthermore, on 16 February 2015 Sirius purchased an 80% interest in ground adjacent to the Baloo discovery (Eundynie Joint Venture). The joint venture comprises six exploration licence applications covering part of the Baloo trend and the projected extension of the geological trend that hosts Gold Fields' recent Invincible gold discovery to the north. The Norcott licence application and Eundynie joint venture do not form part of this valuation as these licences remain in application.

Total annual exploration expenditure commitments for the Polar Bear project are currently \$395,000. To date, Optiro understands that Sirius has expended \$13.2 M on the Polar Bear licences.

Optiro understands that the original Polar Bear licences as specified in Table 3.1 are subject to a 2% net smelter return (NSR) royalty payable to Barrick (Plutonic) Limited.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

3.1.3. GEOLOGY**REGIONAL GEOLOGY**

The geology at Polar Bear is dominated by complexly-deformed Achaean greenstone assemblages of the Norseman-Wiluna Greenstone Belt which have been metamorphosed to upper greenschist facies (Figure 3.2). The major regional structures in the area are the Boulder-Lefroy Fault, located approximately 10 km northeast of the project area, the Mission Fault, located in the southern portion of the project area and the Black Knob Fault that transects the central portion of the project. The Mission Fault merges with the Black Knob Fault in the southwest portion of the project area. Both the Boulder-Lefroy and the Black Knob faults strike north-northwest. The Black Knob Fault is interpreted to be the southern extension of the Zuleika Shear.

LOCAL GEOLOGY

Lake Cowan covers most of the project area and comprises a 1 to 3 m thick layer of gypsiferous mud and clay with a poorly developed halite crust. The deeper channels within the lake contain thick sequences of transported clays with intercalated lignite beds from 1 m to 20 m thick which overlie laterally extensive fossiliferous sandstone, locally known as the Norseman Formation and of probable Eocene age. Locally running sands and gravels are present at the base of the channels, which can be in excess of 90 m thick and which were believed to be draining in a northeast direction. The entire project area has been intruded by numerous Proterozoic dolerite dykes.

The local Polar Bear geology is characterised by a complex array of structural features, including repeated thrusts, folding, plunging and shearing. Meta-basalt, meta-dolerite and repeated flows of serpentinised peridotites and pyroxenites are the dominant lithologies. Wedged within the greenstone sequences are steeply dipping black shales and chert units. Carbonate-talc alteration of ultramafic units is common and is often accompanied by asbestos veining. Felsic intrusions, in the form of massive quartz-feldspar-biotite porphyritic granites, are widespread in the northern islands. At the Snout gold prospect the coarse felsic unit is repeatedly crosscut by quartz veinlets, often containing visible sulphides.

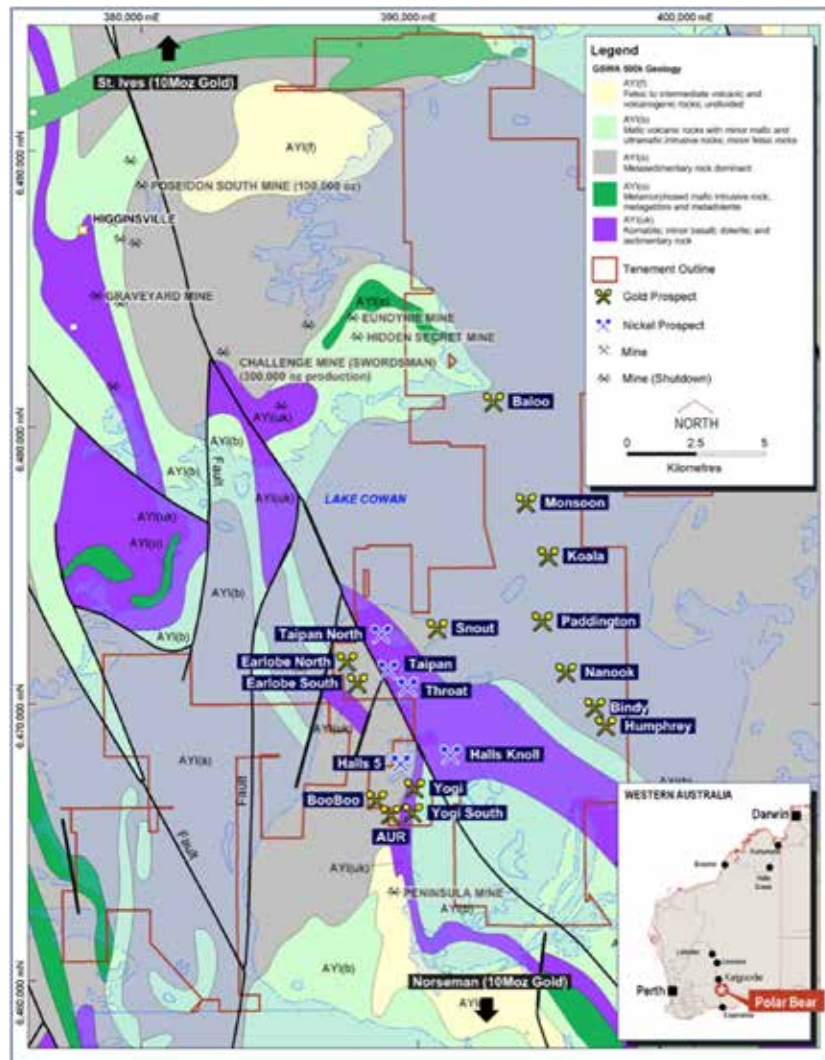
The Polar Bear region contains known nickel sulphide mineralisation at the North Peninsula and Halls Knoll prospect areas. Mineralisation is present as disseminated and remobilised massive and veinlet sulphides within the ultramafic sequence. Historically, the region is known for its gold prospectivity, particularly to the northwest and southeast of the Polar Bear tenements. Current and previous gold mining operations along strike include Trident, Killaloe, Challenge-Swordsman and Higginsville. Historical small open pits and underground workings can also be observed across the peninsula.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Figure 3.2 Geology of the Polar Bear area (Source: Sirius)



Peninsula Area

The Peninsula area, located south of the Black Knob Fault, is dominated by sub-vertical, tightly folded north striking felsic schists of the Mt Kirk Formation (MKF), derived from volcanoclastics, sediments and porphyry intrusive rocks. To the south are rocks of the Woolyeenyer Formation, dominated by basalts and gabbroic dykes and sills with lesser discontinuous shales, cherts and sandstone, along with minor ultramafic rocks.

Eundynie Mafic Sequence

The Eundynie Mafic Sequence (EMS) consists of a tightly folded sequence of ultramafic and mafic intrusives and extrusives with minor interflow sediments. The rocks are frequently talc-carbonate altered and moderately well foliated. The ultramafic rocks, which comprise the dominant folded

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

sequence in the EMS, are termed the Buldania Formation and consist of komatiitic flows and peridotites. The Buldania Formation also contains minor mafic units and rare interflow sediments. The EMS is truncated to the east by the Buldania Fault and to the southwest by the Black Knob Fault.

The Buldania Formation is in contact with the Killaloe Formation, located further to the east, and although the contact is poorly understood due to lack of exposure, it could possibly represent an early D2 thrust. The Killaloe Formation is an extensive felsic-sedimentary sequence, interpreted to be a southern equivalent of the Black Flag beds present in the Kalgoorlie and Kambalda regions.

3.1.4. EXPLORATION ACTIVITIES

Exploration activities at Polar Bear have been dominantly focused towards discovering gold mineralisation. In March 2013 three diamond drillholes were completed at the Earlobe prospect for a total of 521 m. Three aircore programmes were completed in January, April/May and August/September 2013 on the previously identified Humphrey, Bindy, Paddington and Koala prospects and the newly defined Nanook prospect, for a total of 31,510 m of drilling.

In completing the aircore programmes, Sirius engaged a specialist lake drill rig to explore gold targets beneath Lake Cowan. In total, 645 aircore drillholes were completed.

The reconnaissance drilling defined a broad (500 m wide) blanket of supergene gold anomalism at the Humphrey prospect, with individual 4 m samples grading up to 1.4g/t gold within this blanket. Two further broad supergene gold anomalies were defined at Bindy and Nanook. Bindy extends over 400 m and features individual 4 m samples grading up to 7.2 g/t within a supergene blanket.

A programme of infill drilling at Bindy and Nanook, together with first-pass drilling of the other untested targets at Paddington and Koala, commenced in August 2013, with 256 holes being drilled for approximately 12,300 m.

Nanook was the most significant anomaly at the time (Figure 3.3), with a strike extent of approximately 1,600 m and a width of approximately 800 m at the 1 g/t Au level. At Nanook results of up to 13 m at 23.9 g/t Au have been recorded. Mineralisation is primarily located within a quartz gravel situated at the base of a north-northeast trending palaeochannel. It is unclear at this stage whether the gold situated in the palaeochannel is chemically or mechanically derived or whether this is proximal or distal to the bedrock source which is as yet unlocated. Anomalous bottom-of-hole results within the Archaean basement on the western flank of the palaeochannel (particularly in SPBA0464, with 40 m to 42 m at 3.45 g/t Au) are considered a potential source for the gold in the palaeochannel. This anomaly is open to the northeast and Sirius is continuing to drill the extensions.

The Humphrey anomaly is a broad, approximately 500 m wide blanket of supergene gold anomalism with individual 4 m composite samples grading up to 1.4 g/t gold. The Bindy anomaly extends over 400 m and has individual 4 m composite samples grading up to 7.2 g/t gold.

In January 2015 Sirius announced the discovery of the Baloo prospect from a wide-spaced (100 m by 40 m) aircore reconnaissance drilling programme. Later infill drilling defined a significant zone of gold mineralisation measuring 700 m in strike length and up to 100 m wide. Sirius has reported that a number of aircore holes end in mineralisation due to aircore not being able to penetrate hard zones of quartz veining. Drillhole locations, significant intercepts and maximum downhole grades are shown in Figure 3.4. Furthermore, diamond drilling at Baloo beneath the oxide zone has identified a

H. Independent Geological Report (cont)



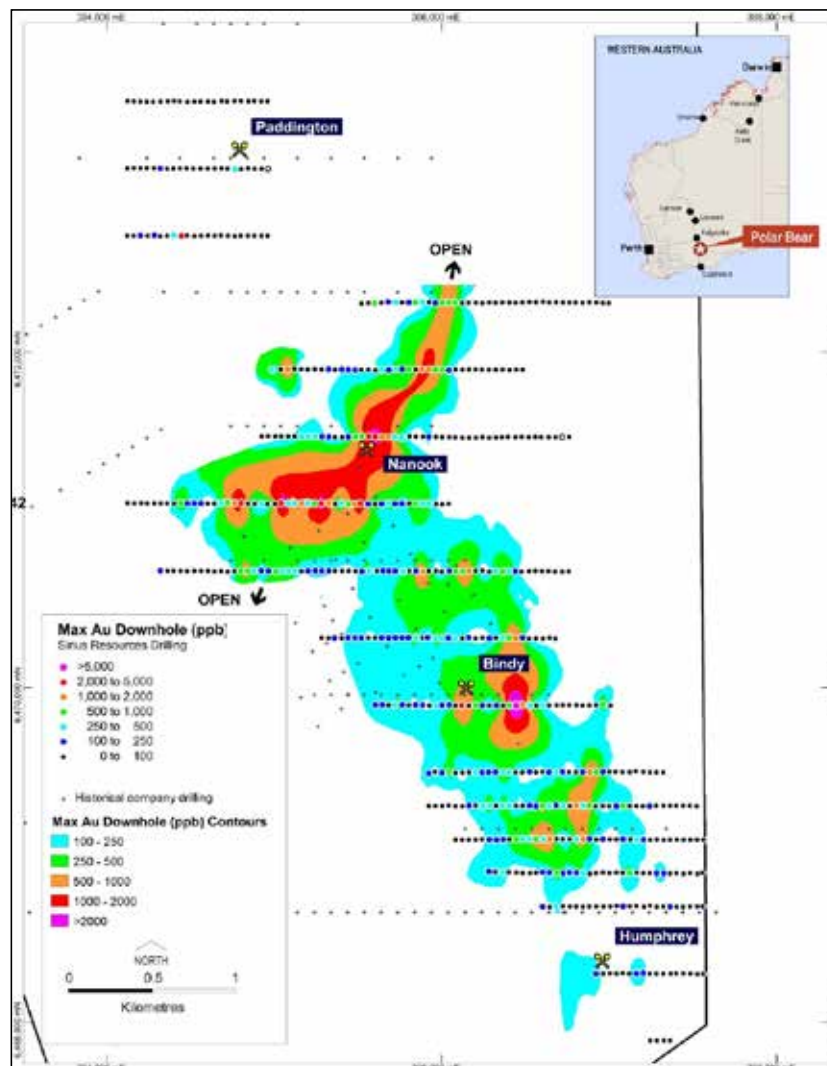
Valuation of the Polar Bear project

mineralised shoot which dips 30° to the east and plunges gently to the southeast. The shoot is up to 10 m thick and 70 m across and remains open down plunge. Optiro understands that Sirius is mobilising a reverse circulation (RC) rig with the aim of providing additional information to form the basis of a Mineral Resource estimate.

At Monsoon, 3 km to the south of Baloo reconnaissance aircore drilling on an 80 by 40 m grid defined sporadic gold mineralisation over a 1 km strike length. The mineralisation is associated with quartz veining and arsenopyrite alteration within a north-northeast trending shear zone on a mafic-shale contact. Drillhole results to date include grades of up to 12 m at 16.9 g/t Au, but correlation between drill sections has not yet been determined.

The identified gold mineralisation at Baloo, Monsoon and Nanook potentially defines a previously unrecognised and unexplored gold trend beneath Lake Cowan.

Figure 3.3 Nanook and Bindy prospects showing maximum down hole gold (Source: Sirius)

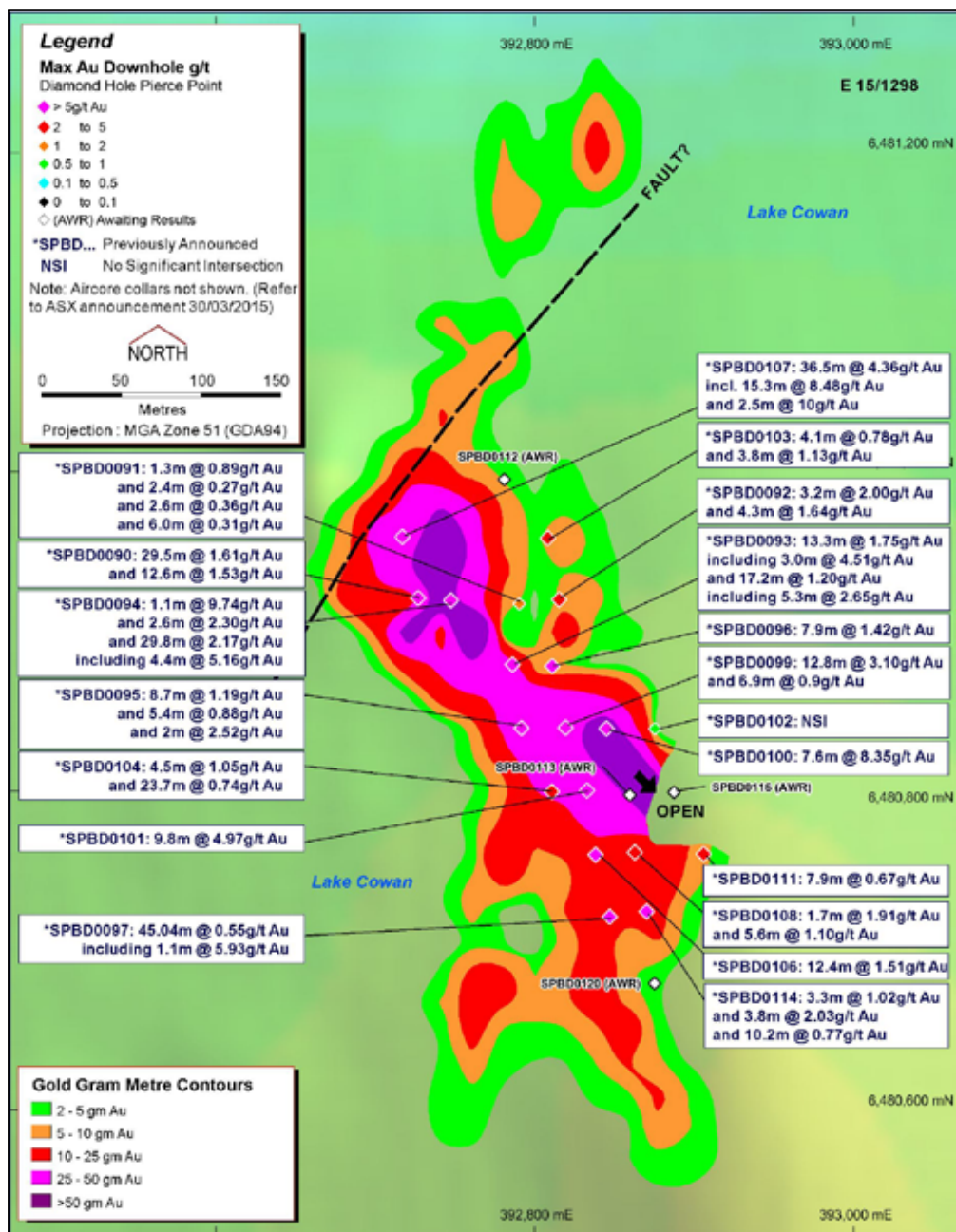


H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Figure 3.4 Baloo prospect showing maximum down hole grade (Source: Sirius)



H. Independent Geological Report (cont)



Valuation of the Polar Bear project

4. VALUATION APPROACH AND METHODOLOGY

4.1. MINERAL RESOURCES AND EXPLORATION POTENTIAL VALUATION

In determining the appropriate valuation method(s) to be used for the exploration potential of the Polar project, Optiro has taken into consideration the classification of these assets according to the categories defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally there are three broad methods of valuation that are used for valuing mineral assets: these are the market approach, cost approach and income approach. The market and cost approaches are used for the grass-roots through to advanced exploration stages and the income approach is used for advanced projects with defined reserves to operating mines.

Sirius' Polar Bear project are deemed to be at an advanced exploration stage from a valuation standpoint.

The methodologies considered by Optiro to determine a value for the mineral projects and the exploration potential are summarised below.

4.1.1. GEOSCIENTIFIC RATING METHOD

The most well-known method of the Geoscientific ratings type is the modified Kilburn Geological Engineering/Geoscientific method, which was developed by a Canadian geologist who wished to introduce a more systematic and objective way of valuing exploration properties. The Kilburn and similar rating approaches are acknowledged as industry-standard valuation tools. This method is Optiro's preferred valuation tool for early stage exploration projects.

The Kilburn method uses a Geoscientific rating which has as its fundamental value a base acquisition cost (BAC) of the tenement. The BAC is the average cost to acquire a unit of exploration tenement (generally a graticular block, square kilometre or hectare) and maintain it for one year, including statutory fees and minimum expenditure commitments.

The determination of the BAC for exploration licences in Western Australia considered the application and retention costs as set by the Government of Western Australia, Department of Mines and Petroleum and the average identification, administration and expenditure costs. Based on Optiro's assessment, the BAC applied to the exploration licences is A\$1,114 per graticular block or A\$343/km².

Four technical factors are then applied serially to the BAC of each tenement which enhance, downgrade or have no impact on the value of the property and which allow a value per tenement to be determined. The four technical factors are:

- **Off-property factor** – relates to physical indications of favourable evidence for mineralisation, such as workings and mining on the nearby properties, which may or may not be owned by the company being valued. Such indications are mineralised outcrops, old workings through to world-class mines.
- **On-property factor** – this is similar to the off property factor but relates to favourable indications on the property itself, such as mines with significant production.
- **Anomaly factor** – the anomaly factor relates to the degree of exploration which has been carried out and the level and/or number of the targets which have been generated as a

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

consequence of that exploration. Properties which have been subject to extensive exploration without the generation of sufficient or quality anomalies are marked down under the Kilburn approach.

- **Geological factor** – this refers to the amount and exposure of favourable lithology and/or structure (if this is related to the mineralisation being valued) on the property. Thus properties which have a high coverage of favourable lithology and through-going structures will score most highly.

The ratings applied by Optiro are listed in Table 4.1.

This methodology is used to determine the technical value and a fifth factor reflecting the current state of the market, is applied to determine the market value. This market value determined from the Geoscientific rating method has been verified by consideration of the current market for gold and base metal properties in Australia.

Table 4.1 Geoscientific rating criteria (modified by Optiro)

Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally favourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within tenement	No targets defined	Generally favourable geological setting
1.5	Mineralisation identified	Mineralisation identified	Target identified, initial indications positive	
2.0	Resource targets identified	Exploration targets identified	Significant intersections - not correlated on section	Favourable geological setting
2.5				Mineralised zones exposed in prospective host rocks
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant previous production	Several significant ore grade intersections that can be correlated	
3.5				
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike from world class mine			

4.1.2. COMPARABLE TRANSACTION METHOD

The comparable market value approach is a market-based approach and is an adaptation of the common real estate approach to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses transactions, converted to a 100% equity basis, of projects of a similar nature, time and circumstance, with a view to establishing a range of values that the market is likely to pay for a project. The comparable market approach

- is intuitive, easily understood and readily applied
- implies a market premium/discount for the prevailing sovereign risk

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

- captures market sentiment for specific commodities or locations
- accounts for intangible aspects of a transaction (i.e. intellectual property).

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. \$/km² or \$/tonne metal, etc.) for the asset being valued. However, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) that may result in the exclusion of a large number of comparable transactions, which in turn may undermine the accuracy of this method.

The comparable market value approach is widely used throughout the minerals industry; however, the valuer must take into account that this approach is largely retrospective and therefore cannot take into account anticipated or recent commodity or other market price movements.

4.1.3. JOINT VENTURE TERMS METHOD

The joint venture terms method is a variation of the comparable market value method. This technique involves transactions where only partial ownership of a project is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method and consequently these approaches are often used simultaneously in mineral asset valuations.

It is recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired (e.g. a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired). The valuer therefore needs to account for any potential associated with ownership premiums.

4.1.4. APPRAISED VALUE METHOD

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement is based on the exploration expenditure, and that a highly-prospective tenement will generally encourage a higher level of exploration expenditure.

This valuation methodology relies upon the premise that a project is at least worth what the owner has previously spent and/or committed to spending in the future. It considers historical and/or planned future expenditure on the mineral asset and includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration.

The value of the property may be determined from the sum of past effective exploration expenditure (usually limited to the past three years), plus any committed exploration expenditure in the current year and the application of a prospectivity enhancement multiplier (PEM). The PEM is determined by the level of sophistication of the exploration for which positive exploration results have been obtained, and usually ranges between 0.5 and 3.0.

The principal shortcomings of this method are that there is no consistent base from which to derive the valuation and there is no systematic approach taken in determining the PEM. Optiro places less reliance on values determined this method than those determined from the Geoscientific Ratings and comparable transaction methods.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

5. VALUATION**5.1. OVERVIEW****5.1.1. POLAR BEAR**

Optiro's approach has been to use the following valuation methodologies for the exploration potential within Sirius' Polar Bear tenements:

- the Geoscientific Rating method
- comparable transactions
- joint venture terms
- exploration expenditure.

In valuing the exploration potential, Optiro reviewed recent Australian transactions involving gold projects without defined resources (Appendix B). In order to obtain a dataset that is relevant under the current time and circumstances, Optiro has typically reviewed transactions that occurred within the last two years.

5.2. POLAR BEAR PROJECT**5.2.1. EXPLORATION POTENTIAL**

Optiro has identified 25 transactions that are considered to be of use in assessing the current market value attributed to mineralisation potential similar to that at the Polar Bear project. Optiro excluded properties with Mineral Resources and defined exploration target tonnages. The transactions selected by Optiro are listed in Appendix B.

Optiro's analysis of the exploration transactions indicates that exploration projects similar to the Polar Bear exploration licences may attract market values typically in the range of approximately A\$174/km² to A\$46,200/km² on a 100% equity basis. When considering similar size and prospectivity the range falls within a narrower band of approximately A\$10,000/km² to A\$46,200/km².

Optiro has used the identified exploration transactions as a benchmark for its Geoscientific Ratings valuation below.

Optiro determined Geoscientific Ratings for each licence in reference to the off-property, on-property, anomaly and geology factors for potential iron mineralisation. The ratings for the Polar Bear licences are listed in Table 5.1. Optiro assigned the ratings based on:

- a 100% owned contiguous 151 km² licence package of granted tenure and licence applications over a further 38 km² of ground
- consistent oxide gold mineralisation at defined at Baloo that is currently at a pre-Mineral Resource estimate stage
- Optiro considers that the Baloo discovery has a high likelihood of becoming a gold mine in the short to medium term
- shallow plunging primary gold mineralisation identified beneath the Baloo oxide mineralisation
- significant gold anomalism and mineralisation under cover at Nanook, Bindy and Humphrey

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

- the presence of extensive low grade gold haloes
- gold mineralisation at Baloo, Monsoon and Nanook potentially defining a previously unrecognised and unexplored gold trend
- a large part of the project is under cover and remains at a relatively early stage of assessment
- the project is surrounded by the Norseman, St Ives and Higginsville gold camps
- Polar Bear is prospective for both Norseman/Kalgoorlie-style gold and Kambalda-style nickel mineralisation.

Table 5.1 Polar Bear project - Geoscientific rating criteria applied to exploration mineralisation potential

Tenement	Off property factor		On property factor		Anomaly factor		Geology factor	
	Low	High	Low	High	Low	High	Low	High
E15/1298	4	5	5	5	5	5	3.5	3.5
E63/1142	4	4	3.5	4	4	4.5	3	3.5
E63/1712	1	1.5	1	1.5	1	1.5	1	1.5
M15/651	3	3.5	1.5	2	1.5	2	2	2.5
M15/710	3	3.5	2	2.5	2.5	3	2.5	3
M63/230	3	3.5	2.5	3	2.5	3	2	2.5
M63/255	3	3.5	1.5	2	1.5	2	2	2.5
M63/269	3	3.5	1.5	2	1.5	2	2	2.5
M63/279	3	3.5	2	2.5	2	2.5	2	2.5
P15/5167	3	3.5	2	2.5	1.5	2	2	2.5
P15/5168	3	3.5	2	2.5	1.5	2	2	2.5
P15/5171	3	3.5	2	2.5	2	2.5	2	2.5
P15/5638	3	3.5	2	2.5	1.5	2	2	2.5
P15/5639	3	3.5	2	2.5	1.5	2	2	2.5
P15/5640	3	3.5	1	1.5	1	1.5	2	2.5
P63/1584	3	3.5	2	2.5	1.5	2	2	2.5
P63/1585	3	3.5	2	2.5	2	2.5	2	2.5
P63/1587	3	3.5	1.5	2	1.5	2	2	2.5
P63/1588	3	3.5	1.5	2	1.5	2	2	2.5
P63/1589	3	3.5	1.5	2	1.5	2	2	2.5
P63/1590	3	3.5	1.5	2	1.5	2	2	2.5
P63/1591	3	3.5	2	2.5	2	2.5	2	2.5
P63/1592	3	3.5	1.5	2	1.5	2	2	2.5
P63/1593	3	3.5	1.5	2	1.5	2	2	2.5
P63/1594	3	3.5	2	2.5	1.5	2	2	2.5

Fair market value is the technical value (as determined by the Geoscientific Ratings) plus a premium or discount to account for market, strategic considerations and special purposes. Optiro has examined the past and forecast gold and nickel prices, as well as the development stage, location and geology of Sirius' Polar Bear project exploration licences. Given that the Baloo discovery is currently at a pre-Mineral Resource estimate stage and not able to be valued on a comparable resource basis, Optiro has elected to apply a 100% premium to the Baloo licence (E15/1298). Given the location and prospectivity of the remaining licences Optiro has elected to apply a 50% premium to these licences.

The following assumptions have been used by Optiro in applying the Geoscientific Ratings method to determine a value for the mineralisation potential within the Polar Bear exploration licences:

- BAC for Western Australian exploration licence - A\$343/km²
- a market premium factor for the Polar Bear properties as discussed above.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Based on the Geoscientific Ratings of the mineralisation prospectivity within the Polar Bear exploration licences, the mineral assets are expected to have a market value that lies in the range A\$10.5 M to A\$14.8 M, with a preferred value of A\$12.6 M. Optiro notes, however, that approximately \$13.2 M has been spent on the Polar Bear licences by Sirius and that this expenditure has been highly effective and increased the value of the licence holding. Given the current nature of the Polar Bear licences and the Baloo discovery, Optiro considers that the Kilburn method is undervaluing the market value of the licences. Accordingly, Optiro considers that the Kilburn value represents a low range valuation and that the upper limit is more accurately determined using a prospectivity enhancement multiplier (PEM). Optiro considers that a PEM of two is appropriate for the Polar Bear licence.

Based on the combination of Geoscientific ratings and PEM methods, the Polar Bear mineral assets are expected to have a market value that lies in the range A\$12.6 M to A\$26.5 M, with a preferred value of A\$19.6 M.

Optiro's analysis of comparable transactions suggests that exploration projects of comparable size to the Polar Bear project would attract market values up to A\$46,000/km². These projects are however pure exploration projects and are considerably less advanced than the Polar Bear project. Based on the preferred value of the mineralisation potential of the Polar Bear exploration licences, an average value of A\$84,000/km² has been determined. This is beyond the range of values indicated by recent comparable transactions (excluding Payne's Find) but given the pre-resource stage of the Baloo discovery is this considered reasonable and expected. Optiro notes that the Polar Bear project is currently at a development stage between a pure exploration play and a Mineral Resource and development project. Furthermore, Optiro considers that the definition of a maiden Mineral Resource at Polar Bear is imminent which would project the project into a higher valuation method. As a Mineral Resource has not yet been defined it cannot be valued on a \$/gold ounce basis. Accordingly, the value range determined by third party exploration transactions is considerably less than the current market value of the Polar Bear project.

5.3. SUMMARY OF VALUATION

Optiro has applied a number of recognised valuation methods to derive a value estimate for the Polar Bear mineral asset.

Optiro's opinion of the fair market value of the Mineral Resources and exploration potential, using the methodologies described above, is summarised in Table 5.2.

Table 5.2 Valuation summary of Sirius' Polar Bear exploration potential

Mineral asset	Value (A\$M)		
	Low	High	Preferred
Sirius – Polar Bear project Exploration potential	12.6	26.5	19.6

Optiro's opinion of the fair market value of Sirius' mineral assets within the Polar Bear project is that it is within the range A\$12.6 M to A\$26.5 M, with a preferred value of A\$19.6 M. The values assigned to

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

these mineral assets are in nominal Australian dollars (A\$) and were prepared with an effective valuation date of 12 June 2015.

6. DECLARATIONS BY OPTIRO

6.1. INDEPENDENCE

Optiro is an independent consulting organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, but Optiro's staff work on a variety of projects in a range of commodities worldwide.

This report has been prepared independently and in accordance with the VALMIN and JORC Codes of the AusIMM. The authors do not hold any interest in Sirius Resources NL, Independence Group NL, their associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Optiro's standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report. The total fees charged for the preparation of this report, the associated report considering both Sirius and IGO assets, site visits and data review totals approximately \$103,000.

6.2. QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Jason Froud (Principal) and Mr Ian Glacken (Principal and Director) of Optiro.

Mr Jason Froud is a geologist with over 18 years' experience in mining geology, exploration, resource definition, mining feasibility studies, reconciliation, consulting and corporate roles in gold, iron ore, base metal and uranium deposits principally in Australia and Africa. Jason has previously acted as a Competent Person and Independent Expert across a range of commodities with expertise in mineral exploration, grade control, financial analysis, reconciliation and quality assurance and quality control.

Mr Ian Glacken [BSc (Hons) Geology, MSc (Mining Geology), MSc (Geostatistics), FAusIMM (CP), CEng] is a geologist with over 30 years' experience worldwide in the mining industry. He specialises in resource audit and independent expert reports and has in recent times compiled IGR reports for the IPO of Tusker Gold Ltd, the Finnish assets of Vulcan Resources Ltd and a report on the assets of Aditya Birla Ltd for an IPO, and has recently generated a report on the assets of two copper companies for a merger. Ian was formerly the Group General Manager Resources and Geology for a major consulting firm.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

7. REFERENCES

- JORC, 2012. The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Australasian Joint Ore Reserves Committee.
- Lord D, Etheridge MA, Willson M, Hall G, Uttley PJ, 2001. Measuring exploration success: an alternative to the discovery-cost-per-ounce method of quantifying exploration success. SEG Newsletter 45
- Newendorp PD, Schuyler JR, 2000. Decision analysis for petroleum exploration. Planning Press, Aurora.
- Optiro Pty Ltd, 2013. Nova-Bollinger Deposit – Mineral Resource Estimate. Unpublished report for Sirius Resources Limited.
- Optiro Pty Ltd, 2014. Valuation of the mineral assets of Sirius Resources Limited. Report prepared for BDO Corporate Finance (WA) Pty Ltd dated 4 April 2014.
- Sirius Resources NL. Various internal documents, technical reports and ASX releases.
- Spaggiari CV, et al. 2011. The Geology of the East Albany-Fraser Orogen – A Field Guide. Geological Survey of Western Australia. Record 2011/23
- VALMIN, 2005. Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports. VALMIN Committee.

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

8. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Term	Explanation
Abbreviations	A\$ - Australian dollars, BAC – base acquisition cost, °C - degrees Celsius, CAF - cemented aggregate filled, cm – centimetre, DCF – discounted cashflow, EL – Exploration Licence, g/t – grams per tonne, ha – hectare, km – kilometre, km ² – square kilometre, kt – kilo tonne, l – litre, L/s – litre per second, LOM – life of mine, m – metre, m ³ – cubic metres, M – million, mg – milligrams, ML – Mining Licence, mm – millimetre, Mt – million tonnes, Mtpa – million tonnes per annum, NSR – net smelter return, PL – Prospecting Licence, % - percentage, ppm – parts per million, t – tonnes, TDS – total dissolved solids, TFS – tailings storage facility, US\$ - United States dollars, YTD – year to date.
Chemical elements	Ag – silver, Au – gold, Co – cobalt, Cu – copper, Cr – chromium, NaCn – sodium cyanide, Ni – nickel, Pb – lead, Zn - zinc
airborne magnetic survey	A measurement of the magnetic susceptibility of rocks, measured from a plane in flight.
aircore drilling	A method that uses blades to bore a hole into unconsolidated ground. The rods are hollow and contain an inner tube which sits inside the hollow outer rod barrel. The drill cuttings are removed by injection of compressed air into the hole and brought back to the surface up the inner tube.
antiform	A fold shaped like an arch, where the stratigraphic sequence is not known.
Archaean	Era of the geological time scale containing rocks greater than 2,500 million years old.
arsenopyrite	An iron arsenic sulphide (FeAsS).
basalt	A fine grained igneous rock consisting mostly of plagioclase feldspar and pyroxene.
base metals	Non-ferrous (other than iron and alloys) metals excluding precious metals. These include copper, lead, nickel and zinc.
bedrock	The solid rock lying beneath superficial material such as gravel or soil.
classification	A system for reporting Mineral Resources and Ore Reserves according to a number of accepted Codes.
chalcopryite	A copper ore (CuFeS ₂).
chert	A very fine grained sedimentary rock composed of silica.
cut-off grade	The grade that differentiates between mineralised material that is economic to mine and material that is not.
Definitive Feasibility Study	A study carried out to justify financing for a project.
diamond drilling	Drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit.
dolerite	Basaltic rocks which are comparatively coarse grained.
electromagnetic (EM) geophysical surveys	Survey over an area involving the measurement of alternating magnetic fields associated with currents artificially or naturally maintained in the ground.
fold (folded)	A flexure in rocks.
formation	A defined interval of strata, often comprising similar rock types.
gabbro	A dark, coarse-grained, intrusive igneous rock chemically equivalent to basalt.
galena	A lead sulphide mineral.
gneiss	A rock formed by high-grade regional metamorphic processes from pre-existing formations that were originally either igneous or sedimentary rocks.
granite	A coarse grained intrusive felsic igneous rock.
greenschist facies	Assemblage of minerals formed during regional metamorphism.
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC 2012)
Inferred Mineral Resource	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.' (JORC 2012)
intercept	Mineralised intersection in a borehole.
komatite	Ultramafic mantle-derived volcanic rocks. They have low SiO ₂ , low K ₂ O, low Al ₂ O ₃ , and high to extremely high MgO. Komatiites occur in Archaean greenstone belts.
metamorphism	The change of minerals or geologic texture in pre-existing rocks that occurs primarily due to heat, pressure, and the introduction of chemically active fluids.
millerite	A nickel sulphide mineral (NiS).

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Term	Explanation
Mineral Resource	'A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC 2012)
mineralisation	The process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit.
ordinary kriging	A geostatistical estimation method which relies upon a model of spatial continuity as defined in a variogram.
pentlandite	An iron-nickel sulphide, $(\text{Fe,Ni})_9\text{S}_8$.
peridotite	A dense, coarse-grained ultramafic rock, consisting mostly of the minerals olivine and pyroxene.
picrite	An olivine-rich basalt - a rock containing essential olivine, plagioclase and clinopyroxene.
polydymite	$\text{Ni}^{2+}\text{Ni}^{2+}\text{S}_4$, is a supergene thiospinel sulfide mineral associated with the weathering of primary pentlandite nickel sulphide
porphyry	A variety of igneous rock consisting of large grained crystals, such as feldspar or quartz, dispersed in a fine grained feldspathic matrix or groundmass.
pre-feasibility study	Preliminary assessment of a project to determine mining and processing methods, capital costs, logistics etc.
Rotary air blast drilling (RAB)	A cheap and quick drilling method using a rotating bit together with air pressure to produce rock chips for sampling. It is used at the exploration stage of project evaluation.
reverse circulation drilling (RC)	Drilling method that uses compressed air and a hammer bit to produce rock chips.
sphalerite	The main ore mineral of zinc, $(\text{Zn,Fe})\text{S}$.
supergene	A mineral deposit or enrichment formed near the surface.
ultramafic	Igneous rocks with low silica content (less than 45%), generally >18% MgO, high FeO, low potassium and are composed of usually greater than 90% mafic minerals.
vein	A tabular or sheet like body of one or more minerals deposited in openings of fissures, joints, or faults.
violence	A supergene sulphide mineral associated with the weathering of primary nickel sulphide (Ni_2FeS_4)
volcanics	Sequence of strata formed from an erupting volcano.
volcanogenic massive sulphide	A type of metal sulphide ore deposit, mainly Cu-Zn-Pb which are associated with and created by volcanic-associated hydrothermal events in submarine environments

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Appendix A Transactions for Australian nickel exploration properties

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Project	Date	Buyer	Seller	Consideration (100% equity basis)	Area (km ²)	Implied value (A\$/km ²)
Mt Ridley Nickel/Copper Project	5/03/2013	AXG Mining Ltd	XTL Energy Ltd	1,095,000	878	1,200
Roe Hills Nickel Project and the Mt Barrett Gold	14/05/2013	Mining Projects Group Ltd	Oroya Mining Ltd	200,000	509	400
Musgrave II Nickel Project	1/07/2013	Western Areas Ltd	Traka Resources Ltd	7,843,000	1075	7,300
Fraser West Nickel/Copper Project	3/07/2013	Ram Resources Ltd	Regency Mines Australasia Pty Ltd	4,695,000	271	17,300
Fraser Range Nickel/Copper Project	5/07/2013	Rumble Resources Ltd	Unspecified	100,000	68	1,500
Fraser Range North and South	24/07/2013	Winward Resources Ltd	Creasy Group	11,338,000	9000	1,300
Plumridge Lakes Project	5/08/2013	Orion Gold NL	Creasy Group	1,580,000	2628	600
Fraser Range Nickel/ Copper/Gold Project	10/09/2013	Mining Projects Group Ltd	Epi Energy Ltd	643,000	566	1,100
Harts Range (East Arunta Nickel) Project	12/09/2013	MMG Exploration Pty Ltd	Mithril Resources Ltd	5,556,000	784	7,100
Dearlinya	9/10/2013	Segue Resources Ltd	Fraser Range Resources Pty Ltd	900,000	1298	700
Plumridge Gold/Nickel/copper Project	9/10/2013	Segue Resources Ltd	Fraser Range Resources Pty Ltd	1,667,000	832	2,000
Plumridge Nickel Copper Project	9/10/2013	Segue Resources Ltd	Becrux Pty Ltd	200,000	698	300
Plumridge Nickel Copper Project	9/10/2013	Segue Resources Ltd	Distant Island Pty Ltd	200,000	710	300
Super Nova Project (& Mt Davis Tenements)	24/12/2013	Matrix Metals Ltd	Caeneus Minerals Pty Ltd	3,127,000	19	167,300
Zanthus Nickel Project	13/02/2014	Rumble Resources Ltd	Blackham Resources Ltd	2,747,000	370	7,400
Koonenberry Nickel-copper Project	17/02/2014	Ascension Minerals Ltd	Dart Mining NL	667,000	294	2,300
Fraser Range North Nickel/Copper Project	17/02/2014	Ram Resources Ltd	Private vendor	130,000	163	800
Balladonia Tenements	26/03/2014	Mining Projects Group Limited	Next Commodities Pty Ltd	400,000	246	1,600
Dingo Range Tenements	26/03/2014	Mining Projects Group Limited	Coal First Pty Ltd	400,000	327	1,200
Fraser Range Tenements	26/03/2014	Mining Projects Group Limited	EpiEnergy Pty Ltd	667,000	355	1,900
Plumridge IV	9/04/2014	Segue Resources Ltd.	International Goldfields Limited	650,000	832	800
Spa Go West tenement	17/06/2014	Parmelia Resources Limited	Maincoast Pty Ltd.	84,000	81	1,000
Project	Date	Buyer	Seller	Consideration	Area	Implied value

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

				(100% equity basis)	(km ²)	(A\$/km ²)
Fowlers Bay Nickel Project	9/10/2014	Western Areas Ltd	Gunson Resources Limited	1,333,000	700	1,900
Traka option 2 area	12/11/2014	Silver Lake Resources Limited	Traka Resources Limited	188,000	72	2,600
Plumridge East	22/12/2014	Segue Resources Limited	Fraser Range Metals Group Limited	1,000,000	641	1,600
Mulgla Tank project	6/02/2015	Impact Minerals Limited	Golden Cross Resources Limited	917,000	476	1,900
Orpheus base metal JV project	12/02/2015	Apollo Minerals Limited	Enterprise Metals Limited	571,000	600	1,000
Double Magic Nickel Project	27/04/2015	Buxton Resources Limited	Undisclosed sellers	433,000	93	4,700
Sheoak project	2/06/2015	Ram Resources Limited	Undisclosed seller	71,000	28	2,600

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

**Appendix B Transactions for Australian gold
exploration properties**

H. Independent Geological Report (cont)

Valuation of the Polar Bear project

Project	Date	Buyer	Seller	Consideration (100% equity basis)	Area (km ²)	Implied value (A\$/km ²)
Lynas Find	7/05/2013	Alloy Resources Limited	Trafford Resources Ltd	1,274,510	28	46,240
Mt Barrett and Roe Hills	14/05/2013	Mining Projects Group Limited	Oroya Mining Limited	200,000	509	390
Plumridge	21/06/2013	Fraser Range Resources Pty Ltd	International Goldfields Limited	1,666,667	831	2,010
Spargoville	1/07/2013	Ero Mining Ltd	Ramelius Resources Ltd	400,000	114	3,500
Valley Floor	4/07/2013	Ero Mining Ltd	Valley Floor Resources Pty Ltd	150,000	6	27,270
Yundamindera	9/07/2013	Legacy Iron Ore Ltd	Ling prospecting syndicate	383,333	51	7,520
Gidgee	12/08/2013	Gateway Mining Ltd	Panoramic Resources Ltd	1,714,286	87	19,600
Cuddingwarra	12/08/2013	Gleneagle Gold Ltd	Plasia Pty Ltd	20,000	115	170
Mt Jewell, Wills Creek, Royal Tasman and Nickel First	13/08/2013	InterMet Resources Ltd	Lancaster Resources Pty Ltd	250,000	82	3,060
Kalgoorlie North	17/10/2013	Excelsior Gold Limited	Fe Limited and Cazaly Resources Limited	250,000	18	13,890
Cue	28/11/2013	Parker Resources NL	Undisclosed	100,000	40	2,510
Viking	3/03/2014	Genesis Minerals Ltd.	AngloGold Ashanti Limited	50,000	970	50
Mystique	22/04/2014	Black Fire Minerals Ltd.	Entrée Gold Inc	75,000	205	370
Paynes Find area	23/04/2014	Undisclosed buyer	Paynes Find Gold Ltd	350,000	2	141,700
Highland Rocks and Officer Hills South	27/05/2014	Ramelius Resources Limited	Tychean Resources Limited	764,706	1,700	450
Mt Holland	27/05/2014	Convergent Minerals Ltd	Southern Cross Goldfields Ltd	200,000	66	3,030
McPhees	16/06/2014	Asgard Metals Pty Ltd	Ascot Resources Limited	15,000	6	2,320
Yerilla	30/06/2014	Global Gem Mining Pty Ltd.	Wild Acre Metals Limited	100,000	3	30,530
Gnaweeda	4/07/2014	Doray Minerals Limited	Transatlantic Mining Corp.	500,000	164	3,050
Breakaway Dam and Coolgardie	5/08/2014	Undisclosed buyer	Amex Resources Limited	500,000	204	2,450
Horse Well	2/09/2014	Alloy Resources Limited	Phosphate Australia Limited	62,500	50	1,240
Triumph	15/10/2014	Nexus Minerals Limited	Coxrocks Pty Ltd	937,500	24	39,060
Central and Western Gawler Craton	17/11/2014	Doray Minerals Limited	Iluka Resources Limited	8,750,000	21,000	420
Lyndon	28/11/2014	Shine Resources Pty Ltd	Latitude Consolidated Limited	78,571	27	2,870
Various	16/02/2015	Beacon Minerals Limited	Black Oak Minerals Limited	500,000	14	34,600

H. Independent Geological Report (cont)



Valuation of the Polar Bear project

Project	Date	Buyer	Seller	Consideration (100% equity basis)	Area (km ²)	Implied value (A\$/km ²)
Ora Banda South	20/03/2015	Siburan Resources Limited	Western Resources Pty Ltd	218,750	9	23,860
Zuleika	22/04/2015	Torian Resources Limited	Cascade Resources Limited	10,204,082	120	85,030
Spargos Reward	11/05/2015	Corona Minerals Ltd	Mithril Resources Limited	294,118	34	8,530
Lyndon	22/05/2015	Shine Resources Pty Ltd	Latitude Consolidated Limited	30,000	27	1,100

ANNEXURE I

I. List of Tenements Held by S2 Resources

List of tenements held by S2 Resources⁴

Tenement	Tenement type	Registered holder / applicant	Status of tenement	Grant date	Expiry date
AUSTRALIA					
Polar Bear Project					
E 15/1298	Exploration Licence	Polar Metals	Live	31.07.2012	30.07.2017
E 15/1461	Exploration Licence	Polar Metals	Pending	Application received 23.01.2015	-
E 63/1142	Exploration Licence	Polar Metals	Live	13.02.2009	12.02.2019
E 63/1712	Exploration Licence	Polar Metals	Live	25.05.2015	24.05.2020
E 63/1725	Exploration Licence application	Polar Metals	Pending	Application received 23.01.2015	-
M 15/651	Mining Lease	Polar Metals	Live	11.02.1993	10.02.2035
M 15/710	Mining Lease	Polar Metals	Live	10.08.1994	09.08.2015
M 15/1814	Mining Lease application	Polar Metals	Pending	Application received 23.04.2015	-
M 63/230	Mining Lease	Polar Metals	Live	19.11.1990	18.11.2032
M 63/255	Mining Lease	Polar Metals	Live	22.10.1992	21.10.2034
M 63/269	Mining Lease	Polar Metals	Live	01.10.1993	30.09.2035
M 63/279	Mining Lease	Polar Metals	Live	23.03.1994	22.03.2036
P 15/5167	Prospecting Licence	Polar Metals	Live	07.04.2009	06.04.2017
P 15/5168	Prospecting Licence	Polar Metals	Live	07.04.2009	06.04.2017
P 15/5171	Prospecting Licence	Polar Metals	Live	30.09.2008	29.09.2016
P 15/5638	Prospecting Licence	Polar Metals	Live	14.06.2012	13.06.2016
P 15/5639	Prospecting Licence	Polar Metals	Live	14.06.2012	13.06.2016
P 15/5640	Prospecting Licence	Polar Metals	Live	03.09.2012	02.09.2016

⁴ All tenements set out in this Annexure I are 100% owned by S2 Resources, other than the Eundynie Joint Venture tenements (S2 Resources: 80%) and the Scandinavian Assets. The registered holder of the Scandinavian Assets, Sakumpu, has a 100% interest in the tenements comprising Scandinavian Assets, and S2 Resources has a 67% interest in Sakumpu through its wholly owned subsidiary, Norse Exploration.

I. List of Tenements Held by S2 Resources (cont)

Tenement	Tenement type	Registered holder / applicant	Status of tenement	Grant date	Expiry date
P 15/5958	Prospecting Licence application	Polar Metals	Pending	Application received 23.01.2015	-
P 15/5959	Prospecting Licence application	Polar Metals	Pending	Application received 23.01.2015	-
P 63/1584	Prospecting Licence	Polar Metals	Live	30.06.2008	29.06.2016
P 63/1585	Prospecting Licence	Polar Metals	Live	30.06.2008	29.06.2016
P 63/1587	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1588	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1589	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1590	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1591	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1592	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1593	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
P 63/1594	Prospecting Licence	Polar Metals	Live	10.06.2009	09.06.2017
Eundynie Joint Venture					
E 15/1458-I	Exploration Licence application	Shumwari	Pending	Application received 20.01.2015	-
E 15/1459	Exploration Licence application	Shumwari	Pending	Application received 21.01.2015	-
E 15/1464	Exploration Licence application	Shumwari	Pending	Application received 10.02.2015	-
E 63/1726	Exploration Licence application	Shumwari	Pending	Application received 10.02.2015	-
E 63/1727	Exploration Licence application	Shumwari	Pending	Application received 10.02.2015	-
E 63/1738-I	Exploration Licence application	Shumwari	Pending	Application received 10.03.2015	-

I. List of Tenements Held by S2 Resources (cont)

Tenement	Tenement type	Registered holder / applicant	Status of tenement	Grant date	Expiry date
Norcott Project					
E 63/1728	Exploration Licence application	Polar Metals	Pending	Application received 13.02.2015	-
SWEDEN					
Gallejaur nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	23.02.2015	23.02.2018
Rengård nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	23.02.2015	23.02.2018
Svansele nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	23.02.2015	23.02.2018
Svansele nr 402	Exploration permit	Sakumpu (Swedish branch)	Valid	23.02.2015	23.02.2018
Brännäs nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	11.03.2015	11.03.2018
Båtfors nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	18.03.2015	18.03.2018
Holmtjärn nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	19.03.2015	19.03.2018
Hästskomyran nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	20.05.2015	20.05.2018
Laxselmyran nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	11.03.2015	11.03.2018
Rengård nr 402	Exploration permit	Sakumpu (Swedish branch)	Valid	20.05.2015	20.05.2018
Svansele nr 403	Exploration permit	Sakumpu (Swedish branch)	Valid	19.03.2015	19.03.2018
Tjåliträsk nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	25.03.2015	25.03.2018
Laxselmyran nr 402	Exploration permit	Sakumpu (Swedish branch)	Valid	6.05.2015	6.05.2018
Laxselmyran nr 403	Exploration permit	Sakumpu (Swedish branch)	Valid	7.05.2015	7.05.2018
Udden nr 401	Exploration permit	Sakumpu (Swedish branch)	Valid	25.05.2015	25.05.2018
Udden nr 402	Exploration permit	Sakumpu (Swedish branch)	Valid	25.05.2015	25.05.2018

I. List of Tenements Held by S2 Resources (cont)

Norcott Project	Norcott Project	Norcott Project	Norcott Project	Norcott Project	Norcott Project
FINLAND					
Kuivasalmi	Reservation	Sakumpu	Valid	12.12.2014	17.11.2016
Kaarestunturi	Reservation	Sakumpu	Valid	12.2.2015	19.1.2017
Paana	Reservation	Sakumpu	Valid	24.4.2015	27.3.2017
Selka	Reservation application	Sakumpu	Pending	Application received 18.06.2015	-
Torvinen	Reservation application	Sakumpu	Pending	Application received 08.06.2015	-
Mantovaara	Exploration permit application	Sakumpu	Pending	Application received 21.01.2015	-
Utsamo	Exploration permit application	Sakumpu	Pending	Application received 12.06.2015	-
Lammasvuoma	Exploration permit application	Sakumpu	Pending	Application received 13.04.2015	-

CORPORATE DIRECTORY

Corporate Directory

Directors

Jeff Dowling
Mark Bennett
Anna Neuling
David Craig
Neil Warburton
Terrence Grammer

Corporate Adviser

Hartleys Limited
141 St Georges Terrace
Perth WA 6000

Company Secretary

Anna Neuling

Legal Adviser

Ashurst Australia
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Registered Office

253 Balcatta Road
Balcatta WA 6021

Independent Expert

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

ASX Code

SIR

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000

Website

www.siriusresources.com.au

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Sirius Shareholder Information Line

1800 992 793 (within Australia)
+61 1800 992 793 (outside Australia)

The Sirius Shareholder Information Line is open
on week days between 6.30am and 5.30pm (Perth time).

THIS PAGE IS LEFT BLANK INTENTIONALLY

THIS PAGE IS LEFT BLANK INTENTIONALLY

ANNEXURE B

S2 RESOURCES CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

ASX listing application (September 2015)

This statement describes the corporate governance practices of S2 Resources Limited (**S2** or the **Company**) as at the date of admission to the Official List of the Australian Securities Exchange (**ASX**).

As the Company is applying for its securities to be admitted to the Official List of ASX, it must provide a statement disclosing the extent to which the Company will follow the 3rd Edition of the *ASX Corporate Governance Council Principles and Recommendations* (**Recommendations**) and, if any Recommendations will not be followed, the reasons why. A copy of the Information Memorandum in connection with the Company's application for admission to the Official List of ASX (which incorporates a copy of this corporate governance statement) will be made available on the Company's website at www.s2resources.com.au shortly after listing. Following admission to the Official List of ASX, the Company will be required to report against the Recommendations in its Annual Report.

The Board of Directors of the Company (**Board**) is committed to achieving the highest standards of corporate governance. However, the Board acknowledges that that full adoption of the Recommendations may not be practical or suitable for the Company given the size and nature of its operations. The Company intends to regularly review and update its corporate governance practices to ensure they remain appropriate to the Company's circumstances.

Corporate Governance Compliance

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**) are available in the governance section of the Company's website at www.s2resources.com.au.

ASX RECOMMENDATION	COMMENT	COMPLIANCE
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
ASX Recommendation 1.1: A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	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: • Directors acquiring or selling shares of the Company; • issuing shares of the Company; • acquiring, selling or otherwise disposing of property in excess of the amount set out in the Company's approval matrix; • 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); • acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company; • founding, dissolving or relocating branch offices or other offices, plants and facilities; • starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	activities; • approving and/or altering the annual business plan (including financial planning) for the Company or any part of the Company; • taking or granting loans which exceed the amount set out in the Company's approval matrix; • granting securities of any type; • granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees; • entering into agreements for recurring, voluntary, or additional social benefits, superannuation agreements or agreements for general wage and salary increases; • determining the total amount of bonuses and gratuities for Company officers and employees; • determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board; and • granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company. The detail of some Board functions will be handled through Board Committees as and when the size and scale of operations requires such Committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	recommendations. 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. 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. A copy of the Board Charter is available at www.s2resources.com.au.	
ASX Recommendation 1.2: A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Board Charter requires the Board to undertake appropriate background checks prior to nominating a candidate for election or re-election as a Director. 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.	
ASX Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	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. As at the date of this corporate governance statement: • Jeff Dowling, the Non-Executive Director of S2, has a letter of appointment; • S2's Executive Directors, Mark Bennett and Anna Neuling, each have an executive service agreement; and	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	- the following senior management personnel have employment agreements with S2: - Chief Financial Officer, Su-Mei Chan; - General Manager – Exploration, John Bartlett; and - General Manager – Project Generation, Jeffrey Foster. Other than as mentioned above, the Company does not currently employ any other senior executives.	
ASX Recommendation 1.4: 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.	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".	
ASX Recommendation 1.5: A listed entity should: (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; (b) disclose that policy or a summary of it; and (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	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 established a formal diversity policy or set any measurable objectives for achieving gender diversity in accordance with Recommendation 1.5 at this time. The Company currently comprises of the following percentage of females: 33% of the Board; 50% of Executive Directors; 33% of senior management (where "senior management" is defined as Directors of the Company and any employees reporting directly to the	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
progress towards achieving them, and either: (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 (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.	Managing Director or Executive Director); and 50% of the Company's total workforce. The Company will report the proportion of females on the Board, employed as Executive Directors, in senior management positions and in the Company's total workforce at the end of this financial year in its 2016 Annual Report.	
ASX Recommendation 1.6: A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	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. As the demerger scheme of arrangement was not implemented until 21 September 2015, and the Board Charter was not adopted until after that date, no performance evaluations have taken place as at the date of this corporate governance statement. The Company intends to perform evaluations in accordance with the process set out in the Board Charter in this financial year. Details of the performance evaluations that will be undertaken by the end of this financial year will be set out in the Company's 2016 Annual Report. A copy of the Board Charter is available in the governance section of the Company's website at www.s2resources.com.au.	Will comply

ASX RECOMMENDATION	COMMENT	COMPLIANCE
ASX Recommendation 1.7: A listed entity should: (c) have and disclose a process for periodically evaluating the performance of its senior executives; and (d) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board Charter sets out the process for evaluating its senior executives 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. An informal assessment of progress is carried out throughout the year. A full evaluation of an executive’s performance against the agreed targets takes place annually. This will normally occur in conjunction with goal setting for the coming year. As the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan. Performance pay components of executives' packages are also dependent on the outcome of the evaluation. As the demerger scheme was only implemented on 21 September 2015, and the Board Charter was not adopted until after that date, no performance evaluations have taken place as at the date of this corporate governance statement. The Company intends to perform evaluations in accordance with the process set out in the Board Charter in this financial year. Details of the performance evaluations that will be undertaken by the end of this financial year will be set out in the Company's 2016 Annual Report. A copy of the Board Charter is available in the governance section of the Company's website at www.s2resources.com.au.	Will comply

ASX RECOMMENDATION	COMMENT	COMPLIANCE
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
ASX Recommendation 2.1: The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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.	The Company has not established a nomination committee in accordance with Recommendation 2.1. Given that the Board currently comprises of only three Directors, and the Company is a very early stage exploration company with few employees, the Board considers that there would be no benefit in establishing a formal committee structure at this time. The Board is responsible for ensuring that the appropriate balance of skills, knowledge, experience, independence and diversity are represented on the Board, in part by utilizing 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. The Board will continue to review its framework and practices in this regard to ensure they remain appropriate to the Company's circumstances.	
ASX Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that	The Board Charter incorporates a Board skills matrix, which lists the following areas of knowledge as required by the Board as a whole:	

ASX RECOMMENDATION	COMMENT	COMPLIANCE																
the board currently has or is looking to achieve in its membership.	• Geology; • Health, Safety and Environment; • Commercial; • Legal; • Communications; • Finance. 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.																	
ASX Recommendation 2.3: A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 (c) the length of service of each director.	As at the date of this corporate governance statement, the Board consisted of: <table><tr><th>Name</th><th>Role</th><th>Independent?</th><th>Date appointed</th></tr><tr><td>Jeff Dowling</td><td>Non-Executive Chair</td><td>Yes</td><td>May 2015</td></tr><tr><td>Mark Bennett</td><td>Managing Director / CEO</td><td>No</td><td>May 2015</td></tr><tr><td>Anna Neuling</td><td>Executive Director</td><td>No</td><td>May 2015</td></tr></table>	Name	Role	Independent?	Date appointed	Jeff Dowling	Non-Executive Chair	Yes	May 2015	Mark Bennett	Managing Director / CEO	No	May 2015	Anna Neuling	Executive Director	No	May 2015	x
Name	Role	Independent?	Date appointed															
Jeff Dowling	Non-Executive Chair	Yes	May 2015															
Mark Bennett	Managing Director / CEO	No	May 2015															
Anna Neuling	Executive Director	No	May 2015															

ASX RECOMMENDATION	COMMENT	COMPLIANCE
ASX Recommendation 2.4: A majority of the board of a listed entity should be independent directors.	As set out in the table above, since May 2015, the Board has consisted of : • one Non-Executive Director (Jeff Dowling); and • two Executive Directors (Mark Bennett and Anna Neuling). Although the Company will not comply with Recommendation 2.4 at the date of this corporate governance statement, the Board considers that the current composition of the Board is appropriate for the size and nature of the Company's operations. Under the Board Charter, the Board's policy is that the majority of Directors shall be independent, non-executive Directors at a time when the size of the Company and its activities warrants such a structure. Going forward, the Company intends to review the composition of the Board to ensure it remains appropriate to the Company's circumstances. 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.	✗

ASX RECOMMENDATION	COMMENT	COMPLIANCE
ASX Recommendation 2.5: 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.	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. Jeff Dowling (the Chairman) is considered by the Board to be independent.	✓
ASX Recommendation 2.6: 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.	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.	✓
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
ASX Recommendation 3.1: A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company fosters a governance culture where all employees are expected to not only comply with their legal obligations, but also 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. 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	✗

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	covering appropriate conduct and the minimum standard of behaviour expected from Directors and senior executives. 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. A copy of the Board Charter and the Company's Securities Trading Policy are available in the governance section of the Company's website at www.s2resources.com.au.	
PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
ASX Recommendation 4.1: The board of a listed entity should; (a) have an audit committee which; (i) has a least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, (iii) and disclose; (iv) the charter of the committee; (v) the relevant qualifications and experience of the members of committee; and (vi) in relation to each reporting period, the number of	The Board has not established an audit committee in accordance with Recommendation 4.1. Given that the Board currently comprises of only three Directors, the Board considers that there would be no benefit in establishing a formal committee structure. Responsibility for the Company's financial statements rests with the Board. The Board will review the Company's financial statements and reports, focusing on (amongst other things) any changes in accounting policies and practices, significant adjustments and compliance with accounting policies and standards and legal requirements. 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. The Board is also responsible for (amongst 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	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
times the committee met throughout the period and the individual attendances of the members at those meetings; or (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.	implementation of any recommendations of the external auditor in relation to those, and reviewing the external auditor's management letter and management's response. 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. A copy of the S2 Constitution and Board Charter and the Company's Securities Trading Policy are available in the governance section of the Company's website at www.s2resources.com.au.	
ASX Recommendation 4.2: 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 a sound system of risk management and internal control which is operation effectively.	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. The Board expects to receive Managing Director / CEO and CFO declarations in respect of its full year financial statement for the financial year ending 30 June 2016 and will report on this in the Company's 2016 Annual Report.	Will comply
ASX Recommendation 4.3: 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.	✓
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
ASX Recommendation 5.1: A listed entity should: (a) have a written policy for complying with its continuous	The Board recognizes that as at the date of admission to the Official List of ASX, the Company will be required to satisfy its obligations under the ASX	

ASX RECOMMENDATION	COMMENT	COMPLIANCE
disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Listing Rules which (amongst 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. 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.	✗
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS		
ASX Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.	The Company has a website at www.s2resources.com.au. This website contains information on the Demerger Scheme and listing, as well as links to the S2 Constitution and the Board Charter. From admission to the Official List of ASX, the Company intends to update its website to disclose further information about the Company, including information about the Board and senior executives, annual reports and financial statements, ASX announcements and notices of meeting.	✓
ASX Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communications with investors.	The Board aims to ensure that shareholders are informed of all major developments affecting the Company. The Company keeps investors informed through its website, www.s2resources.com.au, which contains information on the Company, the Board and the corporate governance policies and procedures.	✓

ASX RECOMMENDATION	COMMENT	COMPLIANCE
	Investors will also be able to access copies of the Company's financial reports, ASX announcements and notices of meeting on its website.	
ASX Recommendation 6.3: A listed entity should disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of security holders.	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 intends to reassess the need for a formal shareholder communications strategy after it is admitted to the Official List of ASX.	✓
ASX Recommendation 6.4: A listed entity should give security holders the option to receive communication from and send communications to, the entity and its security registry electronically.	After it is admitted to the Official List of ASX, the Company intends to provide information through its website to enable shareholders to email the Company and to receive Company announcements by email. The Company's share registry also offers services to shareholders through an online service available on its website (links to which will be accessible from the Company's website).	Will comply
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
ASX Recommendation 7.1: The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director,	The Board has not established a risk committee in accordance with Recommendation 7.1. The Company is committed to the identification, monitoring and management of risks associated with its business activities. However, given that the Board currently comprises of only three Directors and the nature of the Company's operations, the Board considers that there would be no benefit in establishing a formal committee structure at this time.	✓

ASX RECOMMENDATION	COMMENT	COMPLIANCE
and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (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 (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.	Under the Board Charter, the Board is responsible for overseeing, reviewing and ensuring the integrity and effectiveness of the Company's risk and compliance systems. The Board utilises an external independent auditor who is responsible for verifying the Company's compliance systems and reporting to the Board on those systems. The risk management systems covers operational, financial and compliance risks.	
ASX Recommendation 7.2: The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Under the Board Charter, the Board is responsible for reviewing all major strategies and purchases for their impact on the risks facing the Company. The Company also 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. The Company intends to conduct such a review by the end of this financial year and will report on this in its 2016 Annual Report. The Board also undertakes a quarterly review of the risk areas identified in the Board Charter.	Will comply
ASX Recommendation 7.3: A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or	The Company does not employ an internal audit function at this time, and the Board considers that appropriate for a company of S2's size and the nature of its operations. Under the Board Charter, responsibility for undertaking and assessing risk	✓

ASX RECOMMENDATION	COMMENT	COMPLIANCE				
(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.	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 on whether any risks are being managed ineffectively.					
ASX Recommendation 7.4: 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	The Board has identified areas of risks that have the potential to have material adverse impact on the Company's business, including: - operational; - environmental; - insurance; - litigation; - financial; - treasury and finance; and - compliance. <table><tr><td>Security of tenure and necessary approvals</td><td>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.</td></tr><tr><td>Operating history</td><td>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</td></tr></table>	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	✓
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					

ASX RECOMMENDATION	COMMENT		COMPLIANCE
		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 affect S2' current exploration program and its future growth plans.	
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY			
ASX Recommendation 8.1: The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent directors, and disclose: (i) the charter of the committee;	The Board has not established a risk committee in accordance with Recommendation 7.1. The Company is committed to the identification, monitoring and management of risks associated with its business activities. However, given that the Board currently comprises of only three Directors and the nature of the Company's operations, the Board considers that there would be no benefit in establishing a formal committee structure at this time. The Board Charter sets out the policies and practices of the remuneration of Non-Executive Directors, Executive Directors and other senior executives. A copy of the Board Charter is available in the governance section of the Company's website at www.s2resources.com.au .]		

ASX RECOMMENDATION	COMMENT	COMPLIANCE
(ii) the members of the committee; and (iii) as at the end of the each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (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.		
ASX Recommendation 8.2: 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.	Mr Jeff Dowling is paid a fixed annual fee for his services to the Company as a Non-Executive Director. Executives of the Company (being Executive Directors and other senior executives) typically receive remuneration comprising an appropriate balance of: • fixed remuneration (including a base salary component and other fixed benefits based on the terms of their employment agreements with the Company); and • performance-based remuneration (such as the ability to participate in the Company's short term incentive plan and the Company's long term incentive plan). Details of the remuneration of Directors and senior executives will be set out in the Company's 2016 Annual Report.	Will comply

ASX RECOMMENDATION	COMMENT	COMPLIANCE
ASX Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	The Company currently has two equity-based remuneration schemes; one for directors, and another for employees and service providers. The key terms of these incentive plans, as well as initial offers under these plans were disclosed in the Demerger Scheme Booklet.	✓