ASX Announcement

Wednesday 23rd November 2016

SKELLEFTE PROJECT UPDATE

Key points

- **Drilling at the first of ten targets (Svansele 403-3) intersects minor stringer and disseminated pyrite-pyrrhotite-sphalerite mineralisation**
- **Drilling started at the second target, Svansele 403-2**
- **Numerous EM conductors in new (second) VTEM survey**
- **Ground-based EM and geochemical sampling of VTEM conductors ongoing**
- **One of these new VTEM conductors coincides with a copper-zinc sulphide outcrop at the Bjurtraskgruvan prospect**

S2 Resources Ltd ("S2" or the "Company") advises that the first of ten targets designated for testing during the northern winter diamond drill campaign has been tested. Drilling intersected a minor zone of stringer and disseminated sulphides, for which assays are awaited but are expected to be low grade. Numerous new anomalies have also been identified in the second VTEM survey. One of these anomalies coincides with an outcropping copper-zinc bearing sulphides.

Minor sulphides intersected at Svansele 403-3 target

The first target to be drilled as part of the planned five month drilling campaign, known as Svansele 403-3, comprises a subtle VTEM conductor which resolved itself into two separate conductors following a more detailed ground-based moving loop EM (MLEM) survey. Two holes, SSVA 1701 and 1702, were drilled to test these, and subsequent down hole EM (DHEM) in the first hole identified a subtle offhole conductor. Hole SSVA1703, drilled to test this, intersected a 2.4 metre thick zone of mainly disseminated with some stringer sulphide mineralization from 196.4 metres downhole, comprising pyrite, pyrrhotite and some sphalerite, within a felsic volcanic sequence (see Figures 1 and 2, and Annexure 1). Although it will take several weeks to receive assays for this intersection, visually it appears only weakly mineralized. It is, however, encouraging to intersect mineralization within appropriate host rocks at the first target drilled in the campaign.

This is the first target of three in a cluster, with the other two being Svansele 403-2 (see ASX announcement of 28th October 2016) and Svansele 403-1, which was renamed as the Svan Vit prospect

following drilling early in 2016 (see ASX announcements of 21st April 2016 and 9th May 2016) (see Figure 3). Drilling of these and other targets will continue over the next 5 months, with priorities being determined primarily by ground access conditions.

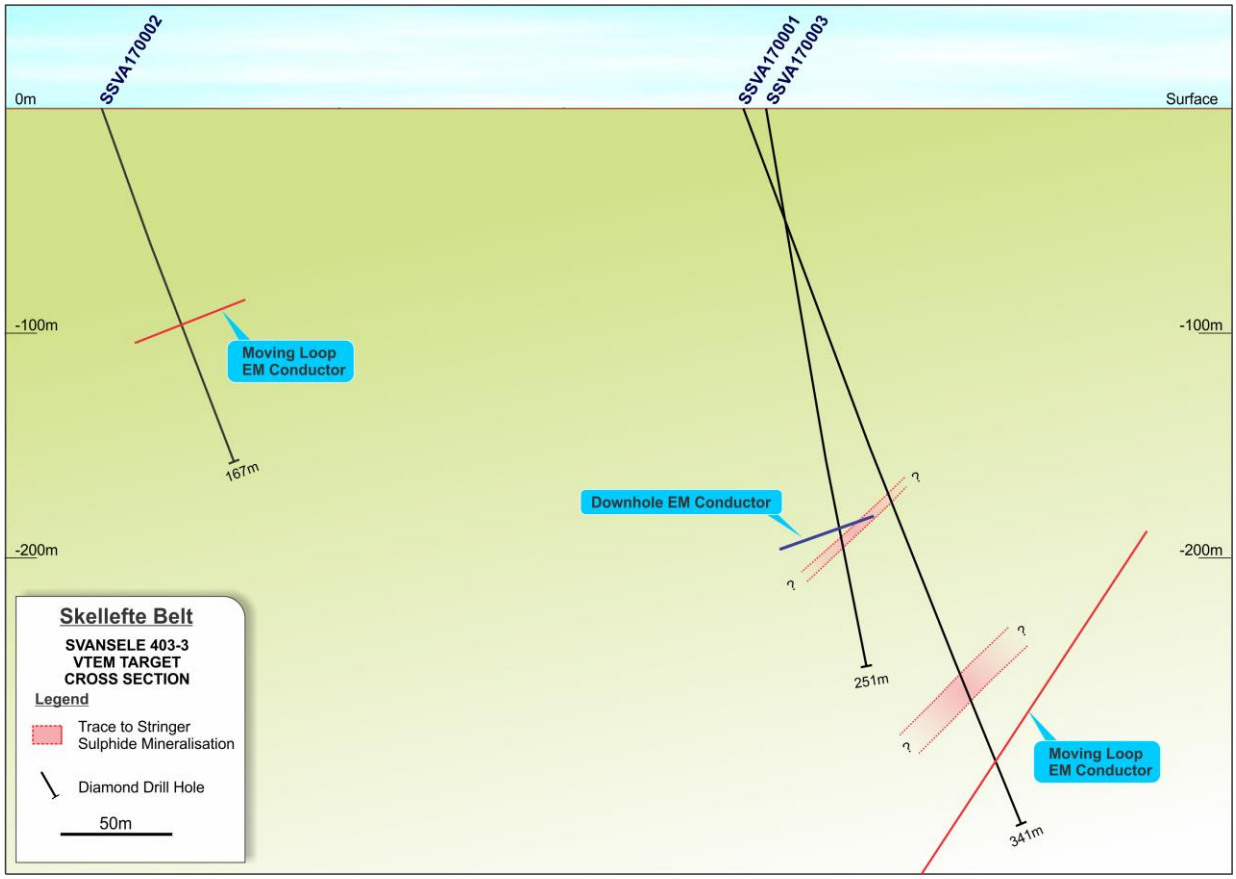

Figure 1. Cross section of disseminated mineralization intersected at Svansele 403-3 target.

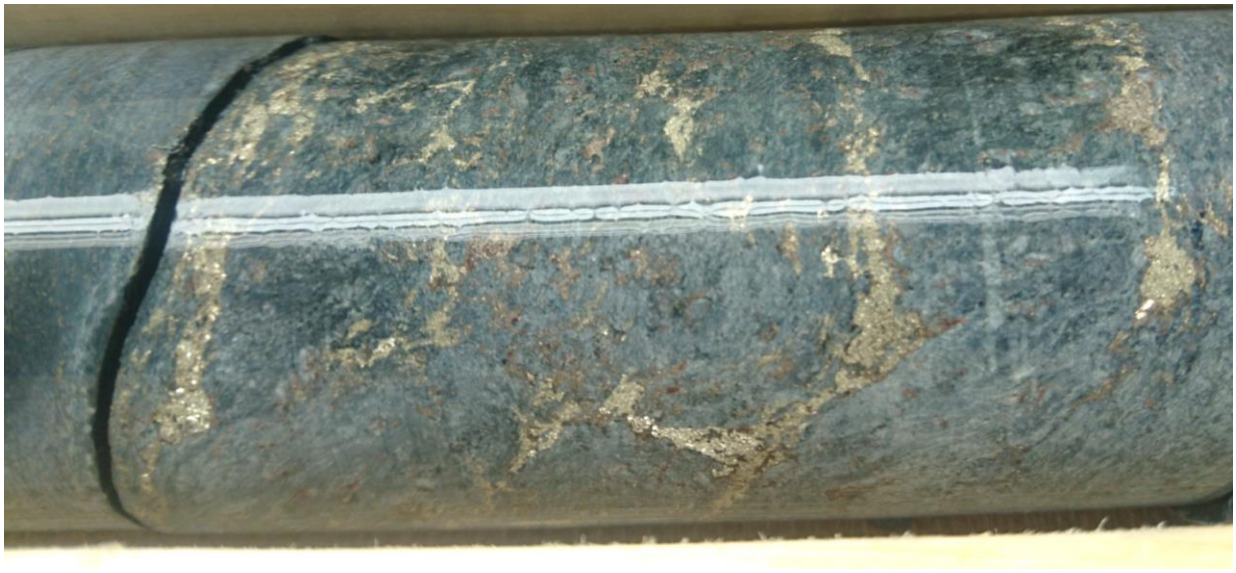
Figure 2. Photo of mineralized interval showing pyrite, pyrrhotite and sphalerite in felsic volcanic hostrock.

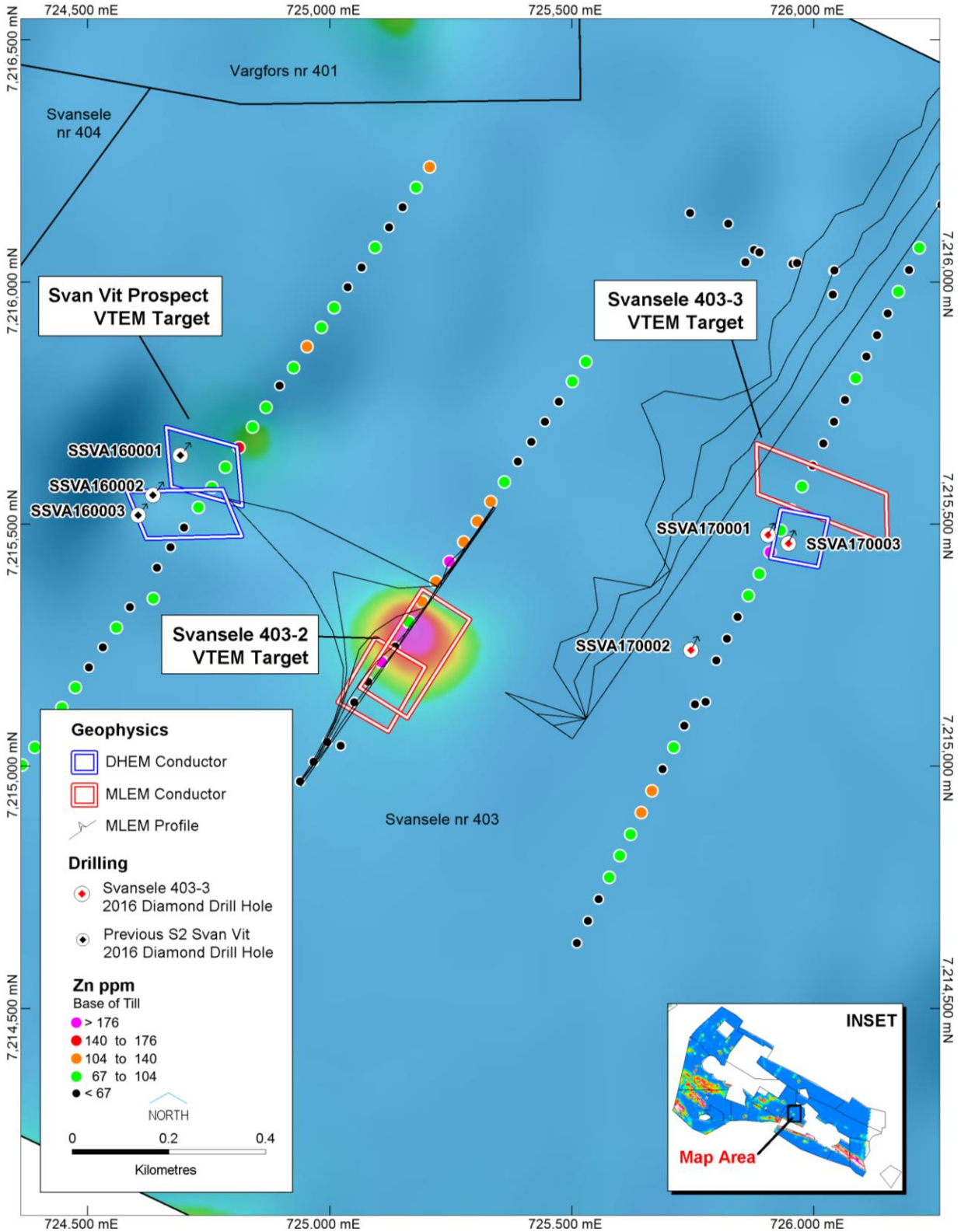

Figure 3. Summary plan of the Svansele 403 cluster of airborne (VTEM), ground (MLEM) and downhole (DHEM) electromagnetic anomalies, showing zinc anomalism in base of till (BOT) sampling. Svansele 403-1 is the Svan Vit prospect.

The drill rig has since moved to the next target, which is Svansele 403-2, located approximately 400 metres to the southwest of Svansele 403-3, between the latter and the Svan Vit prospect (see Figure 3).

Ground-based MLEM and base of till (BOT) geochemical sampling is also being systematically extended over additional targets.

Numerous strong conductors identified in new VTEM survey

Final imagery of the recent VTEM survey has been received, highlighting numerous new anomalies (see Figures 4 to 7). These will be followed up with ground-based MLEM and BOT sampling where appropriate over the next several months.

The new survey is only the second VTEM survey ever flown in this major base and precious metal mining district, in which S2 is the dominant ground holder. It follows and partially adjoins the first ever VTEM survey, which was also flown by S2 in 2015.

The new survey was flown in three parts to cover newly acquired ground. One of these areas was over new ground acquired adjacent to the original survey area and has been merged with it (see Figures 4 and 5), and the other two areas are geographically separate (see Figures 6 and 7).

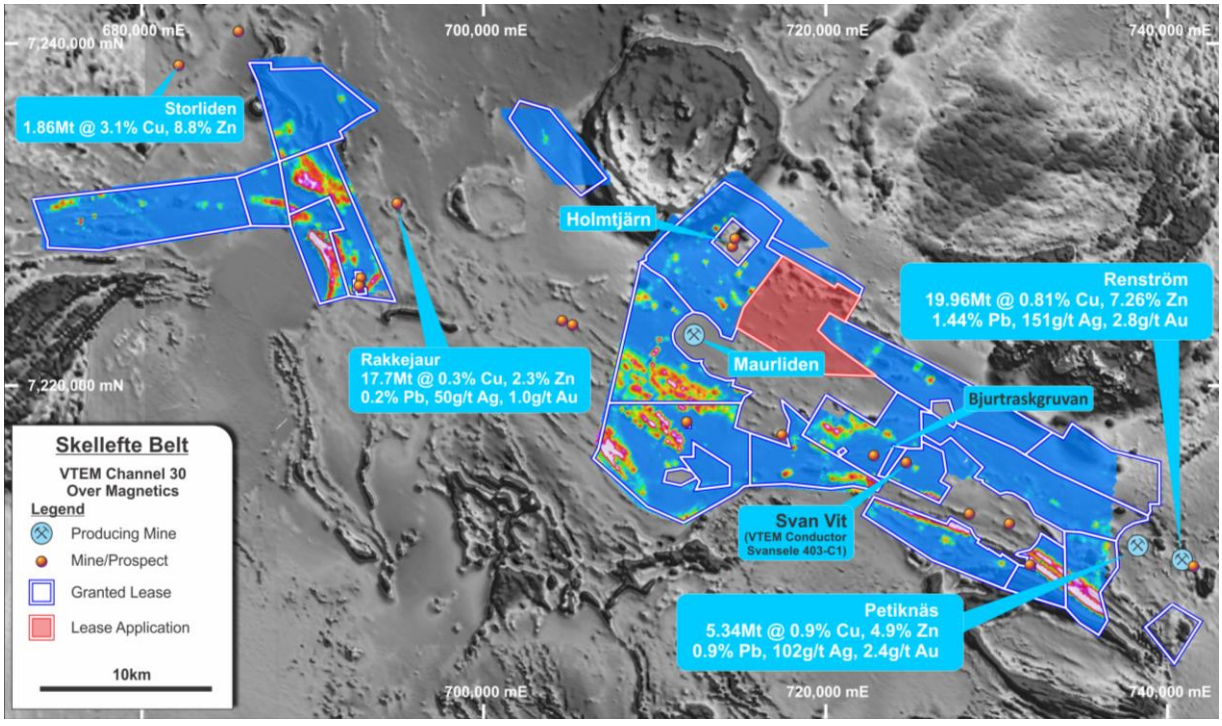

Figure 4. Extended VTEM coverage overview, with new survey comprising 3 separate areas (Malanaset, Laxselmyran, and Gallejaur), with the Malanaset survey being adjacent to and merged with original survey.

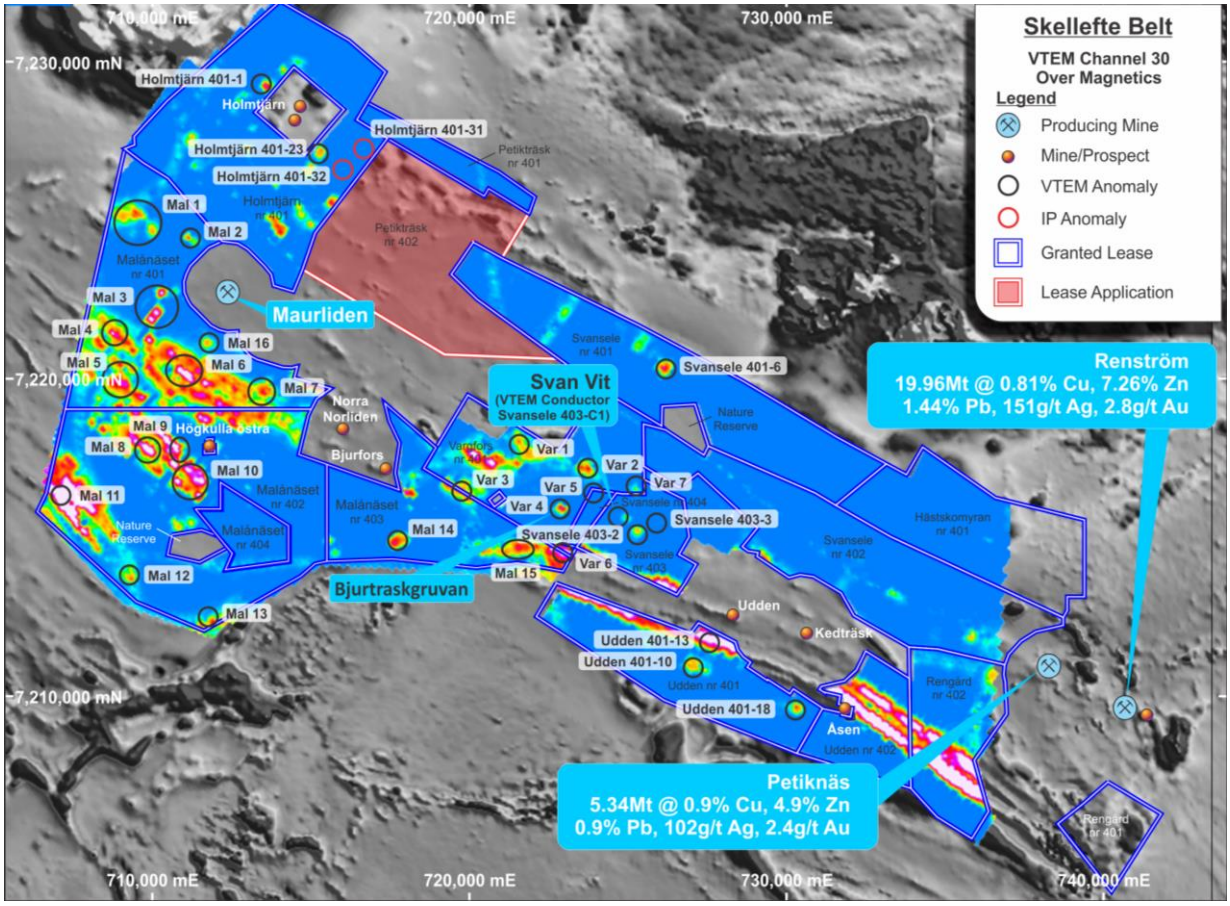

Figure 5. Detailed view of the Malanaset area (the “Malanaset” survey), and merged with, the original VTEM survey.

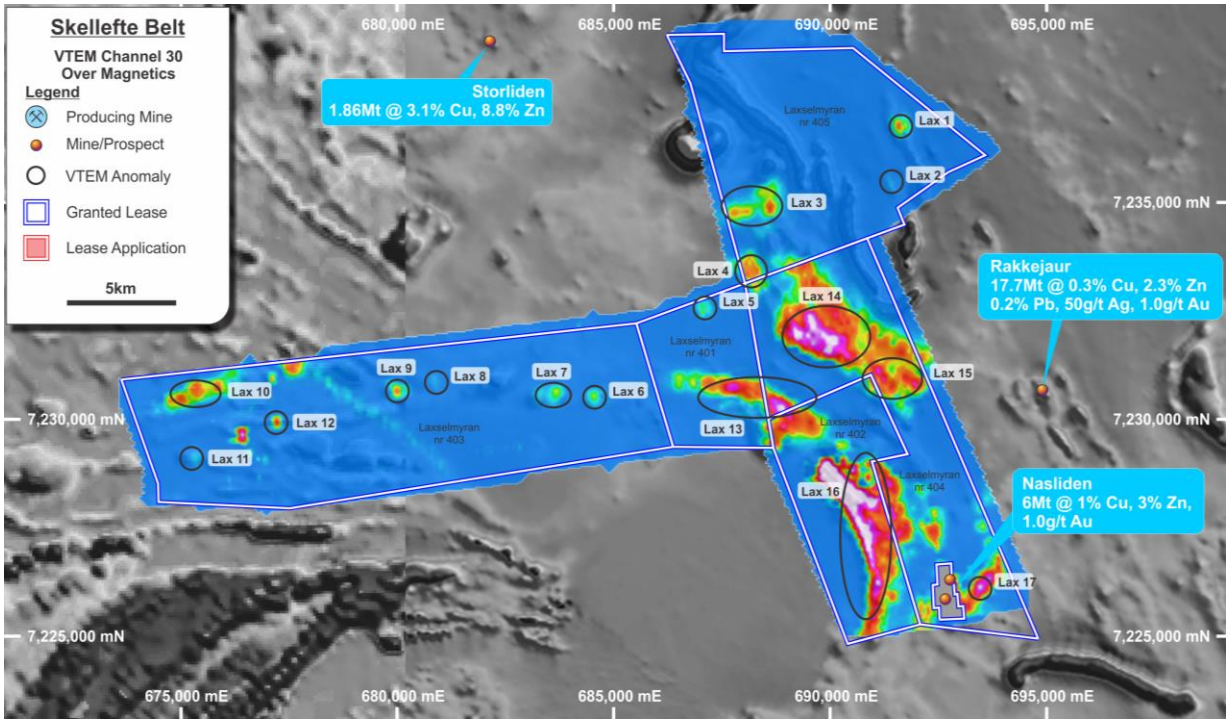

Figure 6. Detailed view of the new VTEM coverage in the Laxselmyran area (the “Laxselmyran” survey).

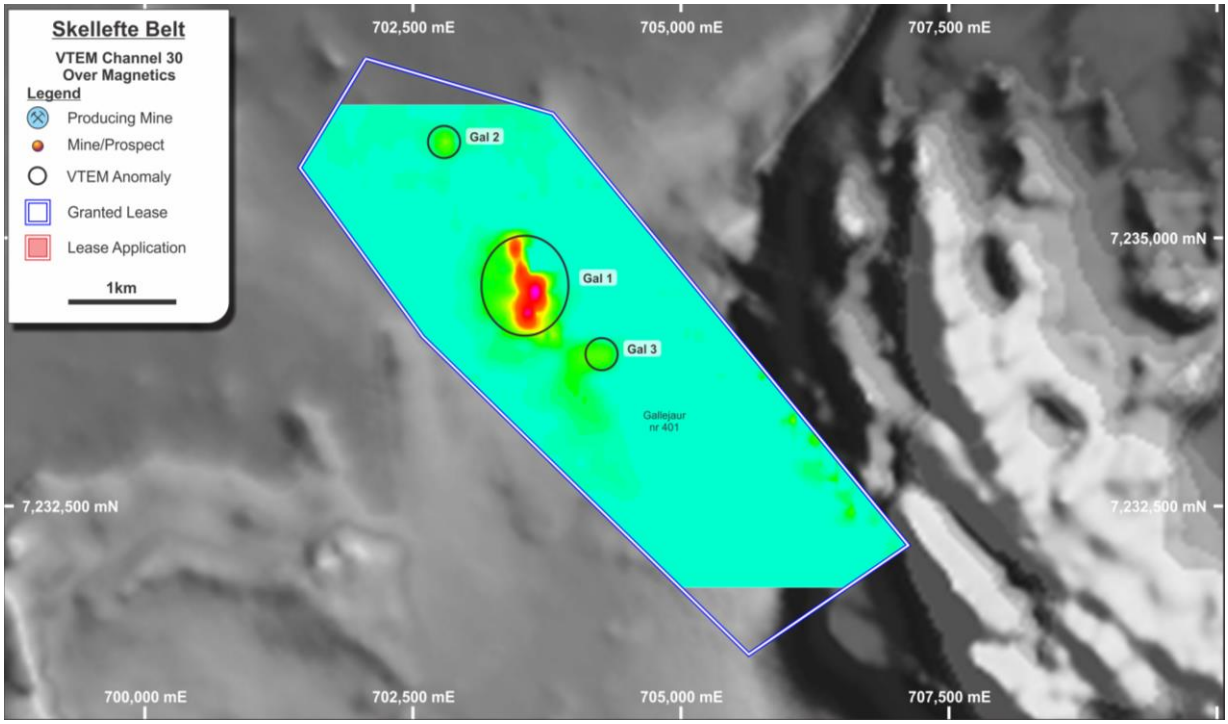

Figure 7. Detailed view of the new VTEM coverage in the Gallejaur area (the "Gallejaur" survey).

One of the many EM anomalies (Vargfors 401-4) identified in the new VTEM survey coincides with a zone of outcropping copper-zinc sulphide mineralization at a prospect known as Bjurtraskgruvan, located 2 kilometres west of the Svan Vit prospect (see Figures 5 and 8). This area was subject to limited drilling by government agencies in the 1940's and the 1980's but has not had any modern exploration or drilling. Ten rockchip and float samples collected from this outcrop are all enriched in either zinc or copper-gold-silver, as follows:

- Three samples grade **2.68%-6.47% zinc**, with negligible copper, gold or silver
- Seven samples grade **4.71%-13.25% copper**, **0.26g/t-6.74g/t gold** and **30g/t-95g/t silver**, with negligible zinc

Ground based MLEM will commence shortly and, subject to positive follow up results and obtaining appropriate government and access approvals, this will be included in the winter diamond drilling program.

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Figure 8. Photo of outcropping massive sulphide mineralization at the Bjurtraskgruvan prospect.

Competent Persons statement

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

Annexure 1

The following Table is provided to ensure compliance with the JORC code (2012) edition requirements for the reporting of exploration results. Co-ordinates in this table are given in the Swedish National Grid SWEREF 99TM. Fe and S assays reflect quantity of sulphide.

Hole No	Depth m	North	East	Elev m	Dip	Azim	From, m	To, m	Width, m	Au g/t	Ag g/t	Fe %	S %	Cu %	Zn %
SSVA170001	341.0m	7215478	725905	199m	-70	035	Assays awaited – minor visual sulphide 180.9-184.45m & 268.5-273.0m								
SSVA170002	167.0m	7215240	725746	210m	-70	035	No visual intersection								
SSVA170003	251.0m	7215460	725947	199m	-81	035	Assays awaited – minor visual sulphide 196.4-198.8m								

JORC table 1

SECTION 1 SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation	Commentary
Sampling techniques	*Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.*	The EM geophysical target at Svansele 403 target 3 was tested by diamond drilling with a planned three DDH program on this target. Drilling has been undertaken by Oy Kati AB of Kalajoki Finland drilling NQ2 rod size with a DDH size of 75.7mm and core size of 50.7mm. NQ2 core samples were logged, marked by S2 staff, Unbiased core sample intervals were cut in half by diamond saw. Half core from DDH's SSVA17001 has been sent for analyses by ALS Laboratories, whilst SSVA17002 & SSVA17003 are presently being sampled. All rock grab and rock float samples are collected from outcrop by S2 staff and consultants marked into sample books and a representative portion of the sample retained. All are forwarded for analyses by ALS Laboratories.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used	Sampling and QAQC procedures are carried out using S2 Sverige AB's protocols as per industry best practice.

Criteria	JORC Code explanation	Commentary
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information	Diamond drilling was used to obtain core samples that have been cut and sampled on intervals that are determined by lithology and mineralisation. The drill core samples from SSVA170001 have been sent to ALS Laboratories for analyses for gold and base metals. SSVA170002 & SSVA170003 drill core is presently being sampled at S2 Sverige AB's facilities in Mala, Sweden.
Drilling techniques	*Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	Diamond drilling with NQ2 wireline bit producing a 50.7mm diameter core.
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed*	Diamond Drill core recoveries are visually estimated qualitatively on a metre basis and are recorded in the database.
	Measures taken to maximise sample recovery and ensure representative nature of the samples	Sample quality is qualitatively logged on a metre basis, recording sample condition.
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	**NA**
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	The logging uses a standard legend used by S2's resource geologist for wireframing. Exploration holes are not geotechnically logged but resource holes are.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.	All core has been photographed both dry and wet. Geological logging of the diamond drill holes is onto physical log sheets followed by importing into S2 Resources central database
	The total length and percentage of the relevant intersections logged	All drill holes were logged in full.
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	Core sawn in half and half core taken.
	If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.	NA
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Samples were delivered by S2 Staff to ALS Minerals Laboratory in Mala, Sweden. All samples were forwarded to ALS Minerals Ojebyn, Sweden Laboratory where they are to be crushed with >70% <2mm (code CRU-31), split by riffle splitter (code SPL-21), and Pulverised 1000grm to 85% <75 um (code PUL-32). Crushers and Pulverizers will be washed with QC tests undertaken (codes CRU-QC, PUL-QC). The prepared samples were forwarded to ALS Minerals Loughrea, Ireland, Laboratories for analyses.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Full QA:QC system in place to determine accuracy and precision of assays

Criteria	JORC Code explanation	Commentary
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	For DDH's Non biased core cutting through using an orientation line marked on core and cut to the line
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Samples of appropriate size
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	All samples were analysed by ALS Minerals Loughrea, Ireland Laboratories. For DDH samples to be analysed for Gold using 50grm Fire Assay with AA finish (code Au-AA26) and for Ag, As, Bi, Ca, Cd, Cu, Fe, Hg, Mg, Mn, Mo, Ni, P, Pb, S, Sb, Tl & Zn through an Oxidising Digestion with ICP-AES Finish (code ME-ICPORE).
	For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	No geophysical tools were used to determine any element concentrations.
	Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	Full QAQC system in place including Certified Standards and Blanks of appropriate matrix and levels
Verification of sampling and assaying	*The verification of significant intersections by either independent or alternative company personnel.*	James Coppard has personally inspected all drill cores and rock samples.
	The use of twinned holes.	No twin holes have been drilled on the project to date.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	Primary sampling data was collected in S2 Sverige AB sample books using project prefix SSVA and unique numbers. The data is then transferred to a set of standard Excel templates. The information has been forwarded to an external database consultant for validation and compilation into a Perth based SQL database.
	Discuss any adjustment to assay data.	No adjustments made
Location of data points	*Accuracy and quality of surveys used to locate drillholes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	Drill hole collars were located with a differential GPS with an accuracy of less than 1metre.
	Specification of the grid system used.	The grid system used is the Standard Swedish National Grid – SWEREF 99 TM.
	Quality and adequacy of topographic control.	Excellent quality topographic maps produced by the Swedish Authorities - Landmateriat
Data spacing and distribution	*Data spacing for reporting of Exploration Results.*	**NA**
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	NA
	Whether sample compositing has been applied.	NA
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	The diamond drilling orientation was designed to test the geophysical target and is not necessarily drilled perpendicular to the orientation of the intersected mineralisation.

Criteria	JORC Code explanation	Commentary
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	NA
Sample security	*The measures taken to ensure sample security.*	Chain of custody is managed by S2 Sverige Consultants. Drill cores were visually checked at the drill rig. Cores were then transported to S2 Sverige AB's logging and cutting facilities by S2 Sverige AB's Consultants. Core cutting on site and samples transferred to ALS Laboratories in Malå, Sweden by S2 Sverige AB personnel.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	No audits or reviews have been conducted at this stage.

SECTION 2 REPORTING OF EXPLORATION RESULTS

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.	The Svansele 403 -3 VTEM target is located within the Svansele nr 403 Exploration Licence (Diary number 2015:39), which is 100% owned by Sakumpu Exploration filial (at present under transfer to S2 Sverige AB) both companies wholly owned subsidiary of S2 Resources Ltd.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The Svansele nr 403 Exploration Licence is in good standing and no known impediments exist on the tenement being actively explored.
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	DDH's SSVA170001 & SAVA170003 are drilled in an old sand quarry owned by Boliden Mineral AB for use as fill in the mines, a historic drill collar was noticed in the vicinity but no knowledge or public domain information is available on the DDH.
Geology	Deposit type, geological setting and style of mineralisation.	The Svansele project is situated within the central portion of the Skellefte Belt, a volcanogenic massive sulphide camp dominated by bimodal volcanics, primarily felsic in composition. The mineralisation style appears from the drill holes typical volcanogenic massive sulphide style mineralisation with greenschist grade metamorphism
Drill hole Information	A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: • easting and northing of the drill hole collar • elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar • dip and azimuth of the hole • down hole length and interception depth • hole length.	DDH SSVA170001 725905E 7215478N 035°Azi -70° EOH341.00m. RL 199 m VMS style mineralisation between 180.90 – 184.45m & 268.50 – 273.00m as in text. DDH SSVA170002 725746E 7215240N 035°Azi -70° EOH 167.00m. RL 210m DDH SSVA170003 725947E 7215460N 035°Azi -81° EOH 251.00m. RL 199 m VMS style mineralisation between 196.40 – 198.80m as in text.
Data aggregation methods	In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.	NA

Criteria	JORC Code explanation	Commentary
	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	NA
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	None used
Relationship between mineralisation widths and intercept lengths	These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').	The trend of mineralisation at Svansele 403 -3 is not known at present but core angles indicate that mineralisation is approximately true width. Borehole EM modelled in Maxwell indicates a shallow dipping plate east of DDH SSVA170001 – awaiting results from BHEM on DDH SSVA170003 Refer to Annexure 1 and Figures in body of text.
Diagram	Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	Refer to Figures in body of text.
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	Mineralisation is determined visually then sampled with results awaited
Other substantive exploration data	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	The Svansele 403 -3 was a one of a number of priority VTEM targets generated during Sakumpu Exploration's 2015 VTEM survey. This target was ground checked by moving loop ground TEM which gave an anomaly that when modelled showed two separate plates. Base of Till sampling returned a peak geochemical response adjacent to the northern of the geophysical anomalies. Access and snow conditions dictated that this was the first target drill tested in this winters' testing. DDH's SSVA17001 & SSVA17003 were successfully probed by downhole EM by Geovisor of Rovaniemi, Finland. Results of the BHEM from SSVA17001 are detailed in the body of the text.
Further work	The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive	Results of the BHEM on SSVA170003 will determine if any additional work is justified on this target.