EXPLORATION UPDATE – SKELLEFTE

Key points

- **Verification of historical drilling at Bjurtraskgruvan confirms VMS mineralization extends from outcrop down plunge to the southwest to a vertical depth of 120 metres**
- **Mineralization is open down plunge from this drilling**
- **Ground EM at Bjurtraskgruvan identifies 150 metre strike length conductor consistent with this and plunging to the southwest**
- **First follow up hole at Svan Vit intersects stringer sphalerite mineralization**
- **Drilling of two other EM targets (Svansele 403-2 and Udden 401-13) intersects pyrrhotite and minor shale horizon**

S2 Resources Ltd ("S2" or the "Company") advises that exploration at the Company's 100% owned Skellefte project in Sweden is progressing. At the Bjurtraskgruvan prospect, verification of historical drilling has outlined a south dipping lens of massive sulphide, and ground EM has identified a strong south dipping conductor associated with this zone. At the Svan Vit prospect, the first follow up hole has intersected stringer sphalerite mineralization. Drilling of two other VTEM targets (Svansele 403-2 and Udden 401-13) has also been completed.

Bjurtraskgruvan prospect

The Bjurtraskgruvan prospect was recently identified as one of 43 new anomalies ("Vargfors 401-4") in S2's new VTEM survey, and was confirmed with the identification of a mineralized outcrop with some historical drilling (see ASX announcement of 23 November 2016).

Subsequent compilation and verification of this historical drilling has outlined two south dipping lenses of zinc and copper bearing massive sulphide mineralization, extending down plunge from the outcrop to a vertical depth of 120 metres and remaining open down plunge beneath this (see Figures 1 and 2).

Key historical intercepts (interpreted to approximate true width) from this mineralized zone include:

- **3.8m @ 5.9% zinc, 0.6% copper, 8g/t silver** from 86m in hole BJG80009
- **6.2m @ 3.9% zinc, 0.4% copper, 3g/t silver** from 97.4m in hole BJG80007
- **6.1m @ 3.6% zinc, 0.2% copper, 4g/t silver** from 30.5m in hole BJG80001
- **4.1m @ 2.0% zinc, 1.3% copper, 12g/t silver** from 97.4m in hole BJG80008

A new ground-based moving loop EM (MLEM) survey undertaken to confirm the VTEM target at the Bjurtraskgruvan prospect has identified a strong 150 metre strike length conductor which plunges gently to the southwest in a position consistent with the known mineralization (see Figures 1 and 2).

Many of the known VMS deposits of the Skellefte belt form plunging lenses and pipes which have relatively modest strike lengths but which extend from near surface to depths of 1,500 metres. The Company plans to test the down plunge potential of the Bjurtraskgruvan VMS deposit with follow up drilling early in the new year.

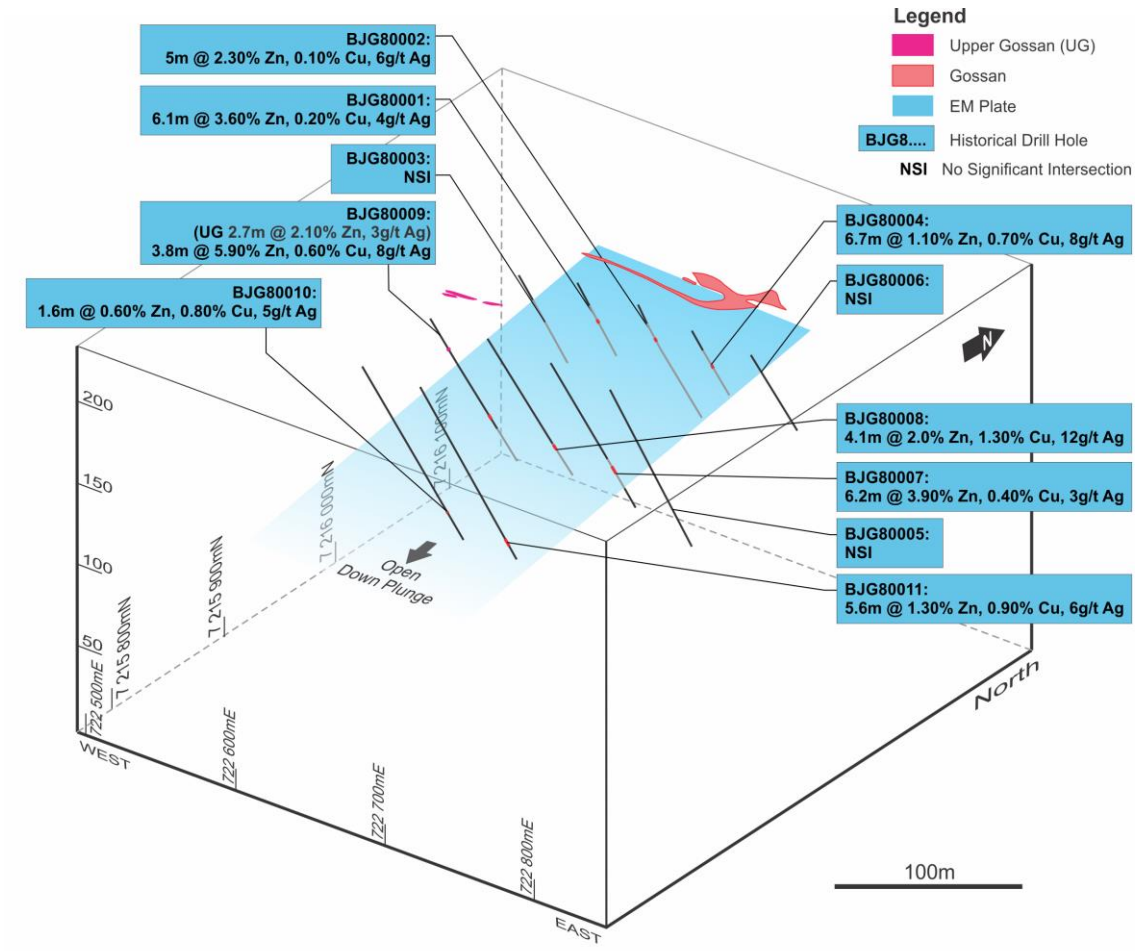

Figure 1. Isometric view of the known extent of the Bjurtraskgruvan VMS deposit, showing historical drilling, the new MLEM conductor, and the mineralized outcrop.

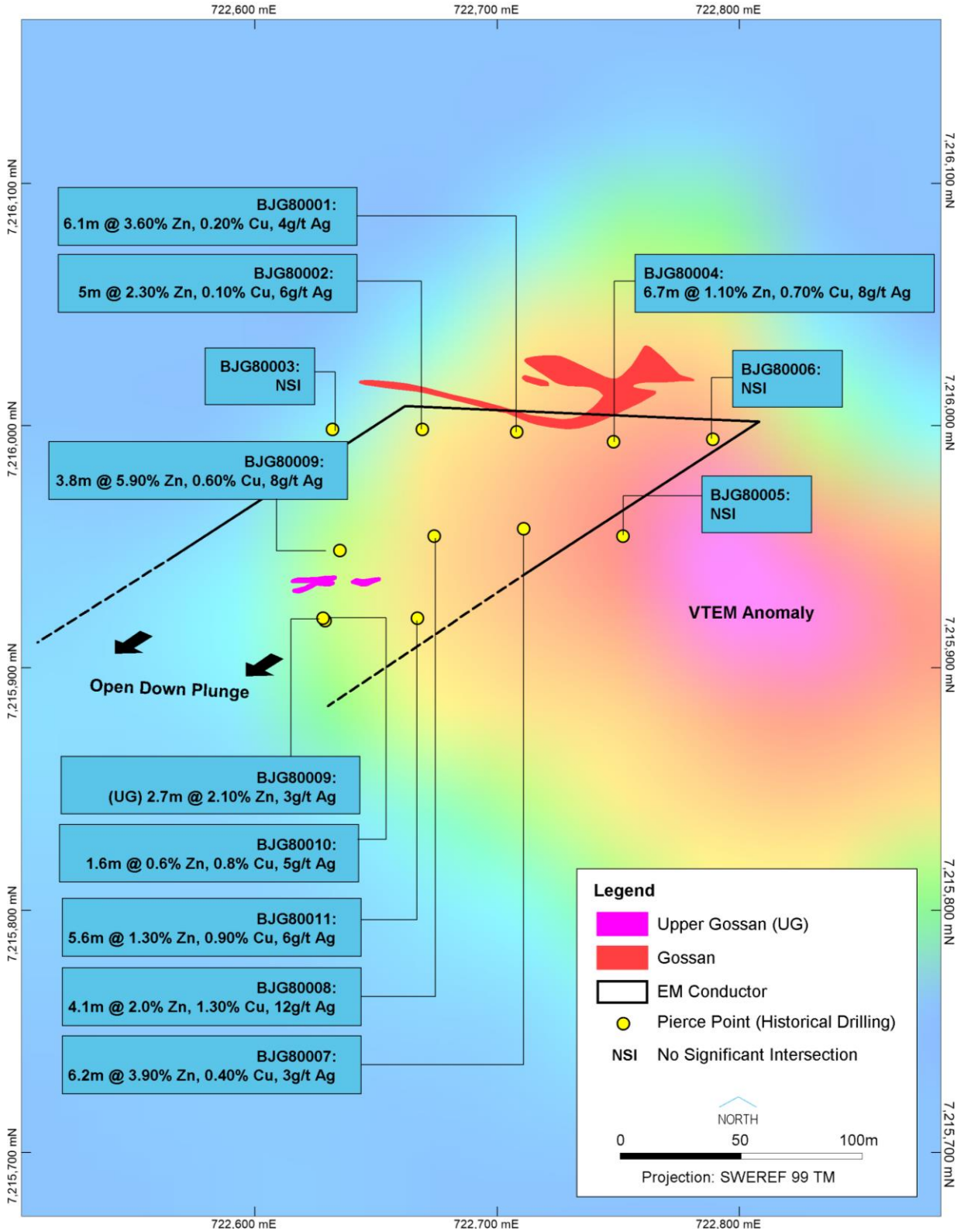

Figure 2. Plan projection view of the known extent of the Bjurtraskgruvan VMS deposit, showing historical drilling, the new MLEM conductor, and the mineralized outcrop.

Svan Vit prospect

The first follow up drillhole (SSVT170004) at the Svan Vit prospect has been completed, intersecting several narrow zones of stringer sphalerite mineralization at the expected horizon between 217.5 metres and 220.1 metres downhole (see Figure 3). Assay results will not be available until early in 2017. The sphalerite stringers intersected in this hole are not sufficient to explain the DHEM conductor, so further DHEM is being undertaken to define the location and nature of the DHEM anomaly before additional follow up drilling (see Figure 4).

Figure 3. Photograph of stringer sphalerite zones intersected in hole SSVT170004 at the Svan Vit prospect.

Other targets

The Svansele 403-2 and Udden 401-13 VTEM targets have been tested (see Figure 4 for the Svansele 403-2 drillhole). Hole SSVA170004 at the Svansele 403-2 VTEM target intersected a narrow zone of black shale with accompanying pyrrhotite where predicted by the EM at a depth of 135 metres, and hole SUDD170001 at the Udden 401-13 VTEM target intersected a pyrrhotite breccia zone where predicted by the EM at a depth of 133 metres.

The Svansele 403-2 and Udden 401-13 anomalies are two of over 100 anomalies identified in S2's two VTEM surveys. An initial ten anomalies that have been ground-proofed by MLEM and BOT sampling are scheduled for drilling between now and April 2017.

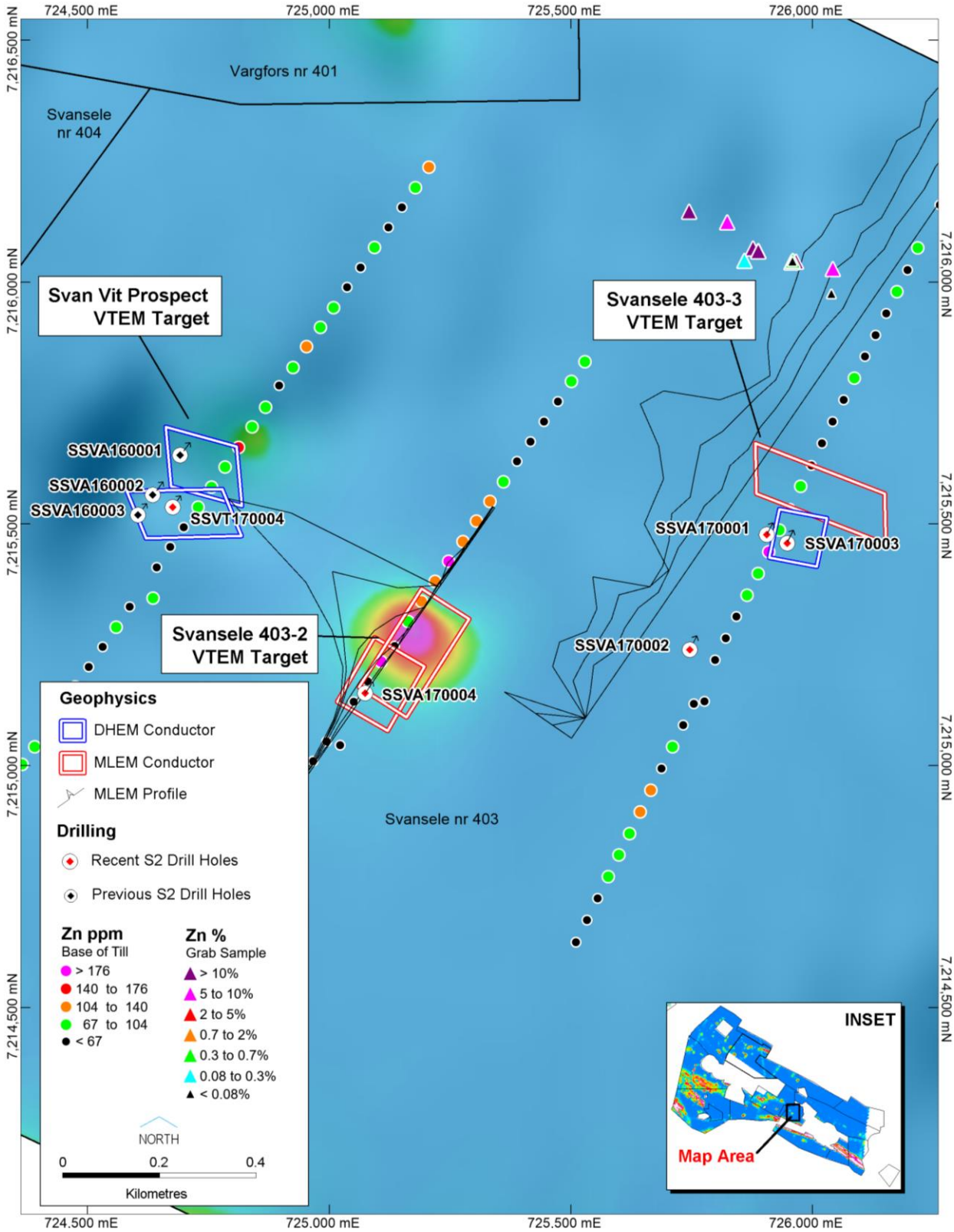

Figure 4. Plan view of drilling and EM conductors at the Svansele 403-2, 403-3 targets and the Svan Vit prospect.

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Competent Persons statement

The information in this report that relates to Exploration Results is based on information compiled by Andy Thompson who is an employee of the company. Mr Thompson is a member of the Australasian Institute of Mining and Metallurgy. Mr Thompson 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 Thompson 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.

Bjurtraskgruvan prospect (historical drilling – see JORC tables)

Hole No.	Total Depth	North	East	RL	Dip	Azim	From, m	To, m	Width, m	Zn%	Cu%	Ag g/t
BJG80001	109.3	7215982	722709	236	-60	352	30.5	36.6	6.1	3.60	0.20	4
BJG80002	69.7	7215981	722669	237	-60	000	33.7	38.7	5.0	2.30	0.10	6
BJG80003	85.6	7215977	722632	232	-60	002				NSI		
BJG80004	59.6	7215979	722747	235	-60	005	29.5	36.2	6.7	1.10	0.70	8
BJG80005	138.8	7215908	722746	230	-60	010				NSI		
BJG80006	68.5	7215980	722787	232	-60	008				NSI		
BJG80007	134.8	7215908	722706	233	-60	006	97.4	103.6	6.2	3.90	0.40	3
BJG80008	125	7215906	722665	235	-60	010	97.4	101.5	4.1	2.00	1.30	12
BJG80009	126.3	7215907	722625	235	-60	015	27.9	30.6	2.7	2.10	0.00	3
and							86.0	89.8	3.8	5.90	0.60	8
BJG80010	165.2	7215849	722623	231	-60	005	142.1	143.7	1.6	0.60	0.80	5
BJG80011	166.8	7215846	722664	233	-60	002	147.2	152.8	5.6	1.30	0.90	6

Svan Vit prospect

Hole No.	Total Depth	North	East	RL	Dip	Azim	From, m	To, m	Width, m	Zn%	Cu%	Ag g/t	Au g/t
SSVA160001	127.05	7215642	724691	429	60	035	25.30	25.85	0.55	<0.1	<0.1	45.0	1.49
and							88.70	89.05	1.05	2.87	<0.1	5.0	0.03
SSVA160002	258.70	7215560	724634	429	60	035	164.40	164.95	0.55	2.23	<0.1	<1	0.02
and							170.20	173.90	3.70	1.75	<0.1	5.3	0.01
and							184.60	189.65	5.05	3.15	0.2	6.0	0.04
including							186.40	187.35	0.95	4.55	0.29	4.0	0.09
and							188.40	189.65	1.25	5.07	0.16	5.0	0.04
and							207.55	214.05	6.50	<0.1	0.25	3.0	0.04
including							207.55	209.00	1.45	<0.1	0.43	7.0	0.10
SSVA160003	298.00	7215519	724604	430	65	035				NSI	NSI	NSI	NSI
SSVT170004	263	7215533	724675	223	-60	35	Assays awaited – minor sphalerite stringers from 217.5-220.1m						

Svansele 403-2 target

Hole No.	Total Depth	North	East	RL	Dip	Azim	From, m	To, m	Width, m	Zn%	Cu%	Ag g/t	Au g/t
SSVA170004	213.2	7215150	725074	199	-70	35	Assays awaited. Sulphidic, graphitic sediment at 134.9 – 144.7m						

Svansele 403-3 target

Hole No.	Total Depth	North	East	RL	Dip	Azim	From, m	To, m	Width, m	Zn%	Cu%	Ag g/t	Au g/t
SSVA170001	341	7215478	725905	199	-70	35	Assays awaited – minor visual sulphide 180.9-184.45m & 268.5-273.0m						
SSVA170002	167	7215240	725746	210	-70	35	No visual intersection						
SSVA170003	251	7215460	725947	199	-81	35	Assays awaited – minor visual sulphide 196.4-198.8m						

Udden 401-13 target

Hole No.	Total Depth	North	East	RL	Dip	Azim	From, m	To, m	Width, m	Zn%	Cu%	Ag g/t	Au g/t
SUDD170001	140	7215478	727585	199	-60	35	Assays awaited – pyrrhotite breccia in sediments 133 – 133.9m						

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

SECTION 1 SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation	Commentary
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 targets at Svansele 403 and Udden 401 were tested by diamond drilling. Drilling is 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 are logged and marked up by S2 personnel. Unbiased core sample intervals were cut in half by diamond saw with half core sent for analysis at ALS Laboratories. All rock grab and rock float samples are collected from outcrop by S2 personnel and marked into sample books and a representative portion of the sample retained. All are forwarded for analyses by ALS Laboratories.

Criteria	JORC Code explanation	Commentary
	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 protocols as per industry best practice.
	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 are sent to ALS Laboratories for analyses for gold and base metals. Drill core is sampled at S2'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.	No relationship has been seen to exist
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 developed by S2 which is suitable 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's 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.	All samples are core.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Samples were delivered by S2 personnel 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 are washed with QAQC tests undertaken (codes CRU-QC, PUL-QC). The prepared samples are forwarded to ALS Minerals Loughrea, Ireland, for analysis.

Criteria	JORC Code explanation	Commentary
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Full QAQC system in place to determine accuracy and precision of assays
	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. Samples analysed for gold undergo a 50g fire assay with AA finish (code Au-AA26). Samples analysed for Ag, As, Bi, Ca, Cd, Cu, Fe, Hg, Mg, Mn, Mo, Ni, P, Pb, S, Sb, Tl & Zn undergo 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 sample books using project prefix SSVA and unique numbers. The data is then transferred to a set of standard Excel templates. The information is managed by S2's database manager for validation and compilation into S2's central 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 within 1 metre.
	Specification of the grid system used.	The grid system used is the Standard Swedish National Grid – SWEREF 99 TM unless otherwise stated.
	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.*	Drill holes are exploratory at this stage and drilled to test geochemical and geophysical target. No set spacing of drillholes at this stage.
	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.	Data spacing and distribution is not sufficient at this stage to allow the estimation of mineral resources.
	Whether sample compositing has been applied.	No sample compositing has been applied

Criteria	JORC Code explanation	Commentary
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.*	Drillhole orientation is designed to test geophysical targets and is not necessarily drilled perpendicular to the orientation of the intersected mineralisation.
	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.	The drilling at this stage is preliminary and exploratory. It is not possible to assess if any sample bias has occurred due to hole orientation at this stage.
Sample security	*The measures taken to ensure sample security.*	Chain of custody is managed by S2 personnel. Drill core is visually checked at the drill rig and then transported to S2's logging and cutting facilities by S2 personnel for logging, cutting and sampling. Bagged samples are transferred to ALS Laboratories in Malå, Sweden by S2 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 Svan Vit prospect, and the Svansele 403-2 and 403-3 VTEM targets are located within the Svansele 403 Exploration Licence. The Bjurtraskgruvan prospect is located within the Vargfors 401 Exploration Licence. The Udden 401-13 VTEM target is located within the Udden 401 Exploration Licence. All of the above exploration licences are 100% owned by S2 Sverige AB, a Swedish registered 100% owned subsidiary of S2
	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.	All of the Exploration Licences are in good standing and no known impediments exist on the tenements being actively explored.
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	North of VTEM anomaly Svansele 403-1 (now termed the Svan Vit prospect) there is a historical prospect known as Snattermyran, discovered by boulder sampling in 1902. During 1903-1905 trenching occurred. In 1926, 3 DDH's were drilled for a total of 152.17m with a best result of 3.46m@2.45% Zn, 32g/t Ag. In 1980, the Swedish Geological Survey (SGU) drilled 4 DDH's for a total of 375.00m with a best result of 2.50m@1.65% Zn, 20 g/t Ag in DDH80004. All holes were drilled with an approximate azimuth of 345°-030°. The Bjurtraskgruvan prospect was drilled, trenched and mapped in 1944 and 1979-80. Drilling was undertaken by the Swedish Geological Survey (SGU) for a total of 481m in 1944 and 1250m in 1979-80. The 1944 data was largely twinned by the later drilling and also more comprehensively sampled. The historical geological mapping has been georeferenced in relation to the drillhole collars and also correlates well with the modelled moving loop ground TEM plate. Drillhole collars have been located and surveyed by S2 personnel. All available public domain historic reports and logs at the SGU in Mala have been reviewed and collated.
Geology	Deposit type, geological setting and style of mineralisation.	The area occupies the central portion of the Skellefte Belt, a productive base and precious metal mining district dominated by bimodal volcanics, primarily felsic in composition. The mineralisation style is structurally remobilised volcanogenic massive sulphide style mineralisation within greenschist grade metamorphic rocks.

Criteria	JORC Code explanation	Commentary
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.	Refer to Annexure 1 above
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.	All reported intersections of drilling undertaken by S2 have been length weighted but not density weighted. A nominal 1% Zn lower cut-off is used for diamond drill intersections (unless otherwise stated in polymetallic intersections).
	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.	High grade intervals internal to broader zones of mineralisation are reported as included intervals.
	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 the targets/prospects described is not known at present but core angles indicate that mineralisation is approximately true width. 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 area has numerous VTEM anomalies generated from a 2015 VTEM survey. Most anomalies being drilled have been ground checked using moving loop EM to confirm anomalism and enable modelling of specific drill targets. Base of till sampling is also undertaken for interface geochemical information. At the Bjurtraskgruvan prospect, rock chips have been taken from outcropping gossans. Historic data from the SGU has been compiled and modelled in 3D. Moving loop EM has confirmed the VTEM anomaly as shown in the body of the text.

Criteria	JORC Code explanation	Commentary
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	Further ground EM will be conducted at Bjurtraskgruvan to determine the extent of the conductor down plunge. Diamond drilling is planned at Bjurtraskgruvan in early 2017 to test down plunge extensions. Downhole EM will be used as required to further refine plate models and target drilling.