



MARCH 2016 QUARTERLY ACTIVITIES REPORT

Highlights

- Initial Mineral Resource estimate for Baloo of 123,000oz gold
- Mining studies including geotech, pit design, metallurgy, hydrology and environmental studies underway at Baloo
- High grade gold intersection of 12m @ 26.2g/t at Monsoon prospect, on the Polar Bear project
- Volcanogenic massive sulphide (VMS) style mineralisation in first drilling of first VTEM conductor at Skellefte project, Sweden
- Strong cash position of A\$17.8 million

The March 2016 quarter was only the second full quarter of activities since the listing of S2 Resources Ltd ("S2" or the "Company") on the Australian Securities Exchange (ASX) in October 2015.

Progress made during the quarter included further significant gold intercepts and completion of the initial Mineral Resource estimate for the Baloo gold deposit, and ongoing follow up prioritization work on the numerous targets identified in the Company's recent VTEM airborne geophysical survey in the Skellefte district of northern Sweden.

Subsequent to the end of the quarter, drilling to follow up a previous gold intercept at the Monsoon prospect at the Polar Bear project intersected a high grade gold lode (12m@26.2g/t gold), and in Sweden, S2's first ever drilling of its first VTEM target to be tested at the Skellefte project intersected VMS-style mineralization at what has since been named the Svan Vit prospect.

S2 remains well positioned to continue to advance its exploration programs through its strong cash position, which at the end of the quarter stands at A\$17.8 million.

CORPORATE

Finance

A total of A\$1.8 million was spent during the quarter, comprising A\$1.4 million on exploration and A\$0.4 million on corporate overheads. Cash at the end of the quarter comprised A\$17.77 million.

Planned expenditure for the coming quarter is anticipated to be approximately A\$2.6 million. This includes A\$2.2 million of exploration activities and corporate costs of \$0.4 million.

Capital structure

No shares were issued during the quarter, and the Company has 215.8 million shares on issue.

No unlisted options were issued during the quarter and the Company had 30.1 million unlisted options at the end of the quarter (see Appendix 5B - Quarterly Cashflow Report for details).

EXPLORATION

Exploration during the quarter focused on resource drilling, resource estimation and engineering studies of the Baloo gold deposit at the Company's 100% owned Polar Bear project in Western Australia, on ground-based electromagnetic (EM) and base of till (BOT) sampling to prioritise conductors identified in a recent VTEM survey at the Company's 100% owned Swedish properties.

Subsequent to the quarter's end, drilling undertaken to test the first of many VTEM conductors identified on the Company's Skellefte project intersected volcanogenic massive sulphide (VMS) style mineralisation. Assay results are awaited for this drilling, at what is now known as the Svan Vit prospect.

Polar Bear (100% S2)

S2 owns 100% of the Polar Bear project. The project covers the southern continuation of the ultramafic stratigraphy which hosts the Kambalda and Widgiemooltha nickel deposits. It is largely concealed beneath the salt lake sediments and sand dunes of Lake Cowan. It also covers approximately 130 square kilometres of underexplored ground located between the world class gold producing centres of St Ives and Norseman – both ~10 million ounce camps – and southeast of the 2 million ounce Higginsville gold operations of Metals X Limited.

Baloo gold resource

The initial Mineral Resource estimate for the Baloo gold deposit was completed during the quarter. It comprises 2,170,000 tonnes grading 1.8g/t gold for a contained 123,000 ounces of gold at a lower cutoff grade of 0.8g/t gold. Refer to ASX announcement of 4th March 2016 for details.

1,150,000 tonnes (or 53%) of this is classified as higher confidence Indicated category material, with the balance being lower confidence Inferred category material. 69,000 ounces (or 56%) of the total resource comprises the higher confidence Indicated category material, with the balance being lower confidence Inferred category material.

Table 1 and Figure 1 show the variation in tonnage, grade and contained gold at a variety of lower cutoff thresholds. At a reduced lower cutoff of 0.5g/t gold, tonnage increases by 50% to 3,260,000 tonnes, grade decreases by 21% to 1.4 g/t gold, and contained gold increases by 18% to 145,000 ounces of gold. At an increased lower cutoff of 1.0g/t gold, tonnage decreases by 26% to 1,620,000 tonnes, grade increases by 17% to 2.1 g/t gold, and contained gold decreases by 13% to 107,000 ounces of gold.

LCOG	Indicated			Inferred			Total		
	Tonnes (000's)	g/t Au	Oz Au	Tonnes (000's)	g/t Au	Oz Au	Tonnes, (000's)	g/t Au	Oz Au
0.5	1,420	1.6	74,000	1,840	1.2	71,000	3,260	1.4	145,000
0.8	1,150	1.9	69,000	1,030	1.6	54,000	2,170	1.8	123,000
1.0	940	2.1	63,000	680	2.0	44,000	1,620	2.1	107,000

Table 1. Baloo Gold Deposit - Statement of Resources 4th March 2016. All Mineral Resources are reported to JORC 2012 standards. Baloo Mineral Resource reported at 0.8 g/t Au LCOG (lower cut-off grade). All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.

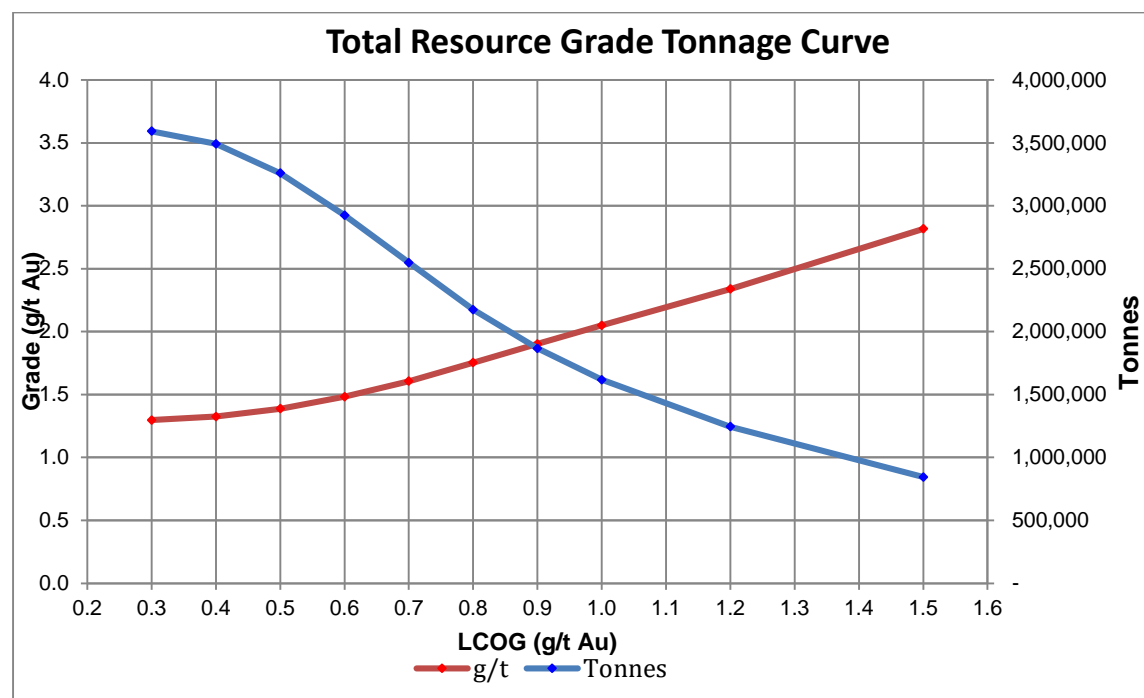


Figure 1. Baloo Gold Deposit – grade-tonnage curve for total Mineral Resources. All Mineral Resources are reported to JORC 2012. LCOG is lower cut-off grade.

A significant proportion of the Total Mineral Resource is located in a localized thick, near surface lens in the central part of the Baloo deposit (see Figure 2) and most of the Indicated Mineral Resource is also located in this area. The 110 metre depth interval of the block model from 2 metres to 112 metres below surface (the 150m to 260m RL interval) contains significant ounces of gold per vertical metre, peaking at over 1,500 ounces per vertical metre (see Figure 3). This is the part of the deposit which is most likely to be amenable to potential open pit mining.

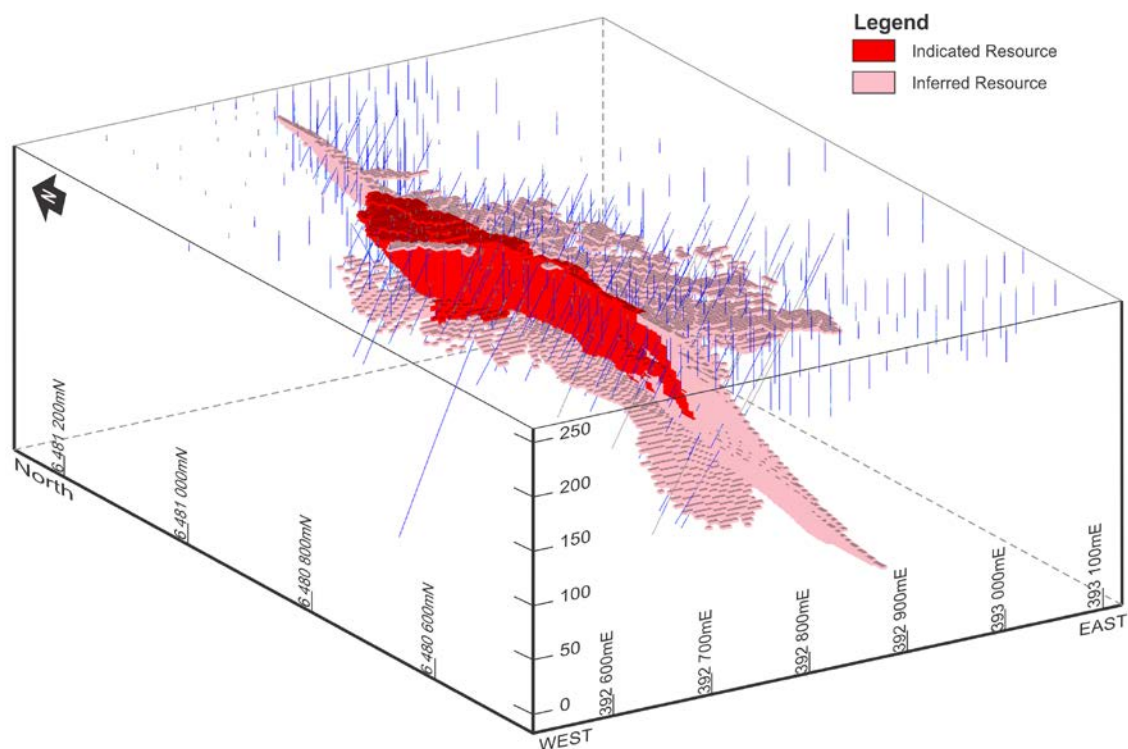


Figure 2. Baloo Gold Deposit – isometric view looking northeast, showing concentration of Indicated Resource category material in the centre of the deposit (most densely drilled) and the central thick lens of predominantly oxide material.

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

Baloo mining studies

A metallurgical testwork program on four composite samples representing four distinct oxide and transitional material domains commenced during the quarter. Testwork includes comminution, CIL/CIP recovery characteristics, and the amenability of the oxide and transitional material to heap-leach extraction.

Geotechnical drilling of the potential open pit position was completed during the quarter and this data is being assessed to determine likely pit wall slope angles and design criteria. Hydrological testwork, comprising pump testing of existing drill holes, was completed during the quarter. Environmental studies, comprising flora, fauna, lake ecology, and waste rock characterization, were largely completed during the quarter.

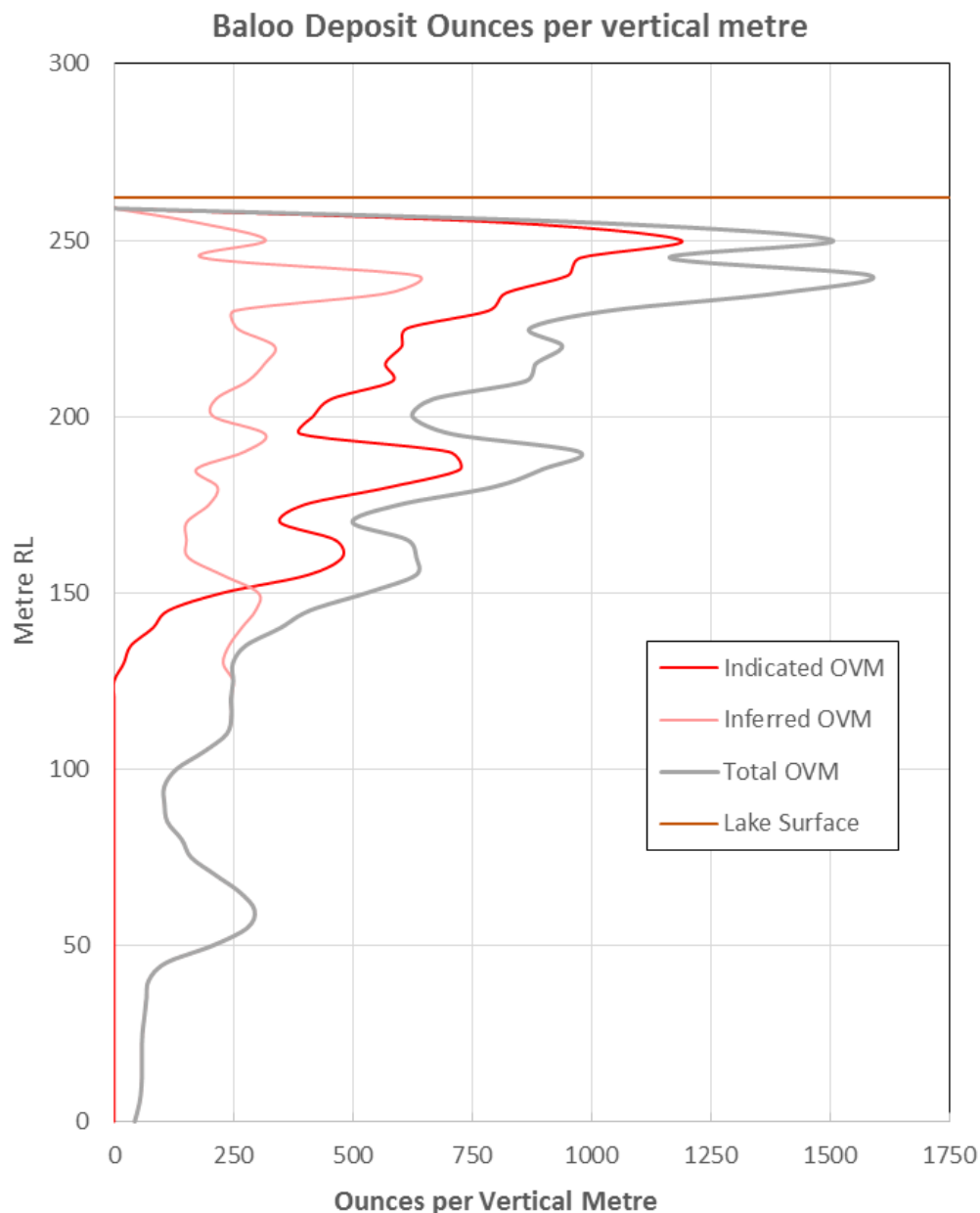


Figure 3. Baloo Gold Deposit – chart showing ounces of Indicated, Inferred and total gold per vertical metre below the salt lake surface at an RL of 262 metres (flat red line) in the resource block model. This shows that the majority of the contained gold and the majority of the Indicated Resource in the block model is located in a 110 metre vertical depth interval from 150-260 metre RL (ie, a depth below surface of 2-112 metres), with significant amounts of gold close to surface.

Baloo exploration

The Baloo deposit remains open down dip to the east and down plunge to the south, where several narrow but high grade drill intersections indicate the potential for a continuation of the mineralization beyond the limits of the current resource at a vertical depth of between 85 and 160 metres (see Figure 4). Future drilling of this area will aim to define the down plunge extent and continuity of the primary gold lode(s).

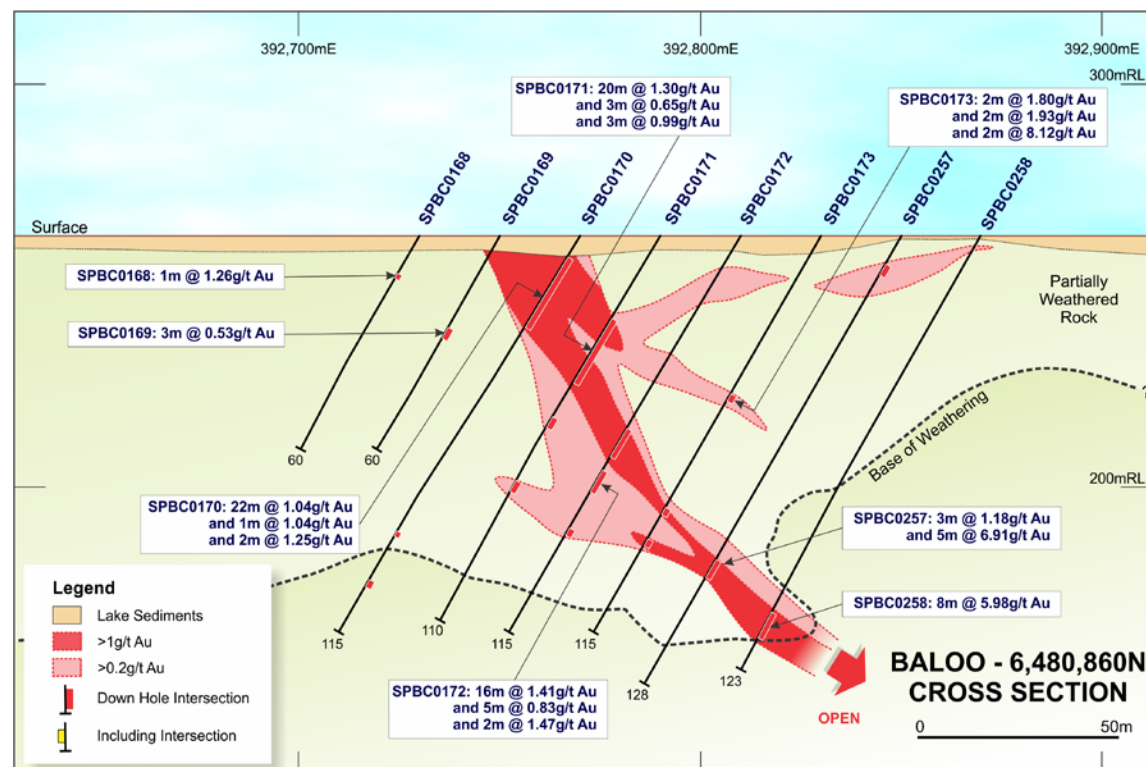


Figure 4. Baloo Gold Deposit – cross section through south plunging primary lode.

Monsoon gold prospect

A 50 hole reconnaissance aircore program, drilled in the vicinity of the Monsoon prospect, defined anomalous (>100ppb, or 0.1g/t, gold) gold along a sheared contact between shale and basalt to the northeast of the original mineralized intersection of 32 metres @ 2.47 g/t gold. Hole SPBA3740, drilled 20 metres west of the original hole, intersected 12m @ 26.2 g/t gold. The drill hole ended in mineralisation with the last metre grading 12.8 g/t gold. Refer to ASX announcement of 14th April 2016 for details.

These intersections define an apparent steeply west dipping high grade quartz lode at the contact between basalt and shale, which is the same sheared contact as seen at Baloo. The quartz lode forms a topographic high beneath the salt lake sediments and appears to represent an ancient ridge line. The strike direction and strike length of this lode is not yet known, but

reconnaissance holes drilled to the northeast of this intersection have defined a similar palaeo-ridge and contain anomalous gold. The nearest drilling along strike from this intersection is located 80 metres north, and these holes failed to penetrate far into the bedrock beneath the lake due to hitting quartz veins.

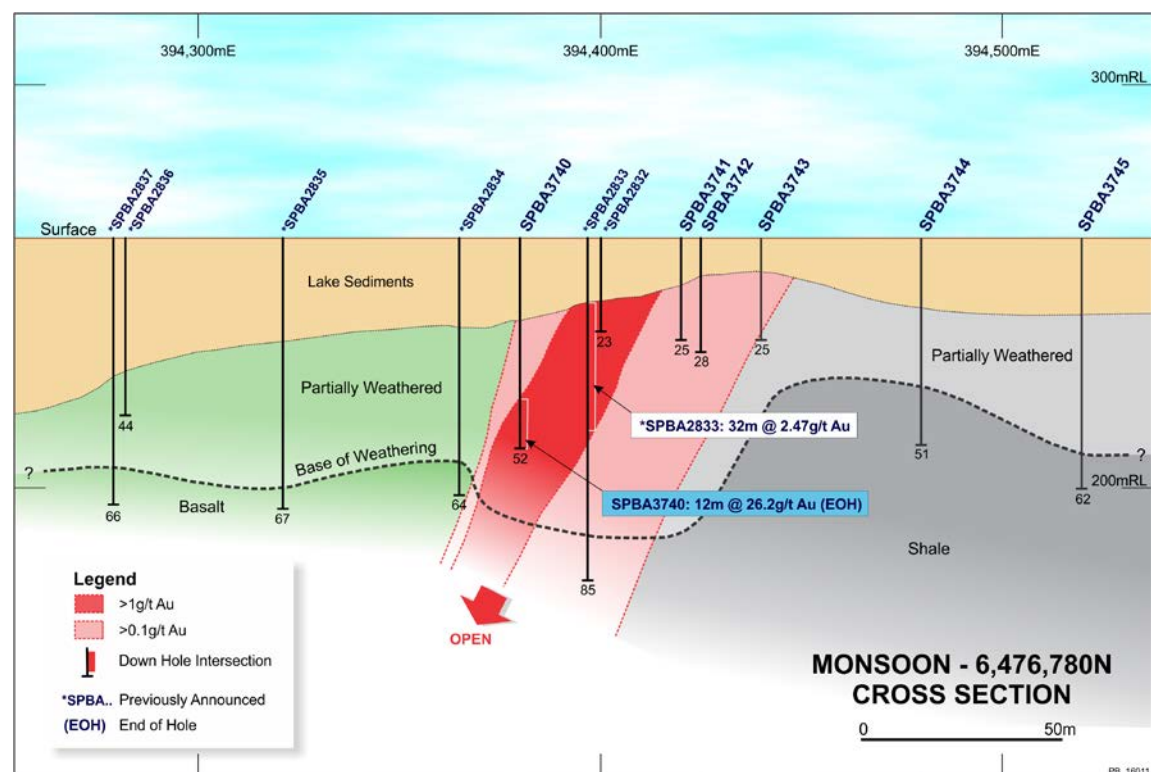


Figure 5. Cross section of Monsoon gold prospect showing high grade quartz lode.

Eundynie JV (80% S2)

S2 has an 80% interest in the Eundynie Joint Venture, which is adjacent to the Polar Bear project. The JV covers the southern continuation of the ultramafic stratigraphy which hosts the Kambalda and Widgiemooltha nickel deposits. It is largely concealed beneath the salt lake sediments and sand dunes of Lake Cowan. It covers approximately 76 square kilometres of underexplored ground located between the world class gold producing centres of St Ives and Norseman – both ~10 million ounce camps – and southeast of the 2 million ounce Higginsville gold operations of Metals X Limited.

No work was undertaken during the quarter.

Norcott (100% S2)

S2 owns 100% of the Norcott project. The project covers the projected southern strike continuation of the regional structures that host significant gold mineralisation at the St Ives gold camp, which contains >10 million ounces of gold. It is largely concealed beneath transported cover and covers approximately 256 square kilometres of underexplored ground.

Exploration licence E63/1728 was granted in January.

Skellefte, Sweden (100% S2)

The Skellefte district of northern Sweden is a prolific mining district that contains numerous major polymetallic zinc-copper-gold-silver volcanogenic massive sulphide (VMS) deposits, including those that underpin Boliden's mining and smelting operations. S2 has approximately 476 square kilometres of ground, which it considers highly prospective for similar polymetallic VMS mineralisation and also magmatic copper-nickel-PGM, and orogenic shear zone hosted lode gold mineralisation.

Eight new exploration licences covering an area of 138 square kilometres were granted during the quarter, increasing S2's total groundholding in the Skellefte belt to 476 square kilometres.

Svan Vit VMS prospect

VTEM conductor Svansäle 403-C1, which is one of many EM conductors identified in the Company's 2015 VTEM survey (see Figure 6), was verified with ground EM and the resultant anomaly was modelled as a conductive body nominally measuring 150 metres along strike and 200m down dip (see Figure 7). This anomaly is south of a historic prospect originally discovered in the late 1890's and drilled in the 1980's by SGU (the Swedish Geological Survey).

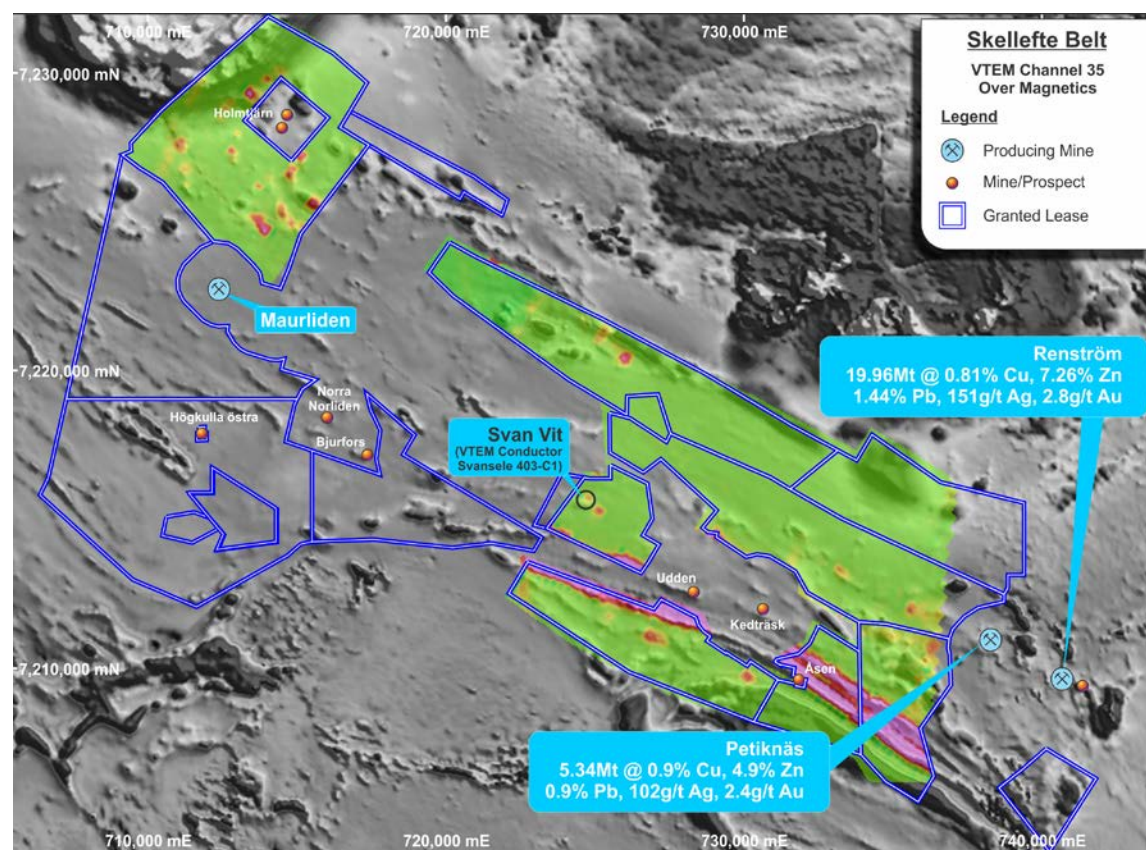


Figure 6. VTEM anomalies in the Skellefte Belt.

Two holes drilled to test this conductor intersected sulphide mineralization at predicted target depths. The first hole (SSVA160001) clipped the uppermost edge of the target zone and intersected a narrow zone of breccia and disseminated sulphide mineralization. The second hole (SSVA160002) hit the conductor approximately 90 metres down dip from the first hole, and intersected a broad hydrothermal alteration zone containing several sub-zones with variable amounts of sphalerite (zinc sulphide) and minor chalcopyrite (copper sulphide) (see Figure 8) mixed with gangue (silicate minerals). Refer to the ASX announcement of 21st April 2016 for details.

The two intercepts at the Svan Vit prospect are interpreted to be close to true width and together define a zone of alteration with variable sulphide mineralization dipping to the SW, extending to at least 150 metres below surface, and remaining open down dip and along strike (see Figures 7 and 8).

The sulphides comprise a mixture of pyrrhotite and pyrite (iron sulphide) with variable amounts of sphalerite (zinc sulphide) and localized zones with minor chalcopyrite (copper sulphide) but it must be stressed that it is not possible to anticipate the grade of zinc, copper or any other metals in these intercepts and receipt of definitive laboratory assays may take several weeks.

The identification of VMS mineralization in the first drilling program on the first of numerous VTEM conductors identified in the first ever VTEM survey in this district is considered to be highly encouraging, and it is hoped another one or two holes will be completed at Svan Vit before the northern Spring thaw prevents rig movement.

Drilling will resume at Svan Vit as soon as possible once the ground re-freezes later in the year.

VTEM target follow up and prioritization

Ground EM and base of till sampling will continue throughout the next quarter in order to verify and prioritise the numerous conductors identified in the VTEM survey, some of which may be accessible for drilling when the ground is dry in late summer/autumn.

Finland (100% S2)

S2 has approximately 1,904 square kilometres of ground in the Central Lapland Greenstone Belt of Finland, a region that contains significant shear zone hosted gold deposits, such as AGnico Eagle's 8Moz Kittila gold mine, and magmatic copper-nickel-PGM deposits, which include First Quantum's Kevitsa mine and Anglo American's world class Sakatti deposit.

One new Exploration Licence covering an area of 1.6 square kilometres and two new Reservations covering an area of 245 square kilometres were granted during the quarter, increasing S2's granted tenure in the Central Lapland Greenstone belt to 1,904 square kilometres.

Assessment of previous exploration work undertaken by the GTK (Geological Survey) is continuing.

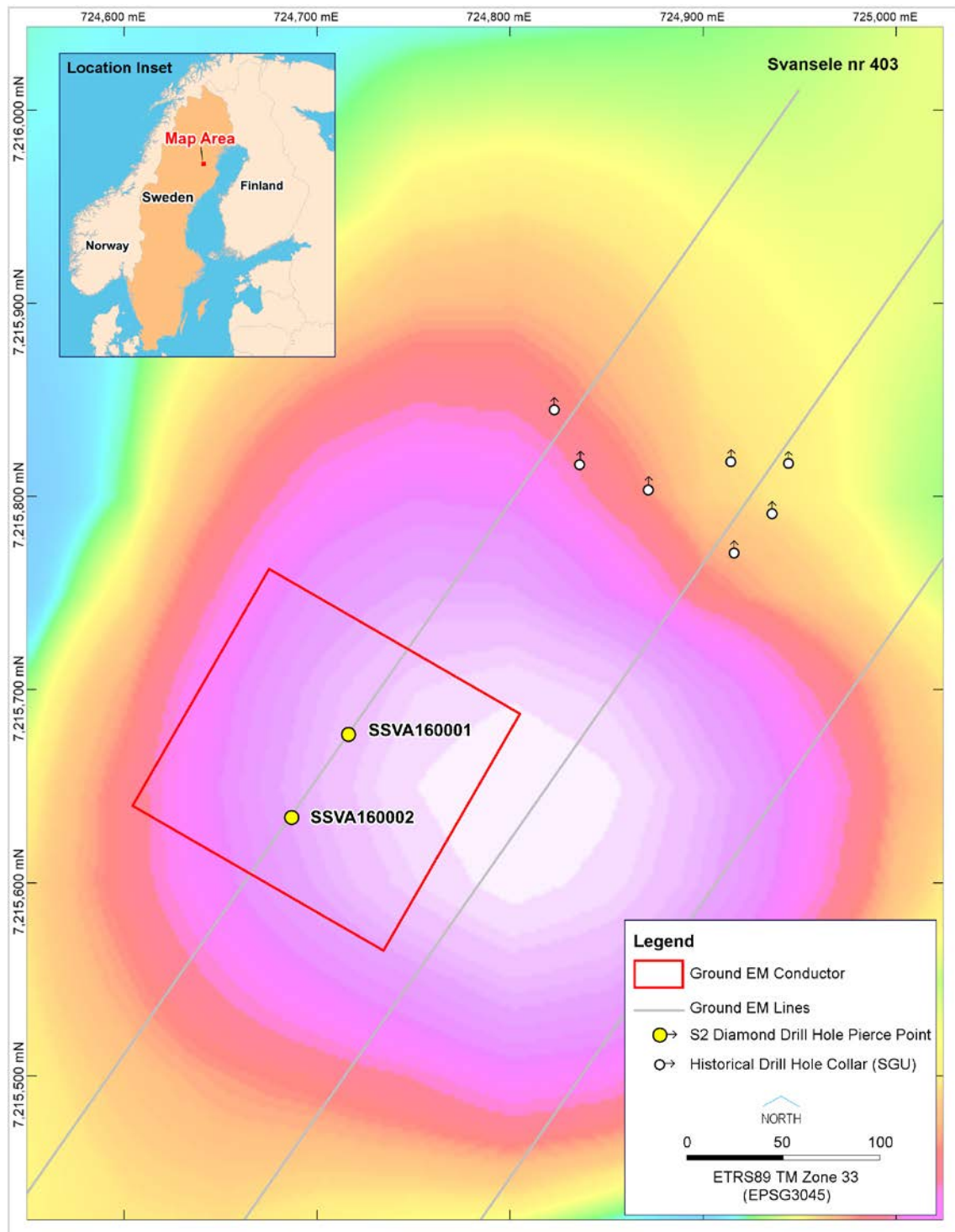


Figure 7. Plan of Svan Vit prospect.

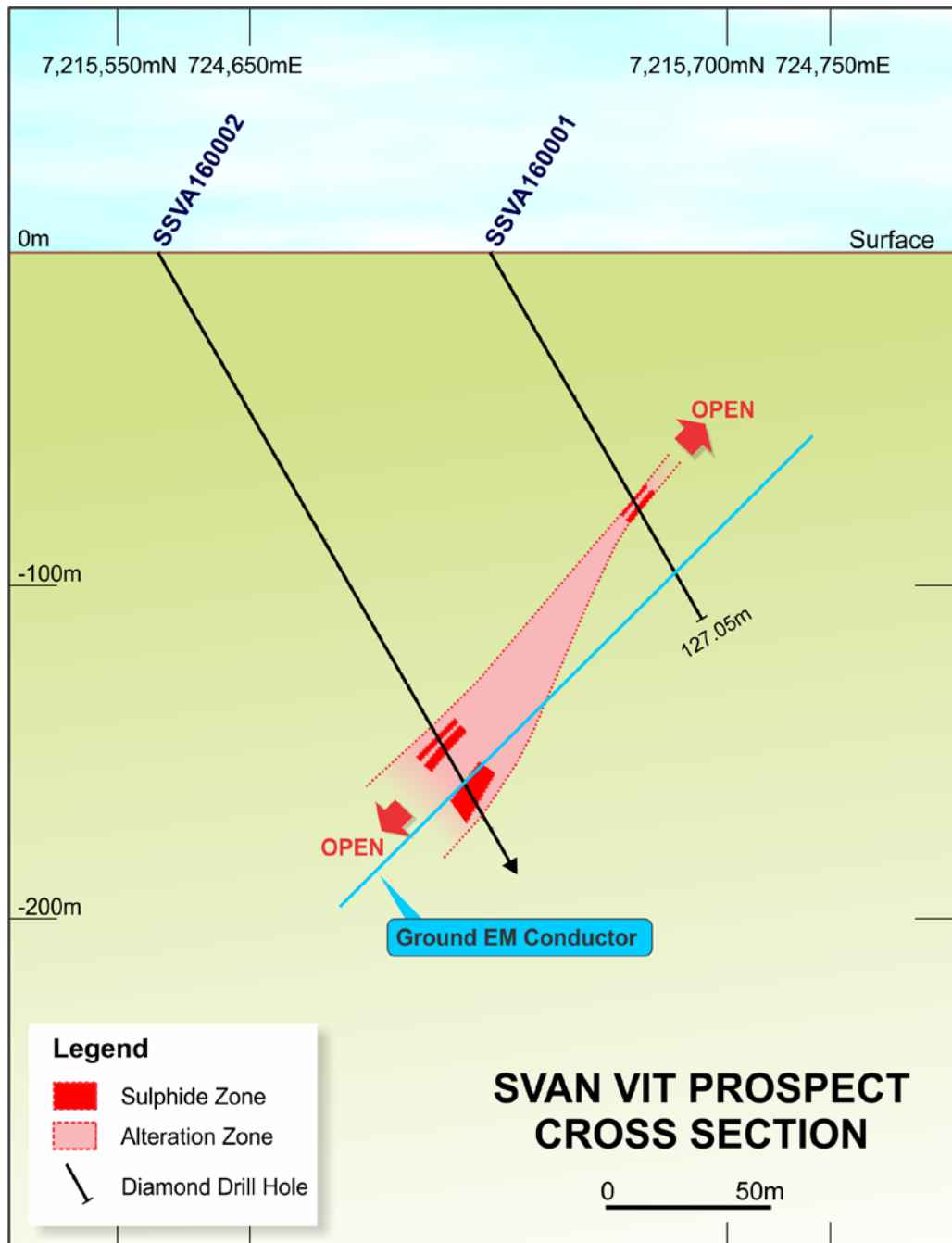


Figure 8. Svan Vit cross section.

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