



## SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

### Key points

- A\$9 million placement and A\$3 million share purchase plan completed
- Well funded with A\$24.6 million cash at Quarter's end
- Disappointing results in follow up drilling at Monsoon prospect, Polar Bear
- Second VTEM survey completed at Skellefte project, Sweden
- Major Skellefte drilling campaign ready to start late October

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

Key events during the quarter included raising a total of A\$12 million via a private placement and share purchase plan and completing the second major VTEM geophysical survey at the Company's 100% owned Skellefte project in Sweden. Disappointingly, results from drilling undertaken to follow up previous high grade RC drill intercepts at the Monsoon prospect (part of the Company's 100% owned Polar Bear project in WA) failed to intersect material grades or widths of mineralization. Further drilling is underway with the aim of better understanding and verifying the original results.

### CORPORATE

#### Capital structure

A total of 22.7 million shares were issued in a private placement to institutional and sophisticated investors and an additional 7.5 million shares were issued to retail shareholders on the same



terms via a Share Purchase Plan (SPP) during the quarter. Collectively, the placement and the SPP raised approximately A\$12 million, for a dilution of approximately 12%.

A total of 12.95 million unlisted options were issued subsequent to the quarter's end, following approval at the Company's Annual General Meeting of Shareholders (AGM). These comprise 2.55 million options issued to employees under the Employee Share Option Plan (ESOP), 0.9 million options issued to service providers under the Service Provider Option Plan (SPOP), 2 million options issued to consultants, and 7.5 million options issued to Directors. All but 1 million of these have an exercise price of A\$0.61, with the balance having an exercise price of A\$0.35. A total of 43.85 million unlisted options are now on issue, which if exercised would represent an income of A\$17.2 million to the Company.

## **Finance**

A total of A\$2.7 million was spent during the quarter, comprising A\$1.7 million on exploration and A\$0.7 million on corporate costs comprising business development costs, overheads and payments for fixed assets, and A\$0.4 million on staffing costs for all pre-resource exploration and corporate activities.

As stated in the above section, approximately A\$12 million (before costs) was raised via a private placement and SPP during the quarter.

Cash at the end of the quarter totalled A\$24.6 million.

Planned expenditure for the coming quarter is anticipated to be approximately A\$3.4 million, and budgeted expenditure for the current year is approximately A\$10 million.

## **EXPLORATION**

Exploration during the quarter focused on initial follow up drilling of previously announced high grade gold mineralization at the Monsoon prospect in Australia, and flying of a large VTEM geophysical survey over previously unsurveyed ground at the Skellefte project in Sweden.

### **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.*

A nineteen hole RC and diamond core program was drilled to follow up previously reported wide, high grade gold intercepts in RC drilling at the Monsoon prospect, which were received early in the September quarter but reported as a subsequent event in the June quarterly report. All of these holes were drilled from east to west in the belief that the original RC holes (which were drilled from west to east) had drilled down the dip of the gold mineralization, but the follow up



drilling failed to intersect similar grades or widths of mineralization. Full details are provided in ASX announcements of 19<sup>th</sup>, 28<sup>th</sup> and 30<sup>th</sup> September.

The best results from the follow up drilling included:

- 2m@1.64g/t gold from 194m and 1m@38g/t gold from 213m in hole SPBD0326, drilled approximately 100m vertically beneath the original wide, high grade intercept of 38m@6.41g/t gold from 75m in SPBC0320
- 3m@32.1g/t gold from 88m in hole SPBC0337, drilled 20m north along strike from SPBC0320
- 2.1m@2.49g/t from 131m and 5.4m@1.76g/t gold from 161.6m in hole SPBD0327, drilled 60m north along strike from SPBC0320

On the basis of this drilling, it is not yet possible to confidently predict the orientation or continuity of individual mineralized zones, which appear to be discrete, narrow structures with highly variable grade and limited continuity.

A program of easterly directed diamond core drilling, including twinning the previously announced high grade RC intercepts in SPBC0313 and SPBC0320, commenced subsequent to the quarter's end. The aim of the twin diamond holes is to provide important geological and structural information to clarify the geology and the geometry of the mineralization intersected in the previous RC holes, and to better understand the validity of the RC drill intersections.

The extent of further drilling at Monsoon will be determined by the outcomes of this program.

Planned exploration for the December quarter includes drilling at Baloo and selected reconnaissance targets.

#### **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.*

A small soil geochemical sampling program and a single line of aircore drilling was undertaken during the quarter. No material anomalism was identified.

#### **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.*



No work was undertaken during the quarter.

### **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.*

#### New VTEM survey

A 1,400 line kilometer VTEM geophysical survey was flown during the quarter. This is S2's second major VTEM survey in the Skellefte belt, designed to cover the ground acquired since the first VTEM survey was flown in 2015.

These are the only VTEM surveys to have ever been undertaken in the Skellefte belt, despite the terrain and the deposits being sought being ideal for this technique.

Results of this survey are expected during October.

#### Tenure

The Company continues to consolidate its ground position, and has applied for additional ground along strike from Boliden's historic Holmtjarn mine.

#### Drilling

A major diamond drilling program, designed to test ten of the sixty targets identified in the first VTEM survey, is scheduled to commence in late October. These targets were selected on the basis of a variety of considerations, including the quality of the VTEM anomalies, the quality of subsequent ground geophysics including moving loop time domain electromagnetic (MLTEM) and induced polarization (IP) responses, and the level of zinc, copper, gold, silver and arsenic anomalism in base of till geochemical sampling.

This program will continue through the northern winter until March 2017.

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