



DRILLING STARTS AT SKELLEFTE PROJECT, SWEDEN

Key points

- Initial 10 drill targets selected from numerous anomalies in first VTEM survey – including following up the Svan Vit VMS prospect
- Drilling about to start on Svansle 403 targets 2 and 3
- Drilling will continue over the next five months
- Sequence will be determined by logistics (dry ground first before snow, boggy ground later when frozen)
- Second VTEM survey results being checked prior to finalisation
- New tenement application (“Petiktrask 402”) to connect existing tenements

S2 Resources Ltd (“S2” or the “Company”) advises that a five month diamond drilling campaign is starting on Monday at the Company’s 100% owned Skellefte project in Sweden. This drilling program aims to test ten of the numerous anomalies identified in S2’s first VTEM survey, which was the first ever undertaken in this world class base metal district.

The initial targets have been selected on the basis of results from ground-based follow up of anomalies identified in the first VTEM survey. This includes moving loop EM (MLEM) surveys, induced polarization (IP) surveys and base of till (BOT) geochemical sampling. The previously identified Svan Vit VMS prospect will also be followed up as part of this program, but the exact sequencing of this and the other targets will be in large part driven by logistical factors, including the nature of the terrain and weather, during the Swedish winter between now and March 2017.

Those targets in drier and/or more accessible locations are likely to be drilled first (between now and Christmas) whereas those in boggy and/or less accessible locations are likely to be drilled after Christmas when the ground will be more deeply frozen and the snow will be thicker.

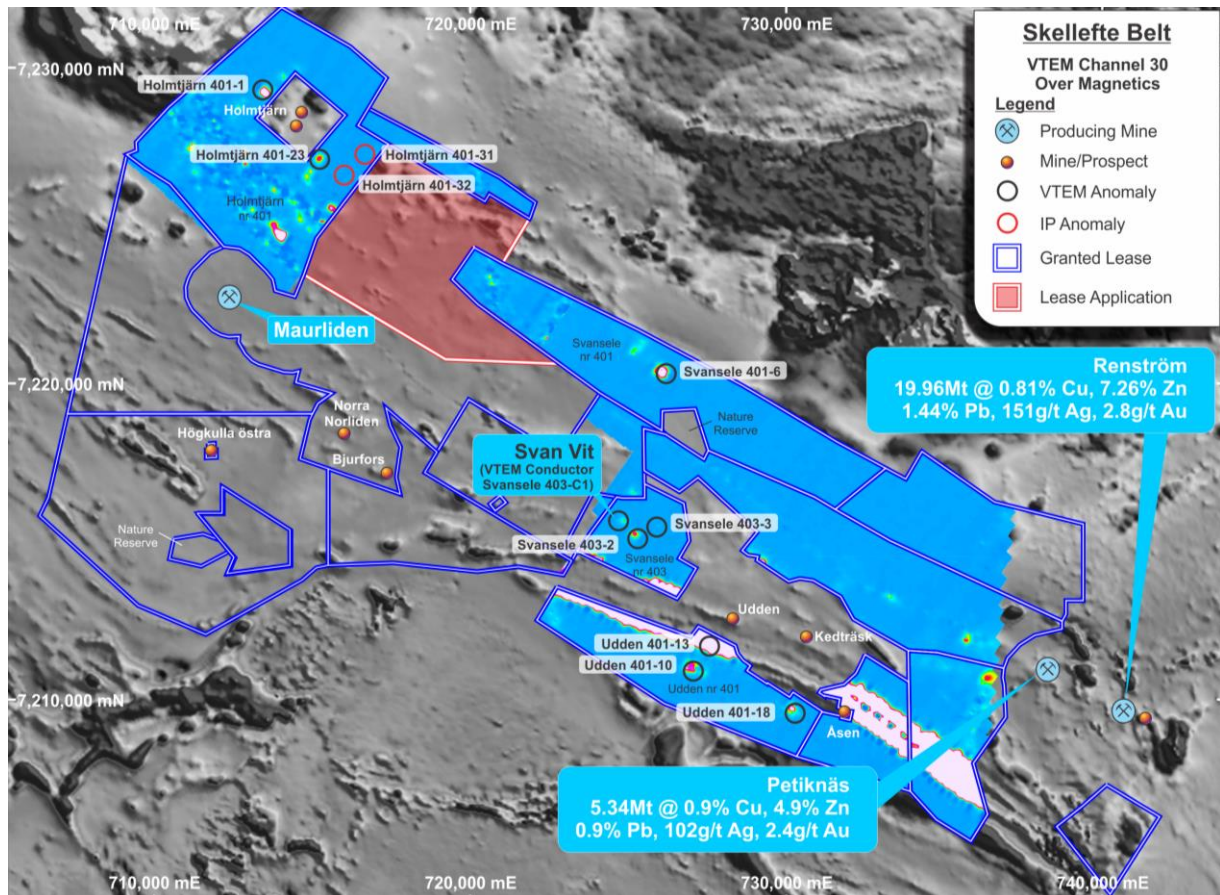


Figure 1. Overview of first VTEM survey showing targets selected for drilling in this campaign. S2 tenements shown without VTEM coverage in this figure were covered by the second VTEM survey, and results for this will be available soon. This figure also shows the new tenement (Petiktrask 402) applied for to connect existing tenure.

Drilling is scheduled to start on Monday in the Svanselse area, as described below.

Svanselse 403 target cluster

The Svanselse 403 target cluster comprises three VTEM conductors, Svanselse 403-1 (now known as the Svan Vit prospect), Svanselse 403-2 and Svanselse 403-3 (see Figure 2).

The Svanselse 403-2 target is a strong VTEM anomaly located approximately 400 metres southeast of the Svan Vit VMS prospect (see Figure 2), which has been confirmed with ground-based MLEM. A line of base of till (BOT) samples collected over this target shows strong copper-zinc-gold-arsenic anomalism at the interpreted up plunge projection of this conductor.

The Svanselse 403-3 target comprises a pair of more subtle VTEM and MLEM anomalies located approximately 1000 metres east of Svanselse 403-2. One of these anomalies has been modelled as a low amplitude, high conductance anomaly which is consistent with a deeper, highly conductive source. BOT sampling over this target has identified slightly anomalous geochemistry, but much more subdued than that over Svanselse 403-2, but this is to be expected if the Svanselse 403-3 conductor is deeper, as modelled in the VTEM data.

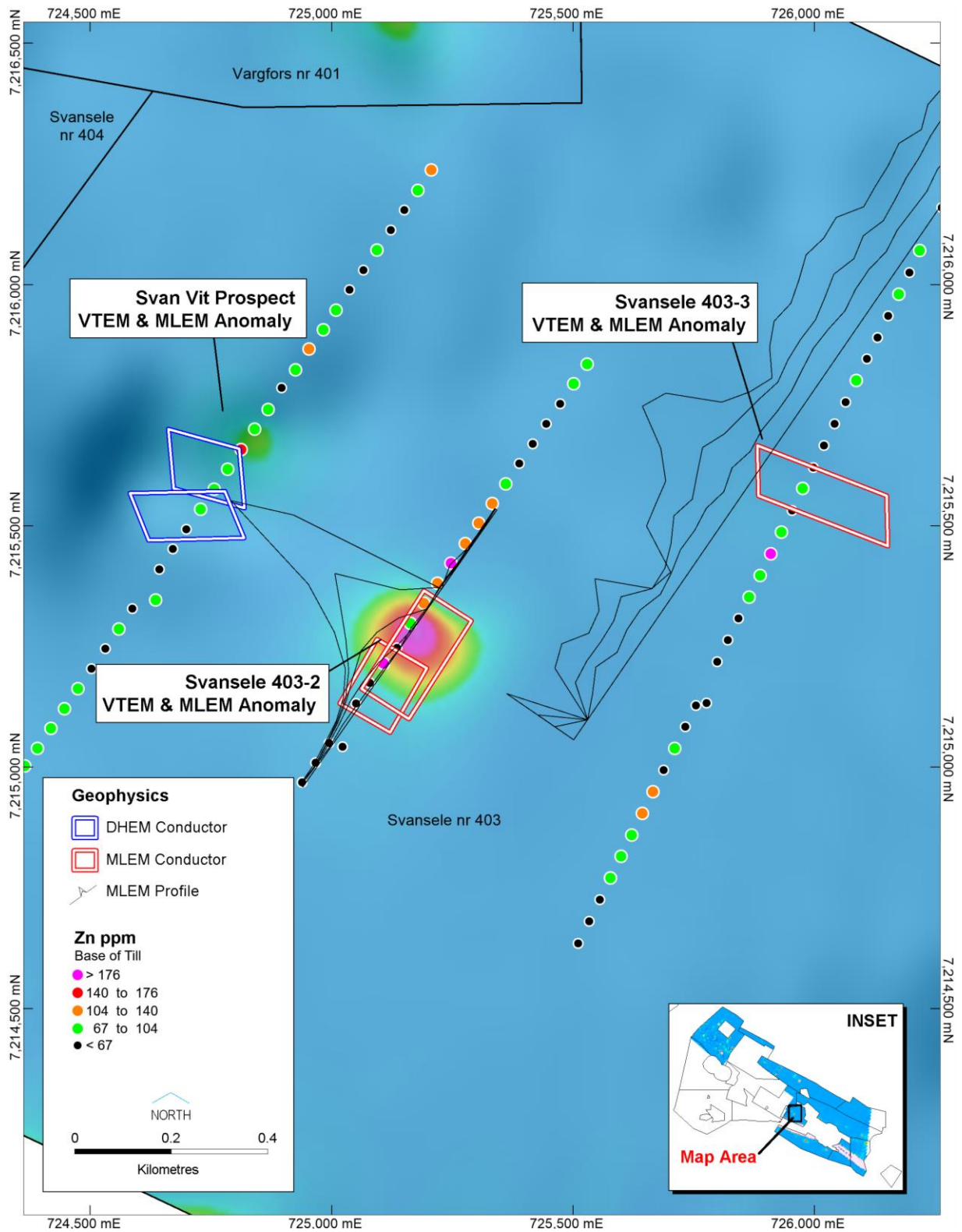


Figure 2. Summary plan of the Svanselse 403 cluster of airborne (VTEM), ground (MLEM) and downhole (DHEM) electromagnetic anomalies, showing zinc anomalism in base of till (BOT) sampling. Svanselse 403-1 is the Svan Vit prospect.

The Svan Vit prospect (the former Svansäle 403-1 target) is in a boggy area and will be drilled later once the ground is fully frozen. It comprises zinc-bearing VMS style mineralization which was discovered by the Company in a 3 hole drill program in March 2016 (see ASX announcements of 20th April and 11th May 2016). Subsequent DHEM surveys of these holes identified two offhole conductors, with the upper conductor being situated largely to the east of the shallowest holes (which intersected up to 5.05m@3.15% zinc) and the lower conductor being situated below the deeper hole. Once accessible, follow up drilling will test both conductors.

Target specific VTEM, MLEM, IP and/or BOT information will be provided as and when each of these targets are drilled. The following is a summary of these targets:

Svansäle 401 conductor 6

The Svansäle 401-6 target is a strong bulls-eye VTEM anomaly with a supporting multi-line ground MLEM anomaly and coincident moderately anomalous copper and zinc in BOT sampling.

Holmtjärn 401 conductor 1

The Holmtjärn 401-1 target is located to the northwest of Boliden's historic Holmtjärn mine (which was a high grade gold-rich VMS deposit). This is a very strong VTEM anomaly confirmed by ground MLEM and modelled as having a 150m strike extent.

Holmtjärn 401 target cluster

This area is located to the southeast of Boliden's historic Holmtjärn mine and comprises a cluster of VTEM, MLEM, IP and BOT anomalies.

The Holmtjärn 401-23 target is a very strong VTEM anomaly with a coincident MLEM anomaly modelled as a steeply dipping highly conductive body with a shallower, flat body. The EM conductors have a semi-coincident IP chargeability and BOT zinc and copper anomalies.

The Holmtjärn 401-31 target is a more subtle VTEM anomaly with a coincident MLEM anomaly, IP chargeability anomaly and BOT copper and zinc anomaly.

The Holmtjärn 401-32 target is an IP chargeability anomaly associated with copper, zinc, lead, and gold anomalism in BOT sampling.

Collectively, these targets occupy a 2 kilometre-long corridor characterized by a broader IP chargeability anomaly and coincident strong copper, zinc and gold anomalism in BOT sampling.

Udden 401 conductor 10

The Udden 401-10 target comprises a very strong VTEM anomaly with weaker ground MLEM anomaly with coincident modestly anomalous copper and zinc in BOT sampling.

Udden 401 conductor 13

The Udden 401-13 target is a very strong VTEM anomaly confirmed by MLEM with coincident anomalous zinc and copper in BOT sampling.

**Udden 401 conductor 18**

The Udden 401-18 target is a good VTEM anomaly with a multiple line ground MLEM anomaly and coincident strongly anomalous zinc and copper in BOT sampling.

Other targets from the first VTEM survey that have not yet been prioritized with ground-based surveys still remain to be prioritized and tested.

Final results from the Company's recent second VTEM survey are being checked to ensure that any spurious cultural anomalies (eg, powerlines, fences, buildings) are excluded prior to final compilation.

Concurrently with the diamond drilling, a program of ground-based MLEM and BOT sampling will start shortly to verify and prioritise the most compelling of any new anomalies from the second VTEM survey, which will enable the testing of any new high priority targets to be factored into the later part of the current drilling program.

For further information, please contact:

Mark Bennett
Managing Director
+61 8 6166 0240

Anna Neuling
Executive Director
+61 8 6166 0240

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.