



KINROSS TO SPEND UP TO US\$9.5 MILLION TO FARM IN TO PART OF S2 NON-CORE FINNISH GOLD GROUND

S2 TO RETAIN 100% OF KEY AARNIVALKEA GOLD AND RUOPAS NICKEL-COPPER GROUND READY FOR PLANNED DRILLING IN THE COMING QUARTER

Key Points

- Prominent Canadian gold producer Kinross to spend up to US\$9.5 million to earn a 70% interest in up to 83 square kilometres of S2's non-core gold ground in Finland
- S2 retains 100% ownership of 498 square kilometres of ground containing the Aarnivalkea (Aarni') gold prospect and the Ruopas Isovaara nickel-copper target
- Enables S2 to focus on Aarni' and Ruopas, whilst Kinross explores other highly prospective areas
- Drilling to start on S2's 100% owned Aarni' gold prospect and Ruopas nickel-copper target early in the coming quarter
- S2 is considering other strategic options on the balance of its extensive tenure in this emerging gold province, whilst still retaining core Aarni' and Ruopas ground

S2 Resources Ltd ("S2" or the "Company"), through its wholly owned Finnish subsidiary Sakumpu Exploration Oy ("Sakumpu"), has entered into a binding farm-in agreement ("Agreement") with North American major gold producer Kinross Gold Corporation ("Kinross") on four exploration licence and licence applications (the "licences") covering an area of 83 square kilometres in the Central Lapland Greenstone Belt (CLGB) in northern Finland. Under the Agreement, Kinross can spend up to US\$9.5 million (approximately A\$12.3 million¹) to earn a 70% interest in these licences, with a minimum expenditure requirement of US\$3.5 million over the first 3 years.

S2 retains 100% ownership of the licences covering its key Aarnivalkea gold and Ruopas nickel-copper targets, which will be the focus of its near-term exploration. Various strategic options are being considered for the balance of the Company's large ground position (159 square kilometres) in this emerging gold

¹ Using an exchange rate of A\$1.00:US\$0.77.

province, which contains the 7.4 million ounce Kittila gold mine owned by Agnico Eagle and the outstanding new Ikkari gold discovery owned by Canadian junior Rupert Resources.

Commenting on the Agreement, S2's Chief Executive Officer Matthew Keane said, "We are delighted to be partnering with a respected major gold producer such as Kinross, a company with a strong operating and exploration track record driven by its technical excellence and safety. This transaction will expedite exploration on a group of highly prospective licences, whilst allowing S2 to focus its funds on advancing the Aarni' and Ruopas targets. Securing prospective tenure in the CLGB is becoming increasingly competitive, particularly with the recent exploration success of Rupert Resources (RUP.V) and Aurion Resources (AU.V). As such, we see this Agreement as a win-win outcome for both companies and we look forward to working with Kinross".

Rationale for the farm-in

The Agreement satisfies several of S2's strategic objectives, namely:

- It allows S2 to retain 100% ownership of and focus its funds on core assets, in particular the Aarni' gold prospect and Ruopas Isovaara nickel-copper target
- It expedites exploration on other earlier stage, but highly prospective gold target areas within the Kinross farm-in licences (covering an area of 83 square kilometres)
- It decreases the overall fixed cost which S2 would otherwise need to incur to continue to hold a 100% interest in this extensive area
- This significant reduction in non-core fixed ground holding costs enables S2 to optimise the effectiveness of its exploration program by increasing the proportion of in-ground expenditure at Aarni' and Ruopas
- Should Kinross make a discovery under the farm-in, S2 has the option to retain a 30% exposure to this as a joint venture (JV) participant
- It enables S2 to consider various strategic options over a further 159 square kilometres of prospective tenure in this emerging gold province

Key deal terms of the farm-in agreement

The key terms of the Kinross farm in are as follows:

Earn-in requirements:

- Kinross is required to spend a minimum of US\$3.5 million within 3 years on the tenements (the Stage 1 expenditure) which comprise two distinct blocks known as Home (ML2017:0042 and ML2018:0109) and Palvaanen/Mesi (ML2016:0062 and ML2017:0034) (the "blocks", refer to Figure 1 below), of which a minimum expenditure of US\$1.5 million must be spent within the first 18 months
- Upon satisfying the Stage 1 expenditure requirements, Kinross can elect to progress to a second stage to earn a 70% interest in either or both of these blocks by spending a further US\$3m

expenditure per block within an additional 3 years of satisfying the Stage 1 expenditure requirements (Stage 2 expenditure)

- Kinross will be the operator of these blocks during the farm-in period and is responsible for meeting all amounts required to maintain the blocks in good standing
- In the case of each block, if Kinross does not complete either Stage 1 or Stage 2 expenditure, the block reverts to 100% Sakumpu ownership

If Kinross completes the Stage 2 earn-in on just one block, this would represent a total spend of US\$6.5 million, and if Kinross completes the Stage 2 earn-in on both blocks this would represent a total spend of US\$9.5 million.

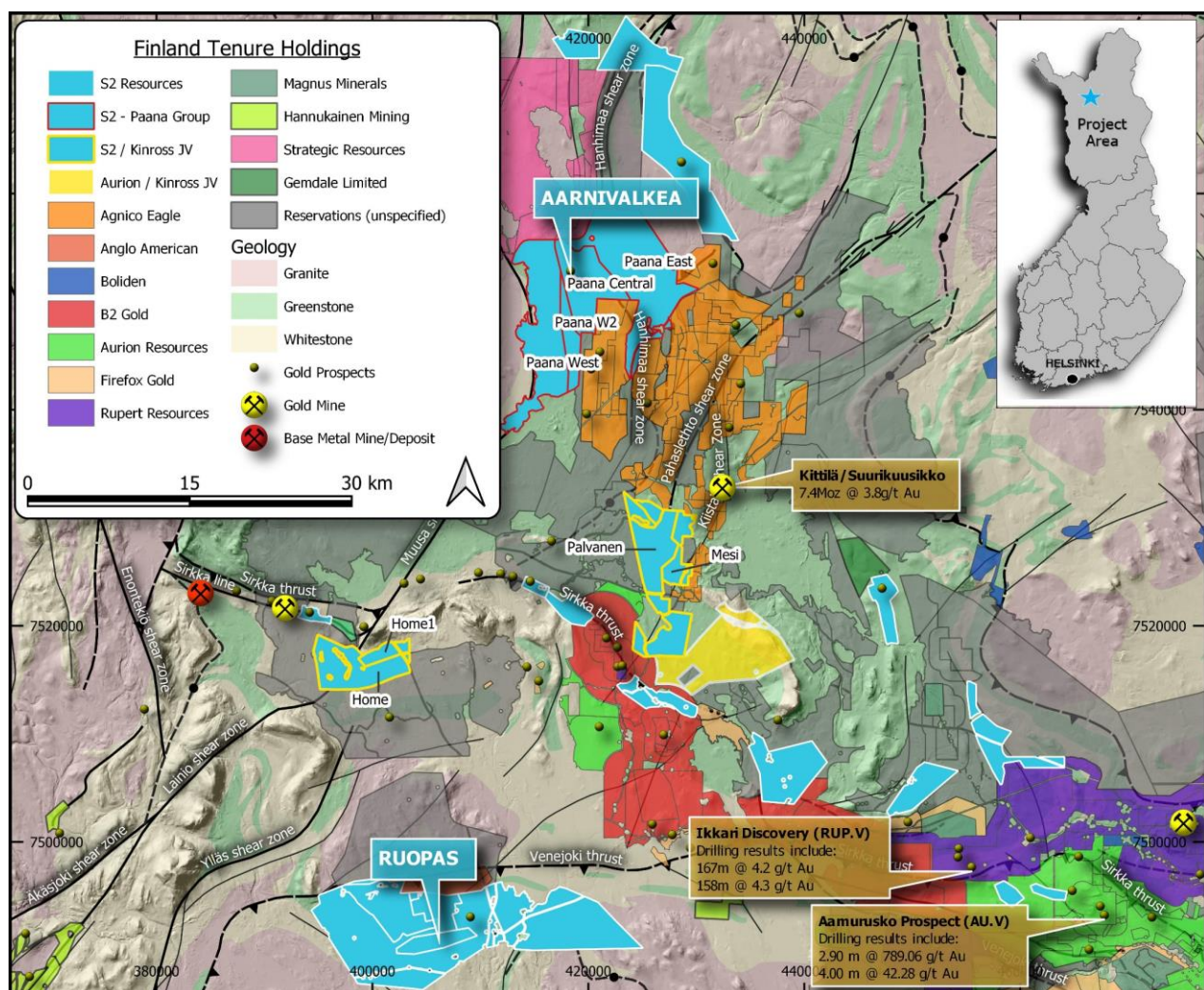


Figure 1. Location map showing S2's landholding in the Central Lapland Greenstone Belt, Finland. The map shows the areas related to the Kinross earn-in agreement and Kinross' existing joint venture with Aurion Resources. The map also shows neighbouring companies, mines, defined resources and recent drill intercepts. Resources and drill intercepts are sourced from public company statements.

Joint venture terms:

- Should Kinross satisfy the Stage 1 expenditure requirement and progress to satisfy the Stage 2 expenditure requirements in respect to a block, Kinross will have the option to acquire a 70% participating interest in that block (with Sakumpu retaining a 30% interest) and a joint venture will be established
- Kinross will be the operator whilst its participating interest in the joint venture is >50%
- Sakumpu can elect to contribute its pro rata share of joint venture expenditure or dilute
- Should either party dilute to 10% or less (or if a party's participating interest is less than 30% and it fails to contribute its pro rata share of funding on 3 occasions whilst its participating interest remains at less than 30%), that party's interest will automatically convert to a 2% net smelter returns (NSR) royalty, with the other party having the right to buy down half of this royalty (1%) for US\$1.5 million

If, at any time during the earn-in period, Sakumpu receives an offer from a third party to sell, divest, farm-out or enter into a joint venture arrangement for all or any part of the licences containing the Aarnivalkea gold prospect (the "Aarni" Licences" incorporating Paana Central ML2018:0081, Paana East ML2017:0029, Paana West ML2017:0028 and Paana W2 ML2018:0107), Kinross will be offered a right of first refusal ("ROFR") to match the third party terms and conditions.

Importantly, this ROFR over the Aarni' Licences is not triggered by any change of control of Sakumpu (such as resulting from a demerger or spin-out of Sakumpu by S2 or a change of control transaction relating to S2). However, in these circumstances, the ROFR over the Aarni' Licences continues to apply to future purported dealings by Sakumpu over its direct interest in the Aarni' Licences in accordance with its terms.

The ROFR will continue on these terms if Kinross completes the required earn-in expenditures and forms a joint venture to progress one or both blocks.

The ROFR does not apply to any other licences held under Sakumpu, including the Ruopas nickel-copper target area and the balance of its exploration ground.

Upcoming diamond drilling in Finland

Diamond drilling at the Aarni' prospect is due to commence early in the September Quarter 2021. This program follows recent success by S2, where the first two deep holes drilled under a 1.3 kilometre zone of shallow gold anomalism both returned high grade intercepts, some 575 metres apart. (refer to S2 ASX announcement dated 4th January 2021). Intercepts from these two holes included:

- 6.8 metres at 11.8g/t gold from 223.0 metres, including 4.0 metres at 18.1g/t gold from 223.0 metres in FAVD0062
- 20.4 metres at 4.0g/t gold from 193.1 metres, including 8.5 metres at 8.6g/t gold from 198.0 metres in FAVD0064

The initial program at Aarni' will include 250 to 400 metre deep, broad spaced diamond holes testing approximately 1.1 kilometres strike, out of the total 1.3 kilometre zone of gold anomalism identified in shallow scout diamond drilling.

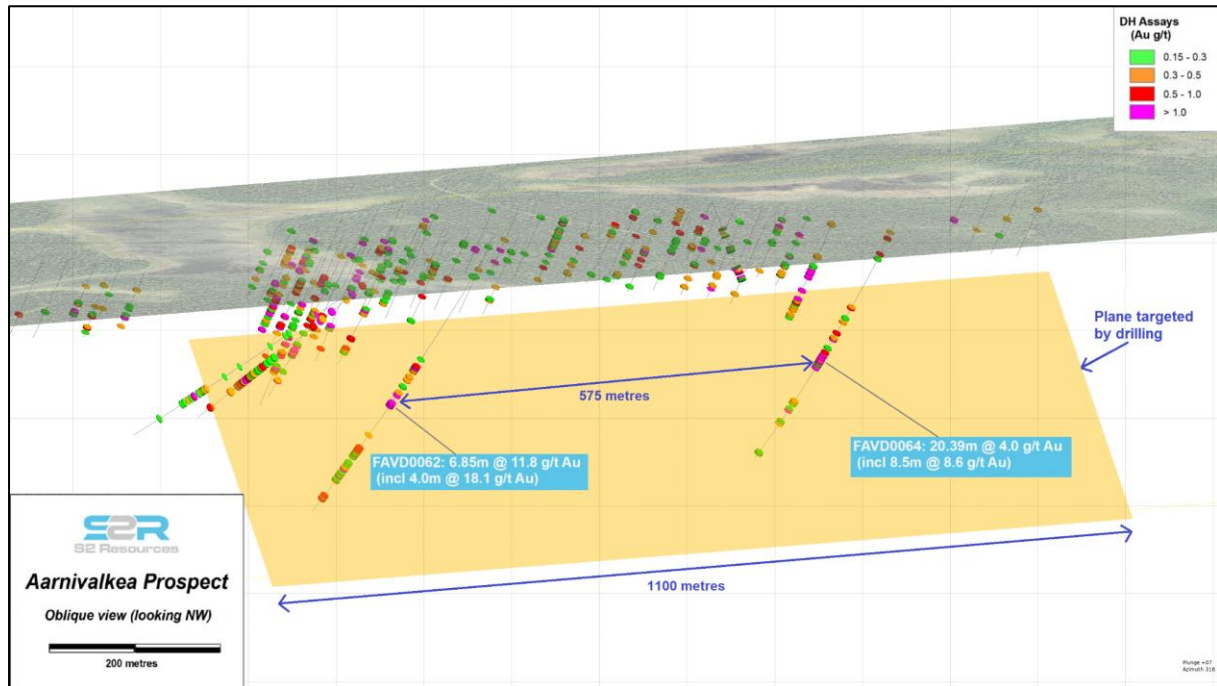


Figure 2. Isometric view showing drilling to date at Aarnivalkea, highlighting the lack of deeper drilling between, below, and north of holes FAVD0062 and FAVD0064. The target zone for upcoming drilling is highlighted by the yellow plane.

During the course of the gold program, the drill rig will also head south to test the Ruopas Isovaara nickel-copper target. This target was identified in an airborne electromagnetic (VTEM) survey and subsequently confirmed in a ground-based fixed loop electromagnetic (FLEM) survey. The conductor comprises a large 280 metre by 240 metre plate plunging steeply to the northeast. It is coincident with a zone of anomalous nickel and copper identified in historic base of till (BoT) drilling by the Finnish Geological Survey (the "GTK"). The BoT anomaly sits on a regional gravity high, indicative of underlying mafic-ultramafic geology (refer to S2 ASX announcement dated 4th March 2021 and Figure 3 below).

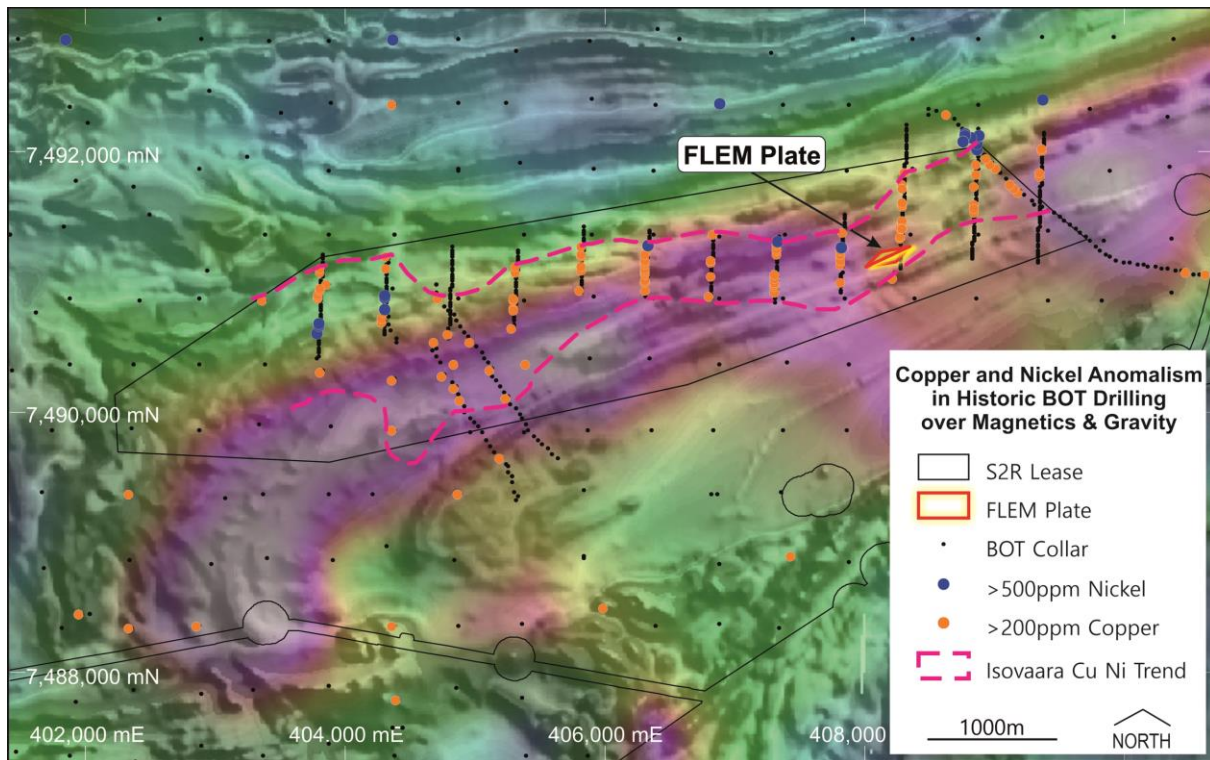


Figure 3. Location of the EM conductor on a gravity ridge (colour) with a coincident BoT copper-nickel anomaly at Isovaara. The conductor plunges to the northeast so any eroded up-plunge component would have been located to the west where the main BoT anomalism occurs. Magnetics, gravity and BoT drilling were sourced from the GTK.

This announcement has been provided to the ASX under the authorisation of Mark Bennett, Executive Chairman.

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Past Exploration results reported in this announcement have been previously prepared and disclosed by S2 Resources Ltd in accordance with JORC 2012. The Company confirms that it is not aware of any new information or data that materially affects the information included in these market announcements. The Company confirms that the form and content in which the Competent Person's findings are presented here have not been materially modified from the original market announcement. Refer to www.s2resources.com.au for details on past exploration results.