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Cash in the bank
No mines, and debt free
In “interesting times”...
Not a bad place to be ?

Exploration in a post-apocalyptic world

A presentation to the Sydney Mining Club by Mark Bennett, 4th February 2016

A resources CEO was spotted looking for money on St Georges Terrace yesterday



The party is well and truly over – at least for now



What goes up must come down -
the superboom is now a superbust



But there is opportunity...

For those without hangovers:

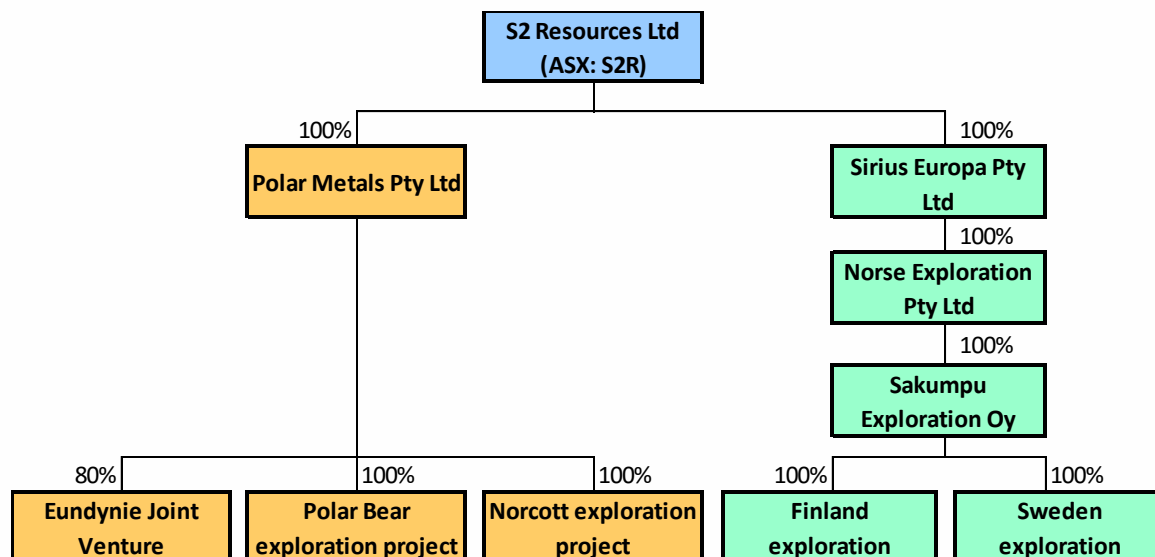
- Anyone with enough net cash to avoid equity markets and/or debt burden
- Those without mines that may underperform and disappoint
- Explorers untethered from the anchor of commodity prices
- Now is the time to trawl for cash starved companies &/or undervalued assets = opportunity
- Now is the time to be leveraged to discovery upside and counter-cyclic timing

S2 as an example:

- Born from the IGO takeover of Sirius, with \$20 million cash
- Sirius' former exploration growth portfolio
- Sirius' former exploration and corporate teams
- Potential to further self fund via mining/monetising the Baloo gold deposit
- Has the means, the time and the opportunity to hunt for the next big one



S2 Resources – a good start in life...



Shares on issue	215.8m
Options on issue (ex price A\$0.31)	30.1m
Cash (as at end December 2015)	A\$19.57m
Debt	Nil
Market capitalisation (at \$0.13 per share)	A\$28.05m
Enterprise value (includes Baloo)	A\$8.48m

Listed on ASX on 19th October 2015 following demerger from Sirius Resources

A\$20 million cash, no funding requirements, and potential for Baloo to further fund its mission to find the next big one

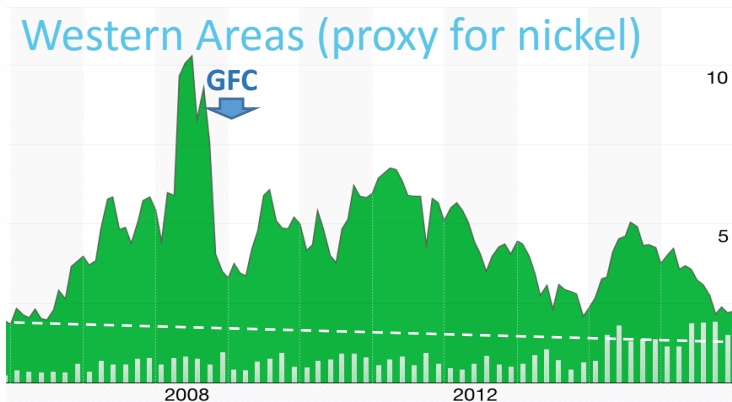
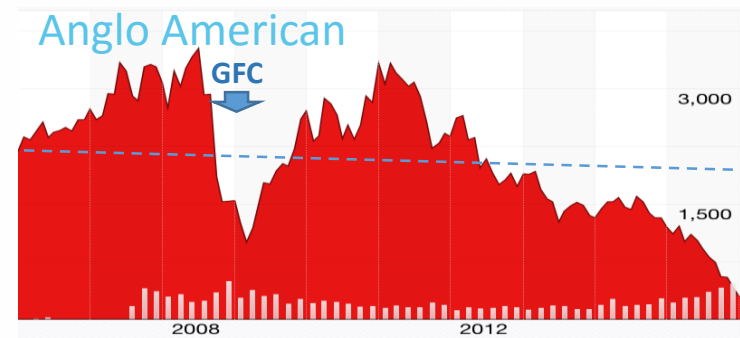
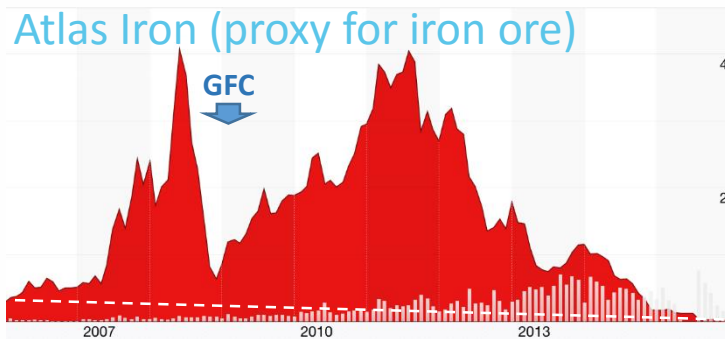
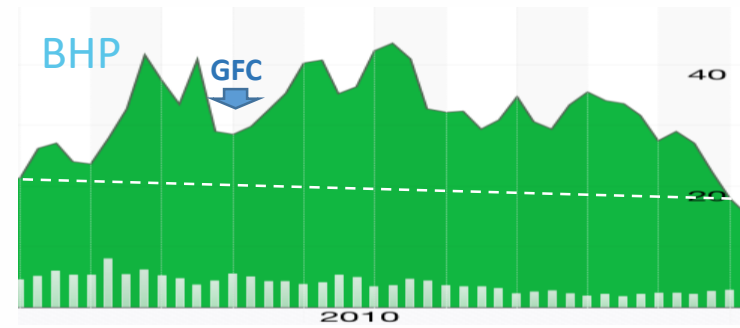
Numerous 100% owned prospects at Polar Bear (Western Australia), in the Skellefte VMS belt of Sweden, and in the Central Lapland greenstone belt of Finland

Strong share register largely inherited from Sirius Resources

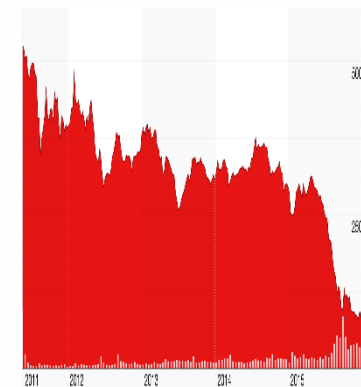
Summary	Number	% holding undiluted	% holding fully diluted
Mark Creasy	73.4m	34.0%	29.9%
Board, staff & consultants	16.4m	7.6%	18.8%
Top twenty	130.7m	63.0%	n/a

8 institutional shareholders in top 20

... but born into a brutal world



Glencore
(listed May 2011)



The market is Gaia-esque
ie, a very efficient (= ruthless)
self-regulating super-organism

29 Jan 1988 - 1 Jan 2016

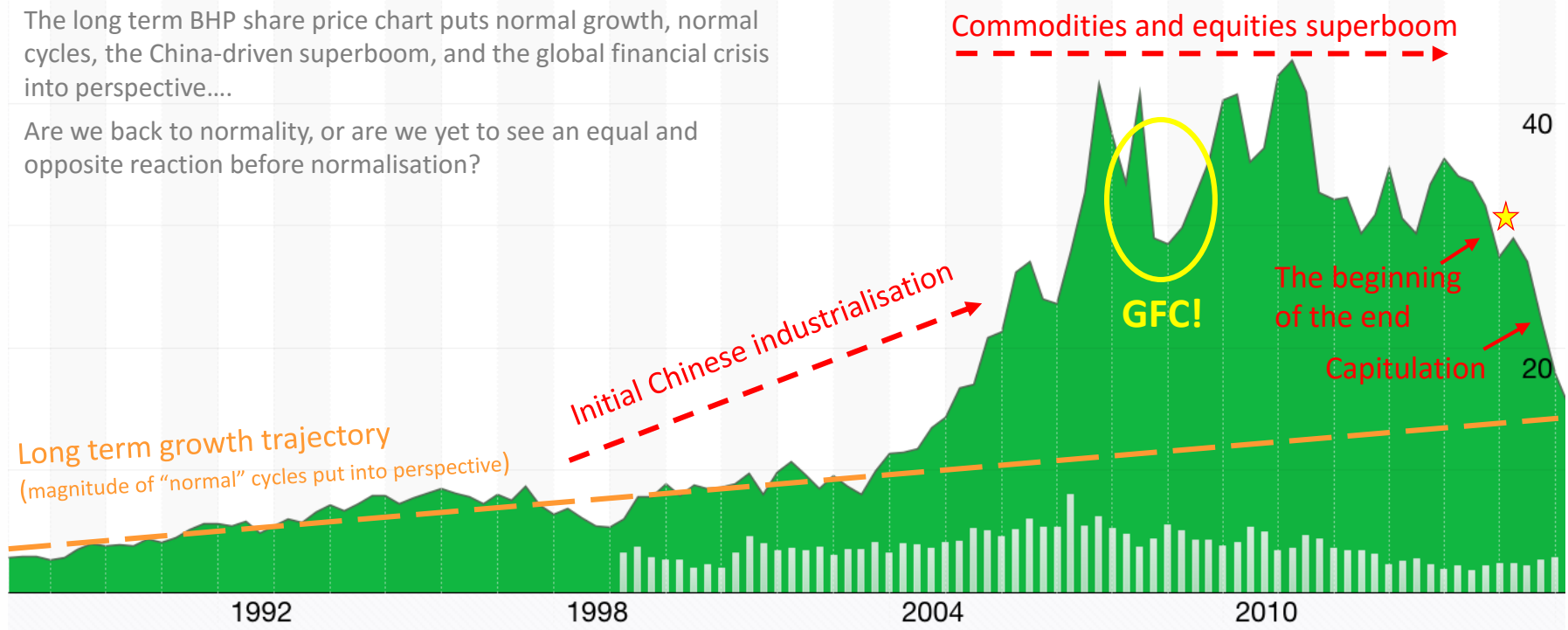


BHP Billiton Ltd (BHP.AX)

15.35 +0.25 (+1.66%) +

The long term BHP share price chart puts normal growth, normal cycles, the China-driven superboom, and the global financial crisis into perspective....

Are we back to normality, or are we yet to see an equal and opposite reaction before normalisation?



Career span of most stockbrokers



The signs are here...an exponentially growing casualty list

Dividend suspensions (Anglo, Glencore, Freeport – so far), and massive write downs (BHP (\$7b) and Freeport (\$4.5b))

55 mining companies under credit rating review

Sale of First Quantum's nickel business, all of Nyrstar's mining assets

Suspension/deferral of BC Iron's Nullagine iron mine, Cons Mins' Woodie Woodie manganese mine, Grange's Savage River iron mine, maybe Gindalbie's Karara iron mine

Closure of Mincor's and Panoramic's nickel mines, Votorantim's refinery

Administration for QNI, OM Holdings, Shaw River Manganese, and survival creditor deals by Atlas

Production cuts of 400kt of copper and 500kt of zinc by Glencore

China growth slump, less demand for iron, nickel, manganese, copper, extreme volatility & government intervention on Shanghai Stock Exchange

Unprecedented volatility in (and gaming of) bluechip equities

Peak oil now Cheap oil, Iran in from the cold, oil shale yesterday's thing, BP's quarterly profit dropped by 91%

Juniors morphing (again) to tech co's, and lithium running hot (increased demand to treat depression???)

“this is not a normal cyclical downturn, but a fundamental shift that will place an unprecedented level of stress on mining companies” (Moody's)



What has this got to do with us all?

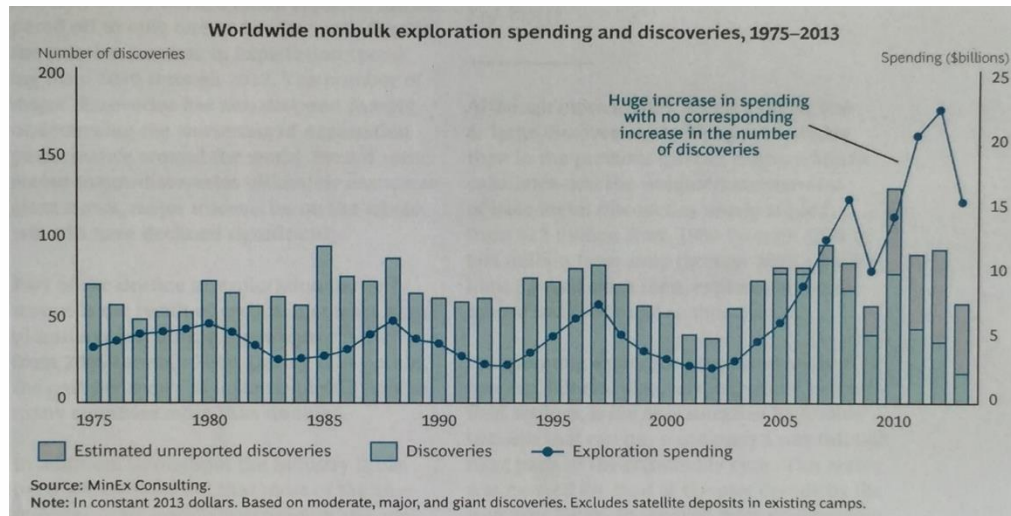
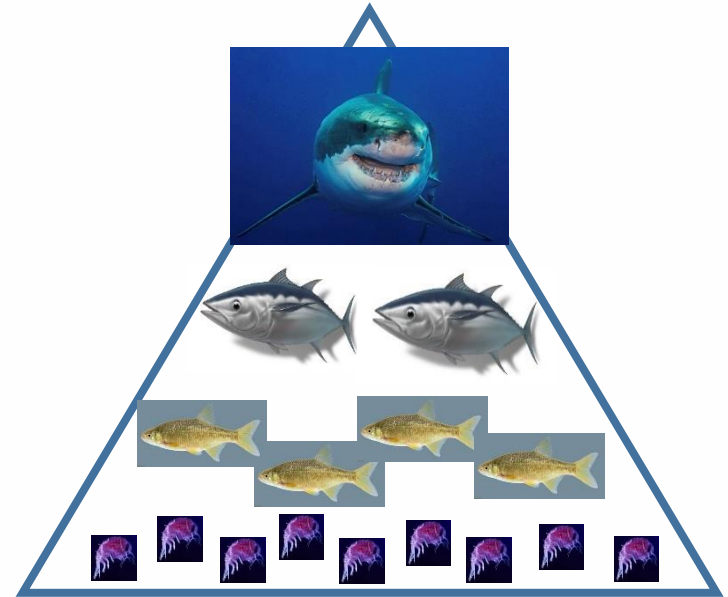
EVERYTHING!

The big guys have the capacity but have bigger hurdles, no long term investment in people, and no appetite for risk

The guys in the middle have all but ceased to exist

The little guys now have most of the brain power, flexibility, lower thresholds, and importantly the imperative (survival) but are starved of cash

The big nasty guys ultimately rely on the plankton but the food chain is broken



The consequence of this?

Fewer discoveries due to less expenditure?

Or less expenditure due to fewer discoveries?

Symptoms of an ecosystem in decline

But as with any Darwinistic process, this will create new evolutionary niches for those that can survive and adapt

What has this got to do with a little explorer like S2?

EVERYTHING!

There is no money out there

More and more zombies

Cash is king

- For survival
- For business continuance
- For market avoidance
- For recovery readiness
- For pre-positioning with opportunities
- To protect capital structure and shareholder value
- To be the first out the starting blocks when the flag drops

But hibernation is not an option

- Shareholders expect and deserve action
- Measured expenditure is integral to the future
- S2 is marching on – but judiciously

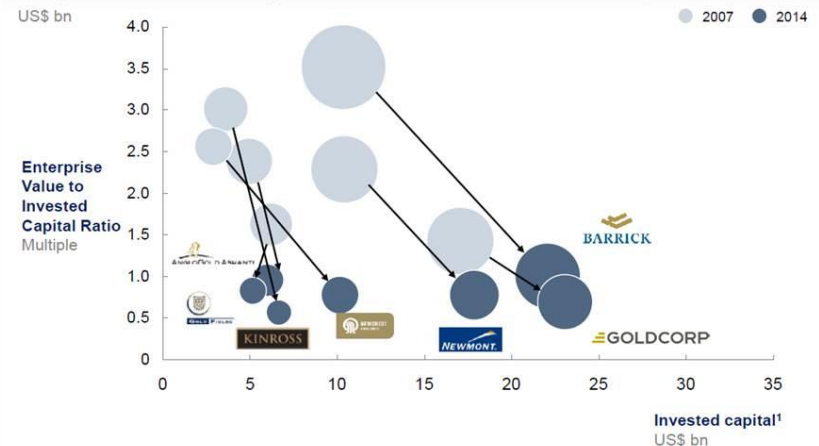


WHERE ARE WE TODAY?

As a result, shareholder value has been destroyed by between 50-80% since 2007

Enterprise value and invested capital

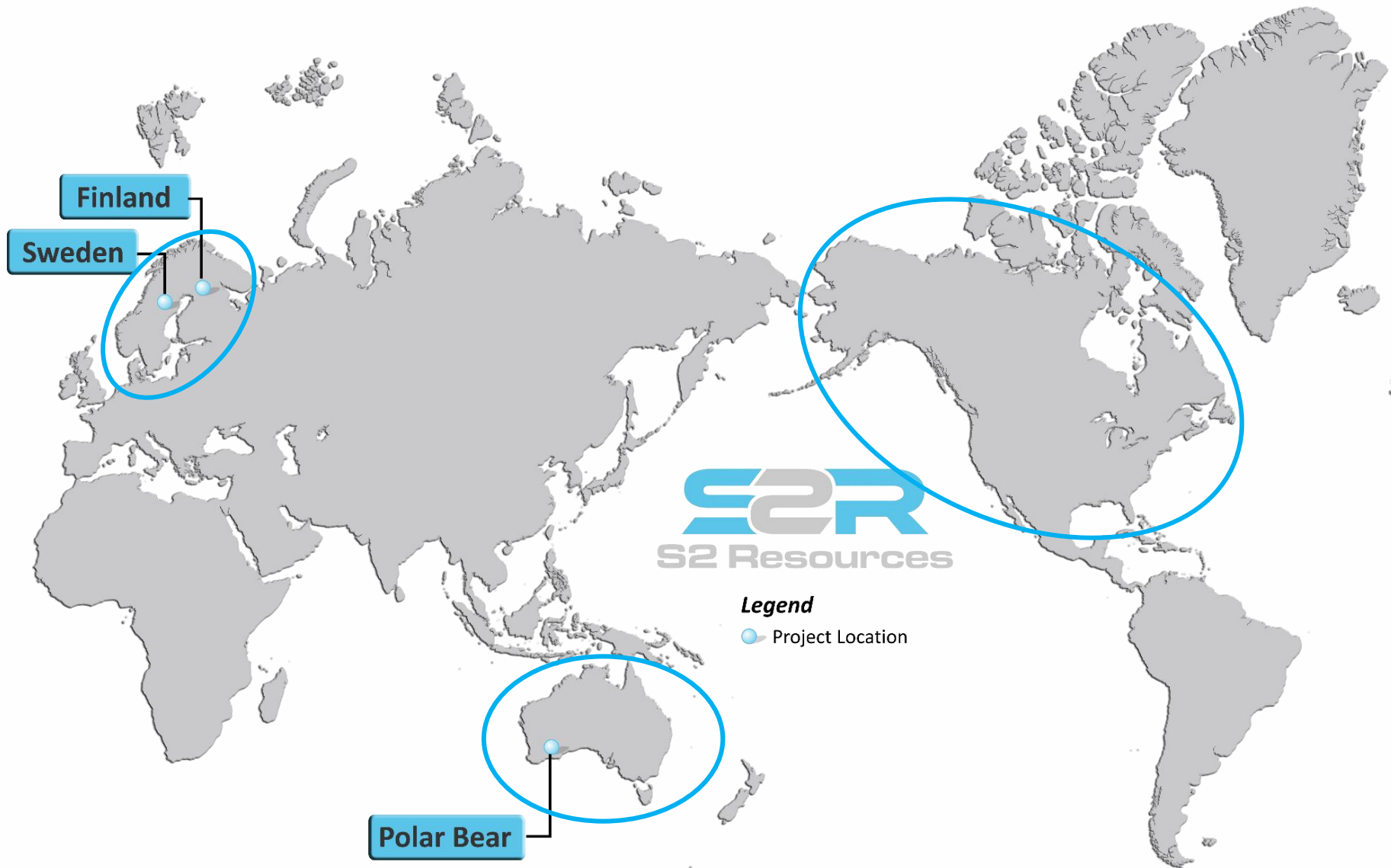
Size = Enterprise value representation



¹ Invested capital including Goodwill and other intangibles

Source: McKinsey Corporate Performance Analysis Team, Capital IQ, Annual reports, McKinsey analysis

How is S2 positioned to take advantage of this?



A new ASX listed resources company with **\$20 million cash & no funding requirement**

High quality share register – institutions, high net worth individuals, directors & employees, and Mark Creasy as 35% shareholder (Australia's richest prospector)

One of the **most successful exploration teams in the world** whose track record of discovery includes **Nova-Bollinger** nickel-copper mine & **Thunderbox** gold mine (Australia), **Sakatti** copper-nickel-PGM deposit (Finland), **Los Sulfatos** copper deposit (Chile), **Storliden** zinc-copper mine (Sweden) and numerous other mines/deposits

Corporate team that has recently raised over **\$700 million in equity & debt finance**, led the **best performing ASX resource company**, managed development of the Nova-Bollinger project and overseen a **\$1.8 billion merger** of Sirius Resources with Independence Group

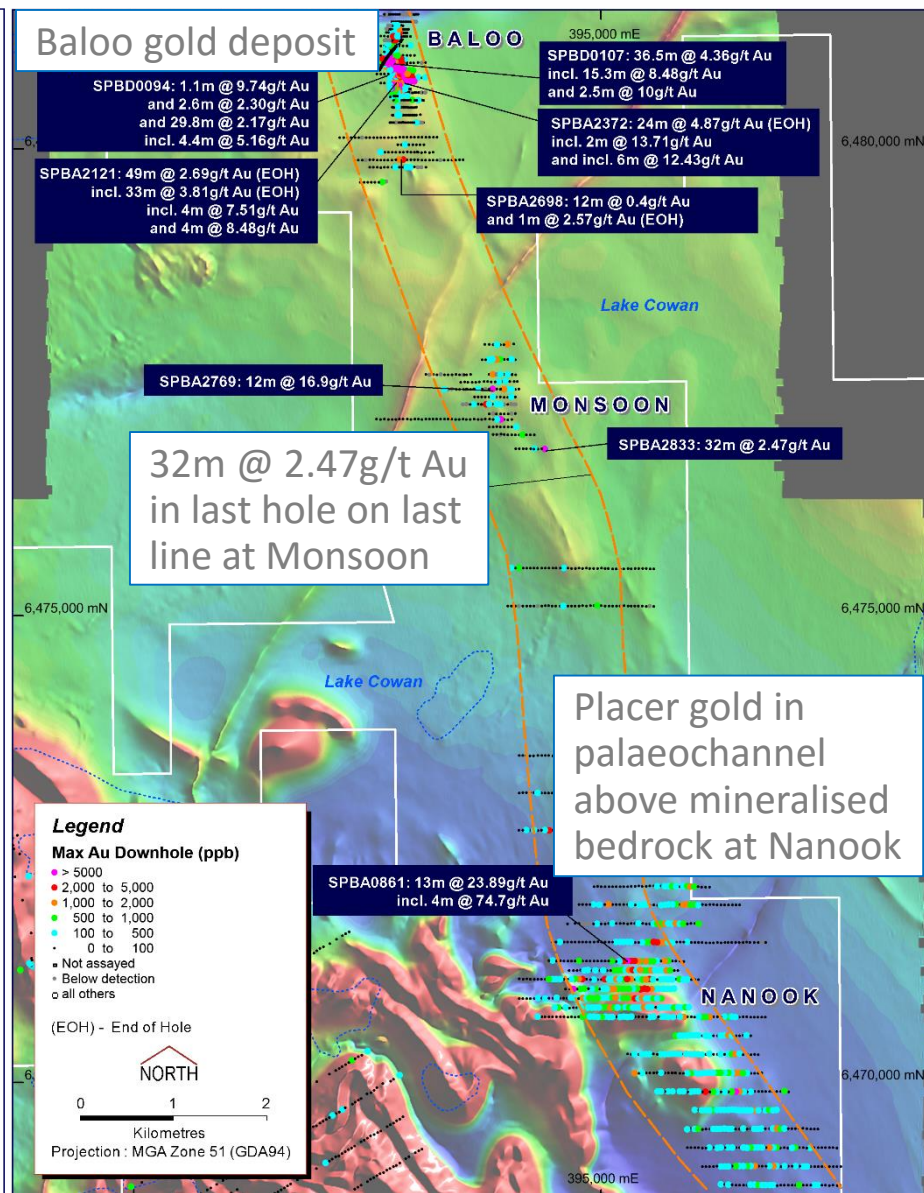
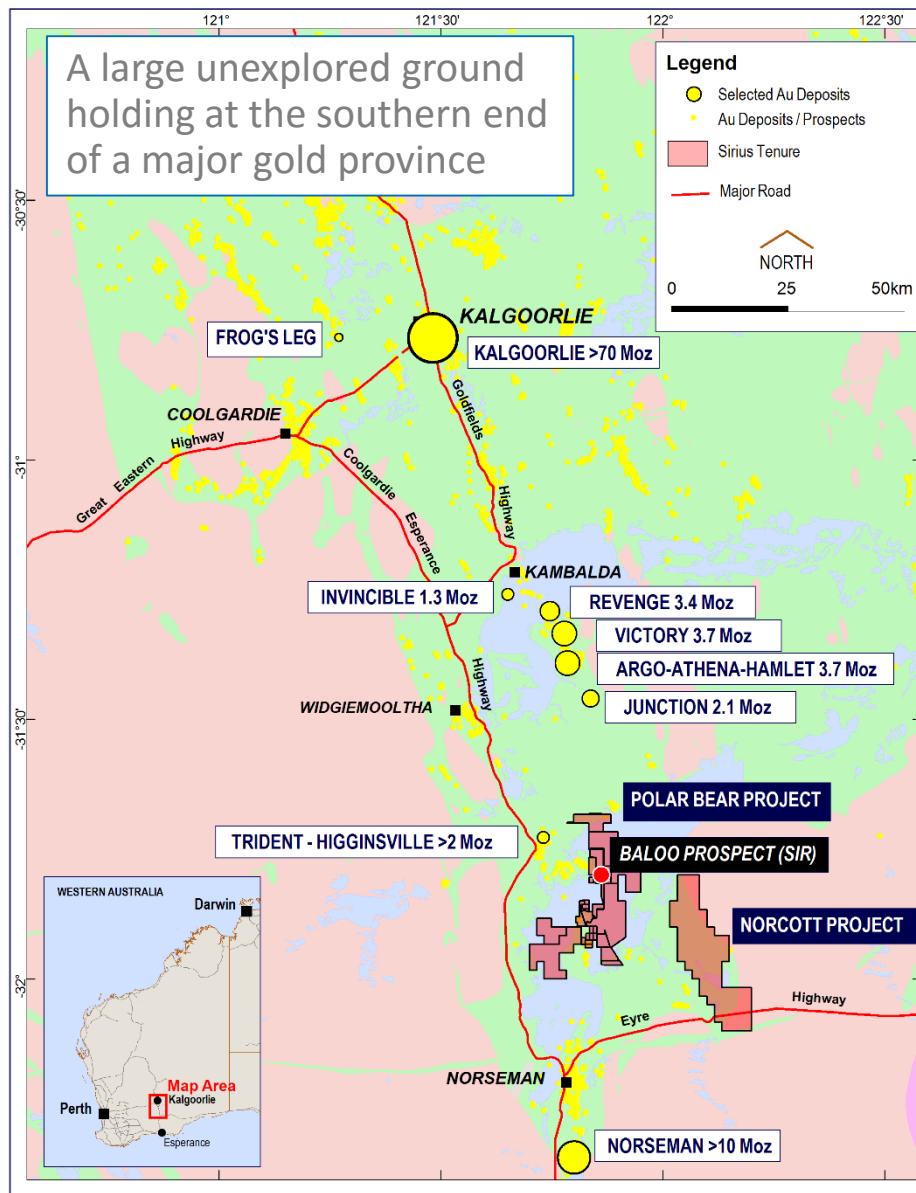
JORC resource drilling completed at Baloo gold deposit in Australia – includes intersections of up to 62m@3.52g/t gold: **potential to create additional cash with minimal capital cost**

Numerous **strong EM conductors in first ever VTEM survey** undertaken in world class Skellefte VMS belt, Sweden

Outcropping copper-gold-platinum-palladium mineralisation with **IP anomaly** beneath it at Brannas prospect, Sweden

Increased ownership of Swedish/Finnish assets from 67% to 100% - Norse Exploration Pty Ltd and Finnish company Sakumpu Exploration Oy are now wholly owned subsidiaries of S2 – which is now better positioned to capitalise on any future success

Actively assessing additional early stage opportunities



Legend

RC Drilling
(Gold Gram Metres)

- ◆ >50 g/t Au
- ◆ 25 to 50 g/t Au
- ◆ 10 to 25 g/t Au
- ◆ 5 to 10 g/t Au
- ◆ 2 to 5 g/t Au
- ◆ <2 g/t Au
- Assays Pending

Gold Gram Metre Contours

- 2 - 5 gm Au
- 5 - 10 gm Au
- 10 - 25 gm Au
- 25 - 50 gm Au
- >50 gm Au

0 NORTH 100

Projection : MGA Zone 51 (GDA94)

SPBC0213: 12m @ 1.55g/t Au
and 20m @ 2.91g/t Au

SPBC0214: 17m @ 4.14g/t Au
and 27m @ 1.44g/t Au

SPBC0225: 7m @ 1.47g/t Au

SPBC0215: 5m @ 1.36g/t Au
and 27m @ 0.88g/t Au
and 1m @ 4.96g/t Au

SPBC0216: 1m @ 1.27g/t Au
and 5m @ 0.92g/t Au
and 13m @ 1.6g/t Au
and 3 @ 1.45g/t Au

SPBC0209: 1m @ 1.93g/t Au

SPBC0210: 5m @ 0.73g/t Au

SPBC0211: 8m @ 2.28g/t Au
and 7m @ 1.46g/t Au

SPBC0204: 9m @ 2.89g/t Au

SPBC0205: 5m @ 1.49g/t Au

SPBC0206: 3m @ 4.22g/t Au

SPBC0207: 3m @ 4.74g/t Au
and 11m @ 0.94g/t Au

SPBC0221: 1m @ 1.42g/t Au
and 1m @ 2.5g/t Au

SPBC0217: 8m @ 1.12g/t Au
and 11m @ 1.22g/t Au

SPBC0222: 1m @ 3.67g/t Au
and 1m @ 1.14g/t Au
and 1m @ 2.86g/t Au

SPBC0223: NSI

SPBC0218: 2m @ 1.22g/t Au
and 2m @ 0.82g/t Au
and 1m @ 1.75g/t Au

SPBC0224: NSI

SPBC0219: 1m @ 1.89g/t Au

SPBC0220: 1m @ 2.66g/t Au

SPBC0228: 2m @ 1.04g/t Au

SPBC0229: 1m @ 1.31g/t Au
and 6m @ 0.74g/t Au

SPBC0230: 4m @ 0.82g/t Au

SPBC0227: 2m @ 0.74g/t Au
and 3m @ 1.19g/t Au
and 1m @ 29.3g/t Au

SPBC0226: 1m @ 1.45g/t Au
and 5m @ 0.76g/t Au
and 17m @ 1.49g/t Au

SPBC0232: 14m @ 1.37g/t Au
and 2m @ 1.04g/t Au

SPBC0231: 1m @ 1.41g/t Au
and 9m @ 1.44g/t Au
and 2m @ 0.67g/t Au

SPBC0212: 10m @ 2.08g/t Au
and 1m @ 1.13g/t Au
and 2m @ 1.49g/t Au

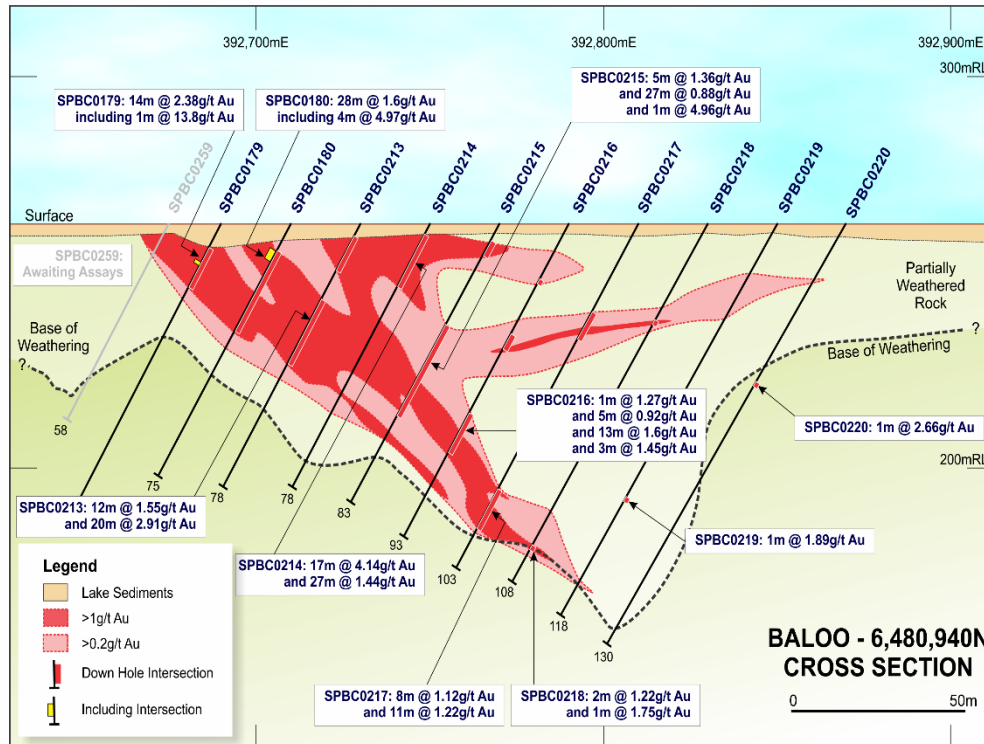
SPBC0203: 8m @ 0.68g/t Au
and 6m @ 1.02g/t Au
and 3m @ 0.65g/t Au

SPBC0208: 1m @ 1.57g/t Au
and 1m @ 4.5g/t Au
and 4m @ 0.72g/t Au
and 4m @ 0.6g/t Au

E 15/1298

FAULT?

Lake Cowan

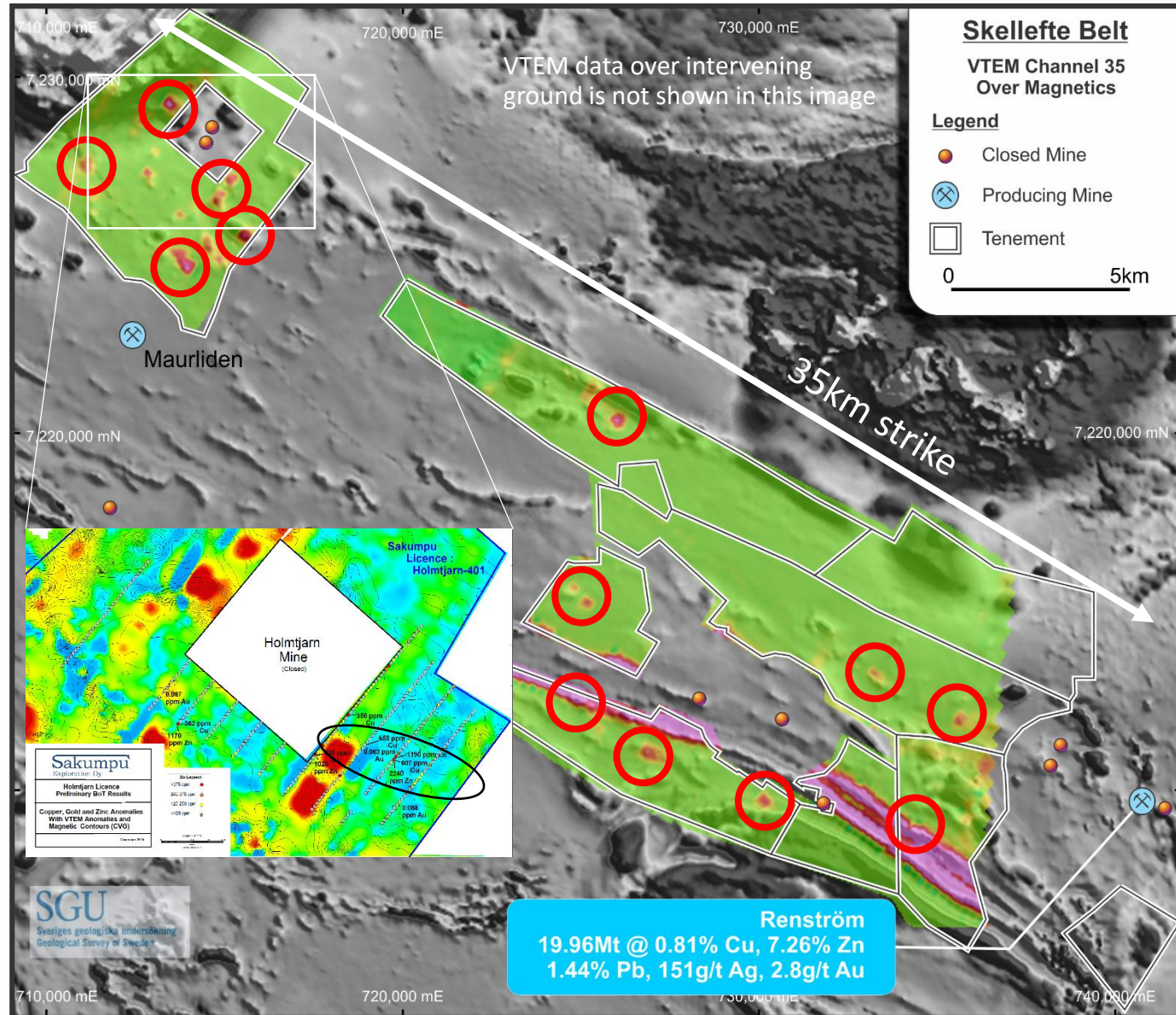


Skellefte VMS belt, northern Sweden

First ever VTEM survey of this world class VMS belt despite there being operating mines in outcropping areas

Numerous strong late time EM conductors identified under cover in areas with little or no previous exploration

Base of Till (BOT) sampling and field checking underway to prioritise conductors for ground EM and drilling

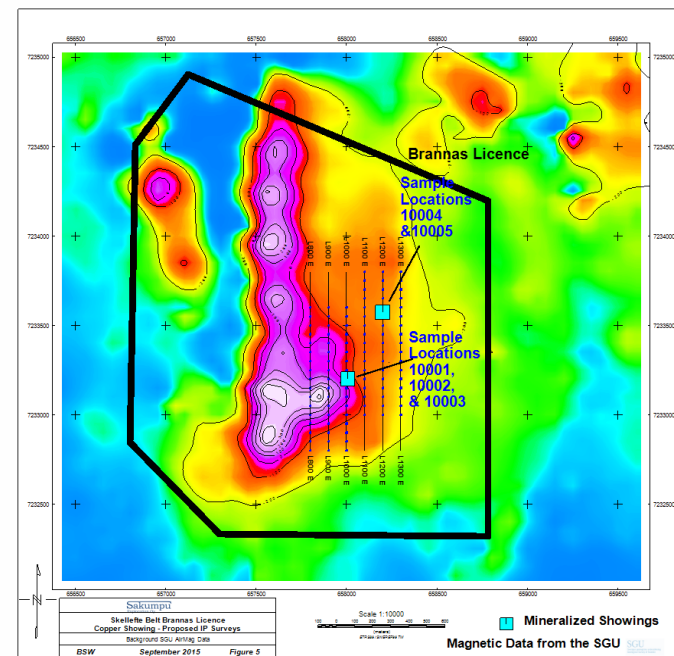


Brannas copper-gold-PGM mineralisation, Sweden



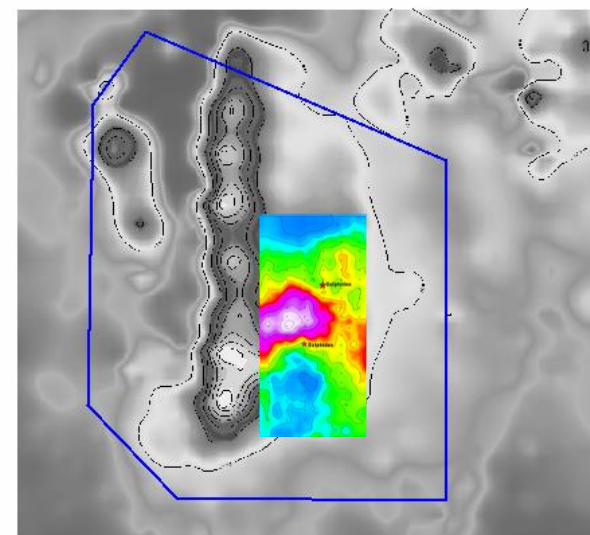
< Outcropping gabbroic intrusion with disseminated sulphides

Strong magnetic anomaly representing gabbroic intrusion, with location of sulphide samples and IP survey lines >



< Abundant disseminated chalcopyrite in outcropping pyroxenite – average grade of composite rockchip samples is 1.6% Cu, 0.5g/t Au, 0.4g/t Pt+Pd

Depth slice of IP chargeability anomaly approximately 320m below outcropping sulphides >



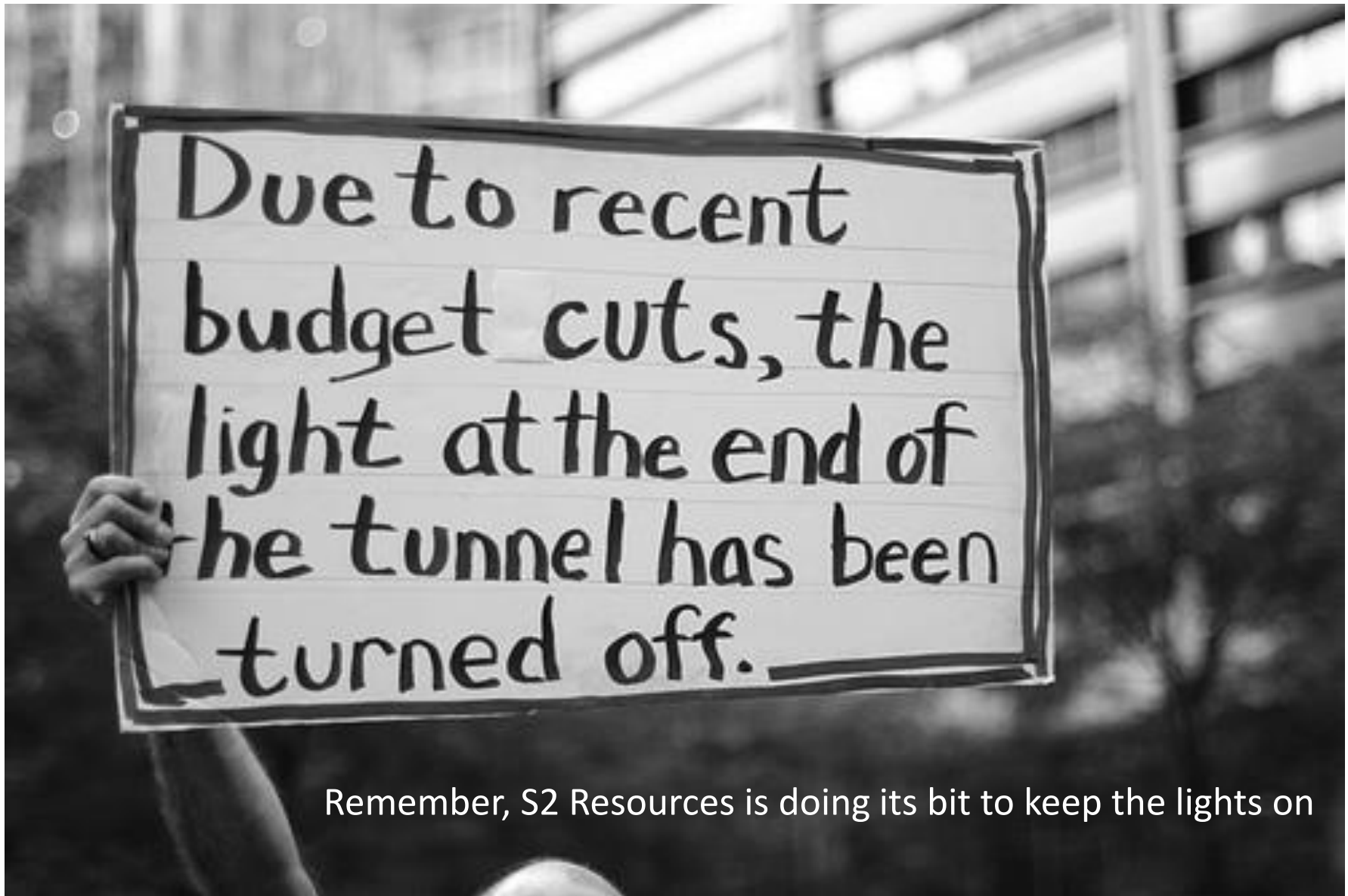
Exploration always has been, and has to be, the life blood of the resources industry

It is high risk and statistically likely to fail, but for the brave (and lucky) few creates the best rewards

S2 cannot guarantee outcomes but it believes in the rewards of exploration and believes in itself

To this end it has secured good ground, deployed good people, is actively hunting for the next big one, and everyone has taken a 20-60% pay cut to be part of it

So, when you feel like this.....



Remember, S2 Resources is doing its bit to keep the lights on