

S2 Resources Ltd

Focused on Fosterville and western NSW exploration

S2 Resources Ltd (ASX:2R) is a gold and base-metals explorer focused on two Australian exploration projects, with investments in listed company, Todd River Resources (ASX:TRT) and pre-IPO explorer Pacific State Metals (Holdings) Ltd. The company is waiting for approval from the Victorian State Government for an exploration licence over its Greater Fosterville gold project and has secured the exploration licence for the Koonenberry Ni-Cu-PGE project in western NSW. S2R is now undertaking its initial reconnaissance at Koonenberry which the company has noted (Presentation 23 Feb-2023) has the hallmarks of the Nova-Bollinger Ni-Cu discovery in the Fraser Range in WA, made by Sirius Resources under then-CEO Mark Bennett. The Greater Fosterville exploration licence (ELA7795) is a highly strategic asset, surrounding the entirety of Agnico Eagle's Fosterville gold mine including the Swan Zone which had an initial mineral ore reserve of 2.34Moz of gold at 49.6g/t. The company also secured substantial data acquired by the previous licence holders, including exploration undertaken by Kirkland Lake Gold (now owned by Agnico Eagle) before the licence expired.

Project description

S2 Resources is focused on securing the Greater Fosterville exploration licence, near Bendigo, in Victoria and progressing exploration at the Koonenberry nickel-copper-PGE (platinum group elements), north of Broken Hill, in New South Wales. The company has secured agreement with both traditional owner groups at Greater Fosterville which was a pre-condition of the exploration licence being granted and is now waiting on Victorian Government approval. The exploration licence covers 395km², extending 55km north to south, and abuts and surrounds the world-class Fosterville gold mine owned by Agnico Eagle (TSX:AEM). At Koonenberry, the exploration licences have been granted and initial meetings held with the landowners. S2R has commenced reconnaissance activities at Koonenberry. The company has also been in the process of repositioning its portfolio, selling two of its Finland exploration licences in June to Kinross Gold Corporation for US\$0.175m, representing 15% of its holdings in Finland; and vending its West Murchison and Fraser Range tenements into a new entity, Pacific State Metals (Holdings) Ltd, in exchange for 7m shares or 28.6% of its issued capital. Pacific State Metals intends to IPO by June 30, 2024, and S2R has estimated it will hold ~13% of the company post-IPO.

Planning and waiting for approvals

S2 Resources is waiting on the Victorian Government to approve its exploration licences at Greater Fosterville, having met the pre-conditions including securing agreements with Taungurung Land and Waters Council and Dja Dja Wurung Clans Aboriginal Corporation, which represent the two traditional owner groups. The company is in the meantime evaluating the substantial data sets, including geophysical and geochemical surveys, which came with the right to apply for the exploration rights and which are being used to generate drill targets. At Koonenberry, the company is progressing access arrangements with pastoral lease holders and is in the process of designing its exploration programme.

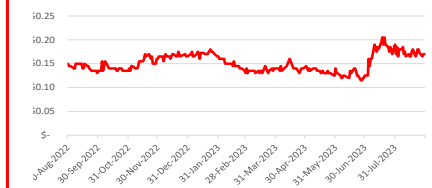
Well-positioned to benefit from gold and base-metals demand

SR Resources is still an early-stage junior explorer with a relatively long-timeframe to any sort of production. The company, however, is well positioned to benefit from investor appetite for high-risk, high-return plays in the gold and base-metals space, particularly while commodity prices remain elevated. Greater Fosterville's proximity to the world-class Fosterville mine will likely add to investor interest, and may also attract corporate interest.

Share Details

ASX code	S2R
Share price (30-Aug)	\$0.17
Market capitalisation	\$69.7M
Number of shares	410.1M
Options on issue	46.65M
Net cash at 30-Jun-2023	\$5.8M

Share Price Performance (12 months)



Upside Case

- Exploration at Greater Fosterville yields significant gold discovery
- Koonenberry drilling programme defines a Nova-Bollinger-type discovery
- Upside in commodity prices, particularly through the current high demand and inflationary outlook, and transition to new energy outcomes

Downside Case

- Fails to secure exploration application approval for Greater Fosterville
- Commodity prices collapse changing the project's economics
- Drilling programmes at Koonenberry fails to deliver an economic resource

Catalysts

- Victorian Government approvals on Greater Fosterville exploration licence
- Drilling programme at Koonenberry
- Drilling programme at Greater Fosterville

Comparative Companies (Australia & NZ)

FAL, LGM, PGO

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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