EXPLORER QUARTERLY CASH UPDATE

QUARTER ENDED 31 MARCH 2019

RESEARCH INTO THE FINANCIAL HEALTH OF AUSTRALIAN-LISTED EXPLORERS - QUARTER ENDED 31 MARCH 2019

BDO's report on the cash position of Australian-listed explorers for the March 2019 quarter (based on quarterly Appendix 5B reports lodged with the Australian Securities Exchange ('ASX')) provides mixed signals for the exploration sector with the highlight being the increase in financing inflows, which reversed the decline in financing inflows that had occurred since the June quarter of 2018.

A total of 680 Appendix 5B reports were lodged during the March 2019 quarter, down from 693 in the December quarter. Notably, during the March quarter, two new exploration companies were admitted to the ASX through an initial public offering ('IPO') and as at the last trading day of the March quarter (Friday 29th), both companies were trading at or above their issue prices.

Despite the strong rally experienced by the Australian resources sector in the March quarter, explorers still appear to be finding conditions tough. While financing inflows increased to $908 million in the March quarter, this was well below the two year average of $1.34 billion. On a positive note, the increase in total net investment indicates that explorers with capital were more willing to invest their cash compared to the December quarter.

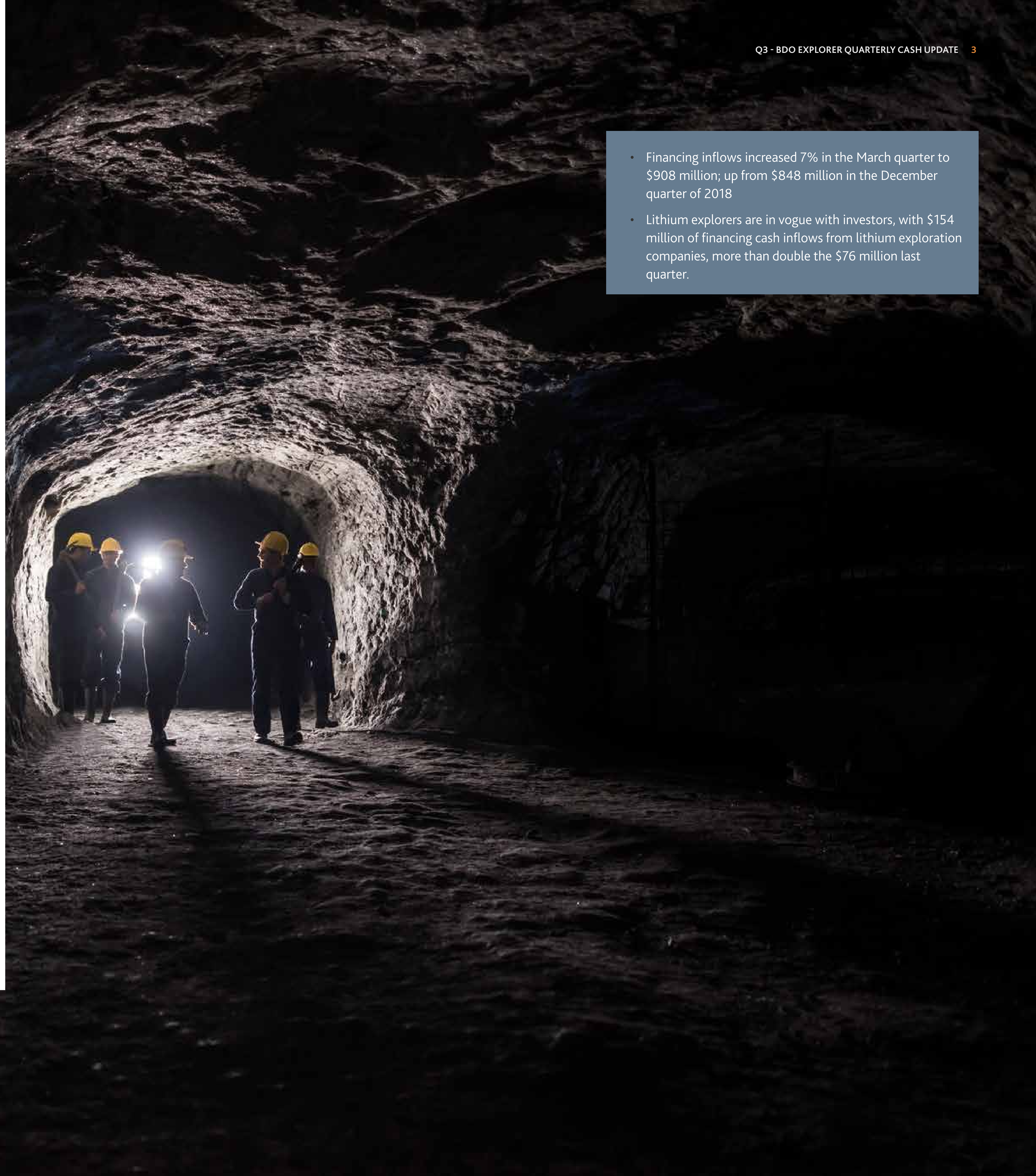
Overall, the Australian resources sector performed strongly in the March quarter, as evidenced by the S&P/ASX 200 Resources Index which increased by 19% during the quarter. This increase can be attributed to a number of factors including a temporary easing of fears over the China and US trade dispute and the more subdued approach by major central banks to interest rate changes.

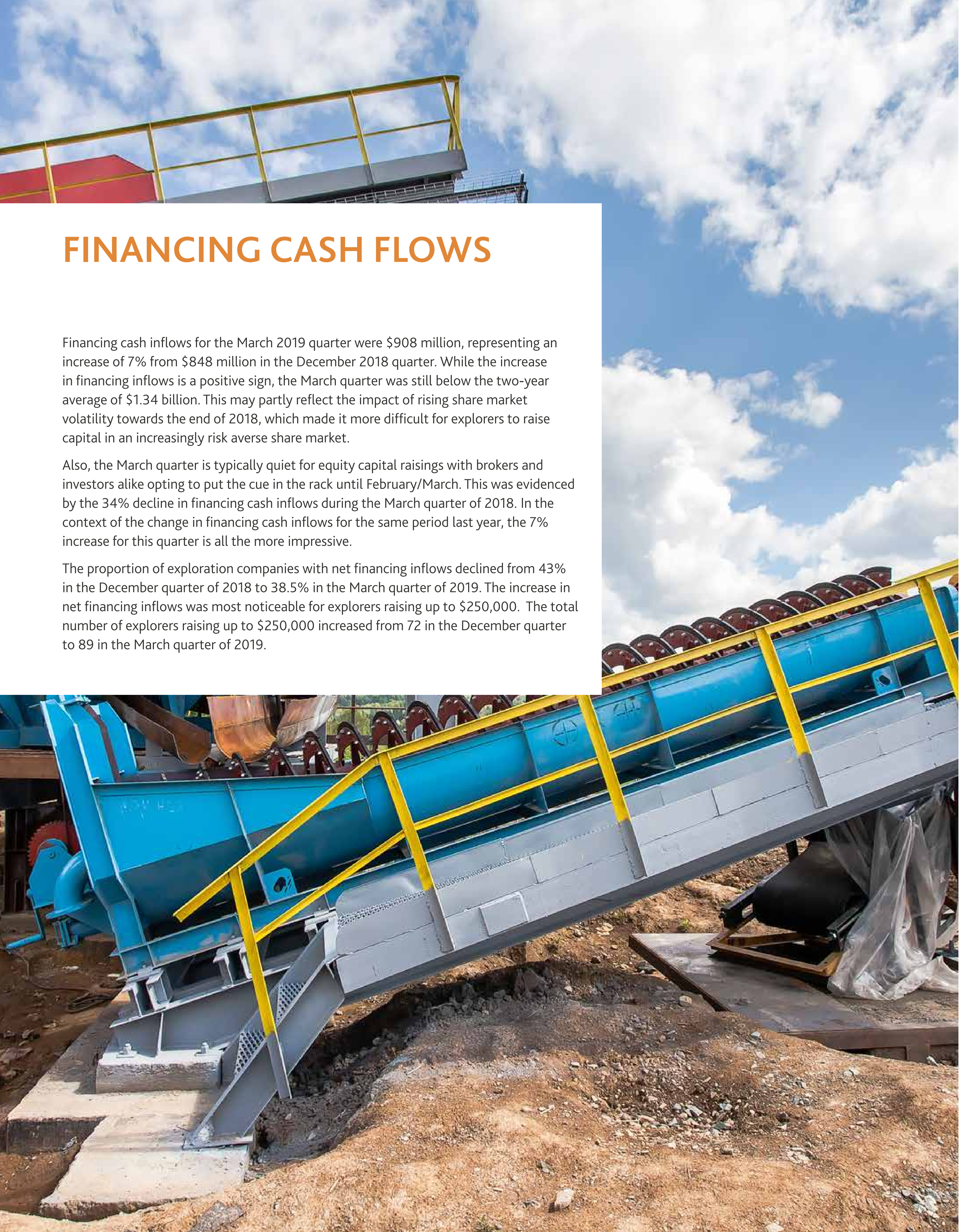
The March quarter was particularly strong for iron ore, with the price of 62% grade iron ore increasing by 26% during the quarter. Lower grade iron ore prices also rallied which boosted the share price of iron ore producers like Fortescue Metals Group Limited ('FMG'), which increased by 71% during the quarter. The iron ore price has been driven higher by reduced supply from Brazilian miner Vale, following the Brumadinho dam collapse in January.

While total financing inflows for ASX-listed explorers was below the two year average, there was a notable increase in capital raising activity by lithium explorers. In the March quarter of 2019, lithium explorers raising in excess of $10 million in finance raised a total of $123 million, up from $12 million in the December quarter. The positive conditions in the March quarter may have explained the share markets' renewed focus on higher risk commodities like lithium.

We believe there is a way to go before a long-term agreement and resolution is reached between America and China. The outcome of the discussions will likely be a key catalyst in determining the trajectory of future economic growth and commodity demand.

- Financing inflows increased 7% in the March quarter to $908 million; up from $848 million in the December quarter of 2018
- Lithium explorers are in vogue with investors, with $154 million of financing cash inflows from lithium exploration companies, more than double the $76 million last quarter.





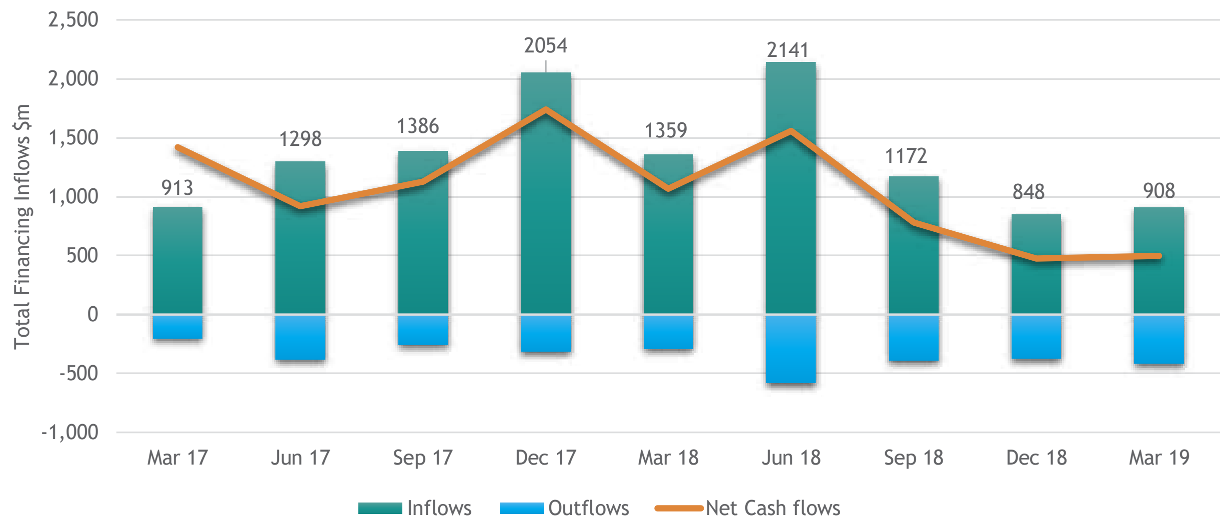
FINANCING CASH FLOWS

Financing cash inflows for the March 2019 quarter were $908 million, representing an increase of 7% from $848 million in the December 2018 quarter. While the increase in financing inflows is a positive sign, the March quarter was still below the two-year average of $1.34 billion. This may partly reflect the impact of rising share market volatility towards the end of 2018, which made it more difficult for explorers to raise capital in an increasingly risk averse share market.

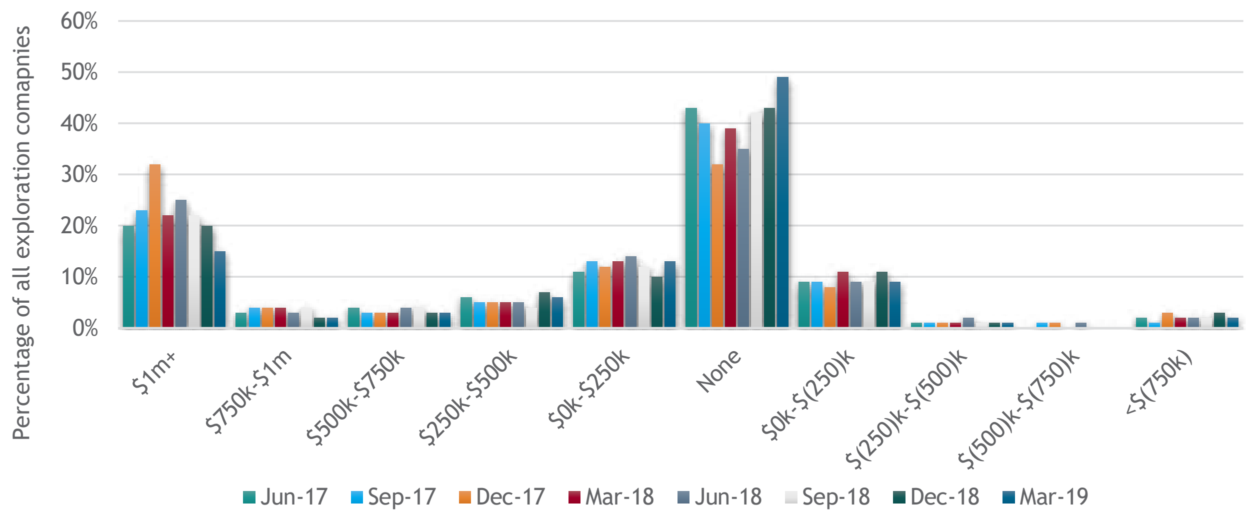
Also, the March quarter is typically quiet for equity capital raisings with brokers and investors alike opting to put the cue in the rack until February/March. This was evidenced by the 34% decline in financing cash inflows during the March quarter of 2018. In the context of the change in financing cash inflows for the same period last year, the 7% increase for this quarter is all the more impressive.

The proportion of exploration companies with net financing inflows declined from 43% in the December quarter of 2018 to 38.5% in the March quarter of 2019. The increase in net financing inflows was most noticeable for explorers raising up to $250,000. The total number of explorers raising up to $250,000 increased from 72 in the December quarter to 89 in the March quarter of 2019.

FINANCING CASH FLOWS ($M)



NET FINANCING CASH FLOWS ($M)



FUND FINDERS

During the March 2019 quarter, 18 companies raised in excess of $10 million. Of these 18 companies, there were five oil & gas companies, four gold companies, and four lithium companies.

Elk Petroleum Limited ('Elk') had the largest financing inflow for the March 2019 quarter of approximately $76.32 million, comprising mainly of borrowings. The funds were raised as part of Elk's attempt to refinance its Aneth Oil Field and CO2 EOR project acquisition funding arrangements. Elk went into voluntary administration on 15 May 2019 and released an ASX announcement that day indicating that administrators were focussed on undertaking an urgent assessment of Elk and its operations to determine the most appropriate strategy going forward, including consideration of whether a recapitalisation can occur.

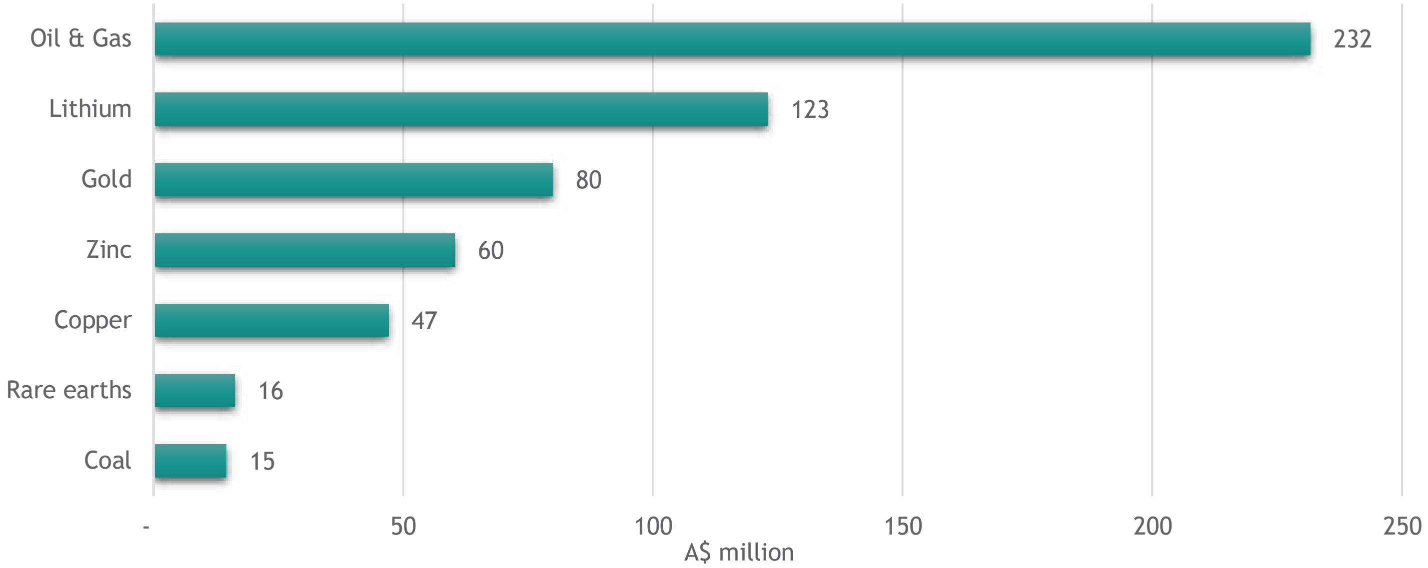
The second largest financing inflow during the March quarter was by New Century Resources Limited ('New Century'), raising $60 million predominantly via a debt facility. The funds will be used to extinguish and replace New Century's current facility with National Australia Bank, assist with the Phase 2 ramp up program at the Century Zinc Mine, and ensure a strong cash buffer is maintained.

Companies that raised funds through debt and/or equity in excess of $10 million in the March quarter of 2019 are set out below:

COMPANY	COMMODITY	FUNDS RAISED
Alliance Mineral Assets Limited	Lithium	$19.98 million in proceeds from issue of shares
Altura Mining Limited	Lithium	$37.98 million in proceeds from issue of shares
Armour Energy Limited	Oil & gas	$55.00 million in proceeds from borrowings
Atrium Coal Limited	Coal	$14.56 million in proceeds from issue of shares
AVZ Minerals Limited	Lithium	$15.00 million in proceeds from issue of shares
Bellevue Gold Limited	Gold	$20.46 million in proceeds from issue of shares
Carnarvon Petroleum Limited	Oil & gas	$47.19 million in proceeds from issue of shares
Catalyst Metals Limited	Gold	$13.02 million in proceeds from issue of shares and $1.64 million net contributions from Joint Venture Partner
Cudeco Limited	Copper	$31.66 million in proceeds from borrowings
Dateline Resources Limited	Gold	$14.49 million in proceeds from issue of shares and $0.30 million in proceeds from borrowings
Elk Petroleum Limited	Oil & gas	$76.32 million in proceeds from borrowings
Gold Road Resources Limited	Gold	$30.00 million in proceeds from borrowings
Helios Energy Limited	Oil & gas	$10.10 million in proceeds from issue of shares and $0.01 million in proceeds from exercise of share options
MOD Resources Limited	Copper	$15.13 million in proceeds from issue of shares and $0.23 million in MTR contributions to Joint Venture
New Century Resources Limited	Zinc	$60.00 million in proceeds from borrowings and $0.31 million in proceeds from exercise of share options
Northern Minerals Limited	Rare earths	$15.75 million in proceeds from issue of shares and $0.50 million in proceeds from issue of convertible notes
Pilbara Minerals Limited	Lithium	$50.00 million in proceeds from issue of shares
Sundance Energy Australia Limited	Oil & gas	$42.27 million in proceeds from issue of shares

In total, the 18 companies that raised in excess of $10 million accounted for $572.6 million (63.1%) of the $908 million in total financing inflows recorded during the March quarter of 2019. Of the $572.6 million raised by these 18 companies shown in the table, lithium, and oil and gas explorers accounted for 61.9% of total financing inflows, followed by gold with 14%.

FINANCING INFLOW BY COMMODITY - TOP 18 EXPLORERS MARCH 2019 QUARTER



The five lithium companies that raised in excess of $10 million for the quarter all opted for equity raisings, indicating that there is an investment appetite from the market. Pilbara Minerals Limited ('Pilbara Minerals') had the highest raising, with a $50 million equity placement to Jiangxi Ganfeng Lithium Co. Limited ('Ganfeng').

The placement comprised the issue of 77,663,871 ordinary fully paid shares at an issue price of $0.6438 per share. The issue price was based off Pilbara Minerals' 5-day VWAP prior to the execution of the Subscription Agreement on 28 December 2018. The placement price represented a 2.2% premium to Pilbara Minerals' closing share price of $0.63 on 28 December 2018.

The equity placement is in lieu of a debt or pre-payment facility for Ganfeng to secure an additional 75,000tpa of spodumene concentrate under its stage 2 offtake agreement with Pilbara Minerals. Funds received from the equity placement will be used for the Stage 2 development and expansion of the Pilgangoora Project as well as for general working capital.

Ganfeng's placement price was well below the average placement discount for the ASX in general ,and the ASX mining sector. BDO's analysis reveals the average (mean) placement discount for all ASX companies and ASX mining companies over the past three years as being 19.7% and 21.6% respectively. The median discount, which often represents a better measure of central tendency, was recorded as being 13.8% and 15.5% for all ASX companies and ASX mining companies respectively over the same period.

Ganfeng's placement is a positive sign for the ASX mining sector, and reveals the growing desire of large multinational companies and manufactures to secure long term supplies of lithium, which is a key ingredient used in electric vehicles and lithium-ion batteries.

Despite being after the end of the March quarter, further evidence of continued investment interest in the lithium sector was Wesfarmers Limited's ('Wesfarmers') proposal to acquire 100% of the shares of WA-based lithium explorer Kidman Resources Limited ('Kidman') for $1.90 cash per share, representing a transaction value of approximately $776 million.

Wesfarmers' offer represented a 47% premium to Kidman's closing share price prior to the announcement. The move by Wesfarmers reinforces the surging forecast demand for electric vehicles and lithium-ion batteries.

NET INVESTING CASH FLOWS

Net investing cash outflows increased from $7.7 million in the December quarter of 2018 to $84.7 million in the March quarter of 2019.

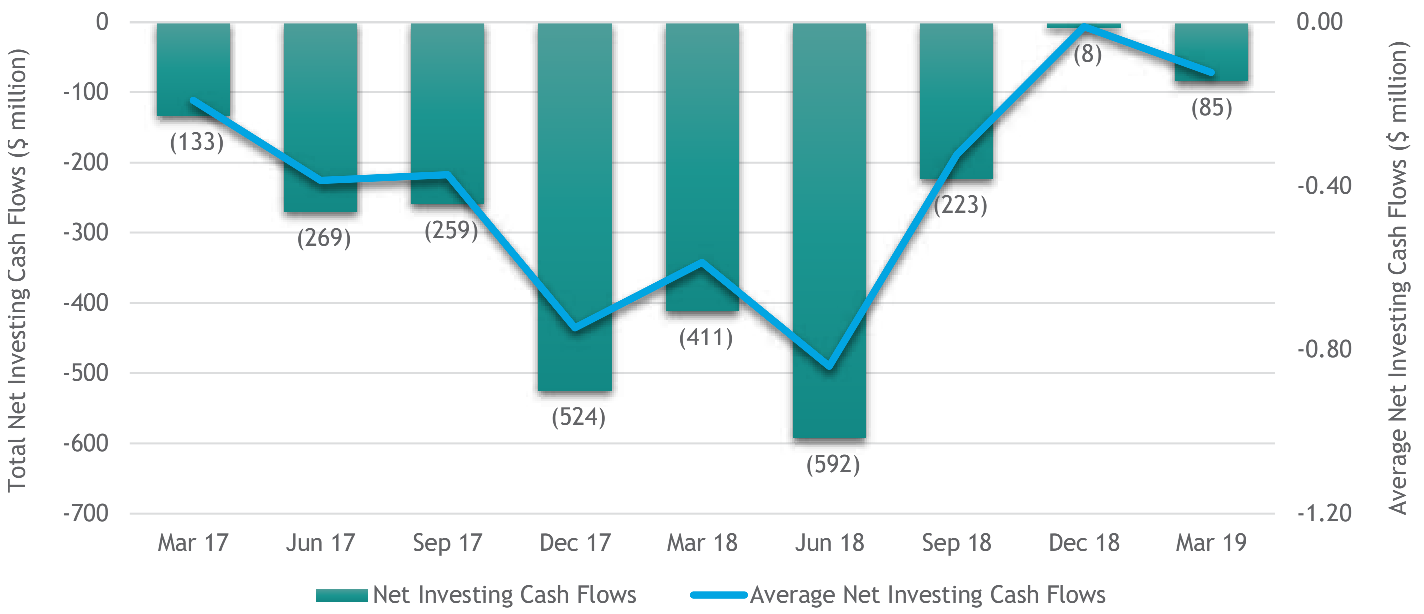
There was a decline in the total number of companies that recorded net investment cash inflows through activities like asset sales, down from 92 to 84 companies in the March quarter of 2019.

The proportion of exploration companies with net investment expenditure during the March quarter was 37%.

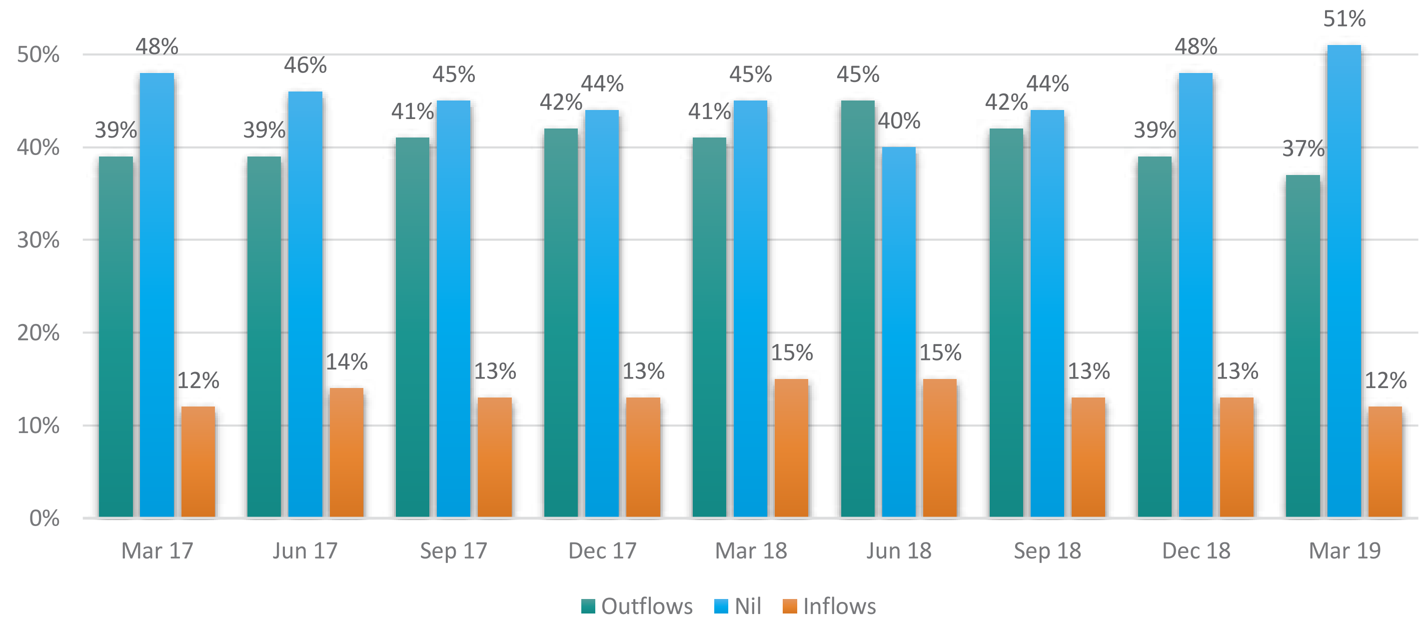
This was down from 39% in the December quarter 2018. The March quarter saw an increase in the total percentage of companies with nil investing cash flows; rising to 51% from 48% in the December quarter 2018.

The percentage of companies with nil investing cash flows was higher in the March quarter of 2019 compared to the March quarters of 2018 (45%) and 2017 (48%) respectively.

NET INVESTING CASH FLOWS ($M)



INVESTING CASH FLOWS (%)



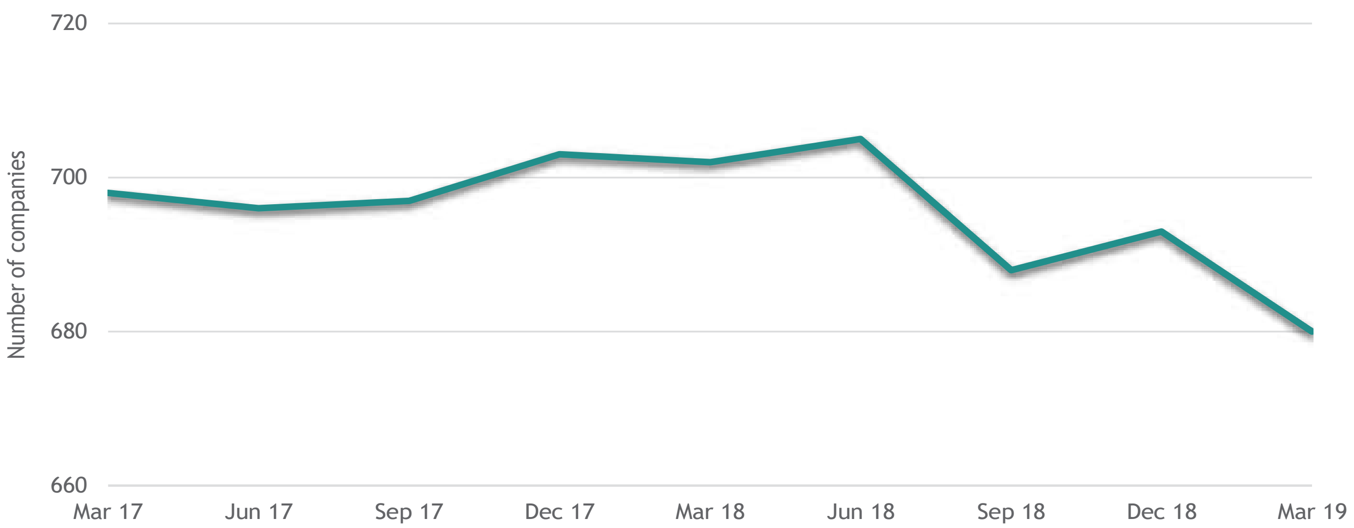
NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS

For the quarter ended 31 March 2019, 680 companies lodged an Appendix 5B report, down from 693 in the December quarter of 2018. This was the lowest total number of Appendix 5B reports lodged since BDO commenced its analysis in 2015. The fall in exploration companies lodging Appendix 5B reports may reflect a number of factors including consolidation between explorers and producers in the gold sector and the increased difficulty for explorers to raise capital and meet the listing requirements of the ASX.

Our analysis reveals that 10 companies were suspended during the March 2019 quarter and consequently did not issue Appendix 5B reports, which largely explains the decrease in the number of companies lodging 5B reports for the quarter. Five suspensions were a result of financial and operational difficulties, which is likely a function of the strain on cash flow that is being felt amongst explorers, particularly at the smaller end of the market. We also note that four suspensions were a result of breaches of the ASX listing rules, again likely indicating that these companies are either experiencing financial difficulties or are struggling to maintain its administrative and reporting function in accordance with ASX standards.

Our analysis of the cash flows of exploration companies over several years tells us that when times are tough, M&A opportunities can spawn. So, perhaps a silver lining to this story is that this could lead to increased M&A activity with further consolidation of the exploration industry to occur.

NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS FROM MARCH 2017 - MARCH 2019



The net decrease of 13 companies to lodge an Appendix 5B report from the December 2018 quarter to the March 2019 quarter was a result of the following:

- 1 company, First Graphene Limited, previously lodged an Appendix 5B report for the December quarter but instead issued an Appendix 4C Report in the March quarter of 2019
- 10 companies were suspended during the March 2019 quarter
- 2 companies were late to lodge Appendix 5B's in the March 2019 quarter (and were therefore expluded from our analysis)
- 4 companies were delisted from the ASX during the March 2019 quarter.

This decrease in the number of companies lodging an Appendix 5B report for the March quarter was partially offset by:

- 2 Initial Public Offerings ('IPOs') of exploration companies during the March quarter, and
- 2 companies that were late to lodge Appendix 5B's in the December 2018 quarter (and were therefore excluded from our analysis in December) but were captured in our March data.

As set out below, the two IPOs conducted during the March 2019 quarter were African Gold Limited and Canterbury Resources Limited.

Company	Commodity	Amount Raised (A$million)	Issue Price	Share Price at 29th March
African Gold Limited	Gold	4.5	20c	21c
Canterbury Resources Limited	Copper and Gold	6.1	30c	30c

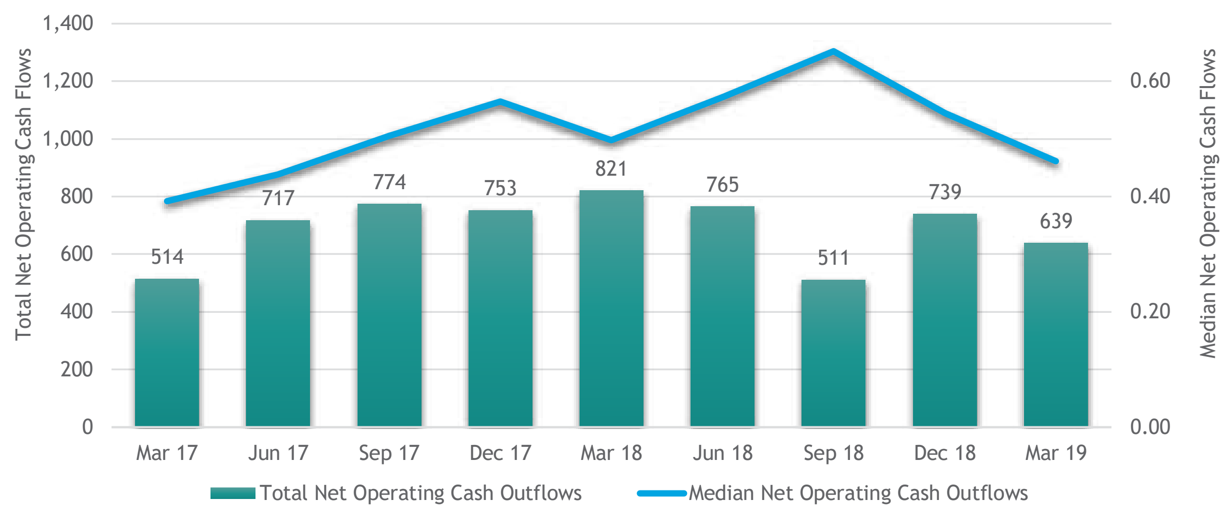
The above IPO's were both relatively successful with the share price of both companies holding at or above the issue price on the last trading day of the March quarter 2019 (29 March).

NET OPERATING CASH OUTFLOWS

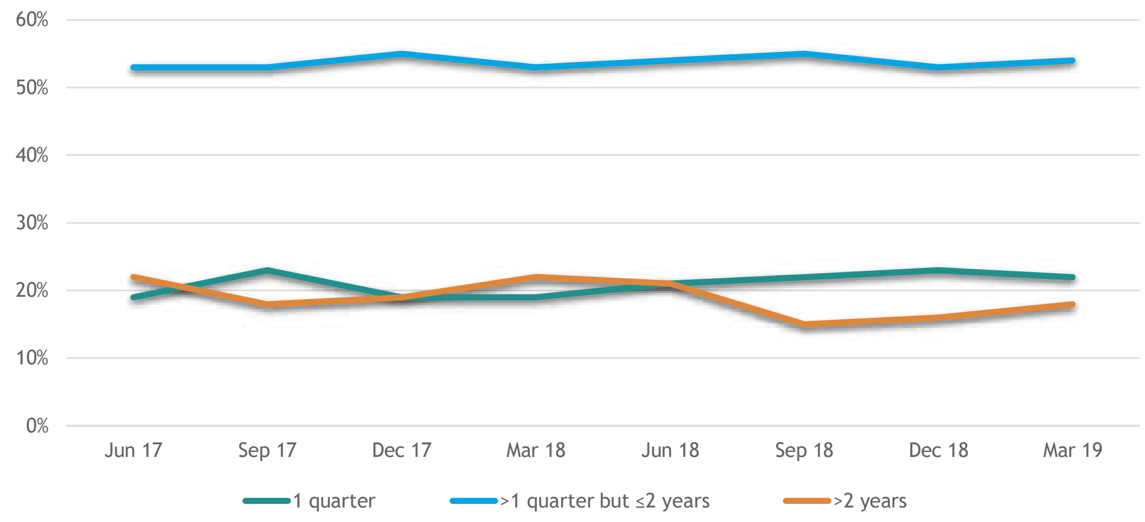
Total net operating cash outflows declined by 14% between the December and March quarters, with the median net operating cash outflow decreasing from $0.55 million in the December quarter of 2018 to $0.46 million in the March quarter of 2019.

Based on current operating expenditure, the proportion of companies that will burn through their cash reserves in one quarter or less, decreased marginally from 23% in the December 2018 quarter to 22% in the March quarter of 2019. The number of companies that will burn through their cash reserves between one quarter and two years increased from 53% to 54%, while the number for more than two years increased from 16% to 18%, over the same period.

NET OPERATING CASH OUTFLOWS ($M)



OPERATING EXPENSES - CASH BURN RATE



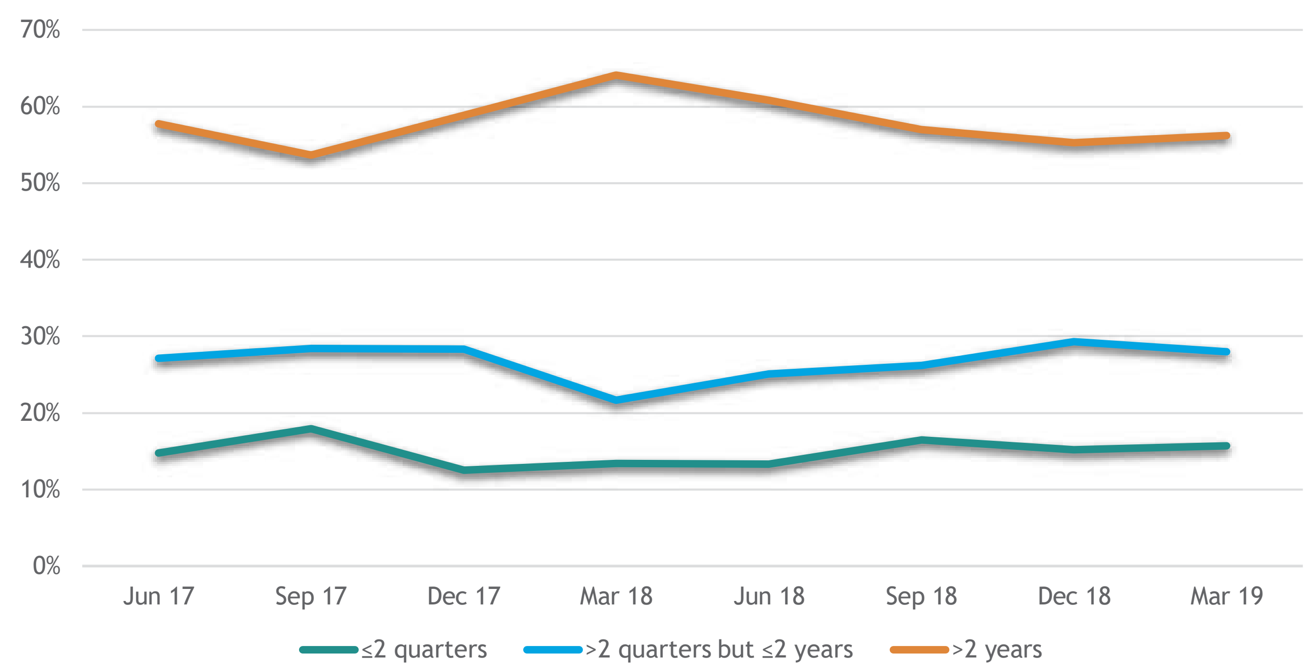
ADMINISTRATION EXPENDITURE

Total administration expenditure declined from $229 million in the December quarter of 2018 to $180 million in the March quarter of 2019, representing a 21% decease. The median administration expense incurred by exploration companies decreased from $0.18 million to $0.15 million over the same period.

In recent years we have observed a declining trend in administration expenditure, as explorers strived to streamline operations by reducing the administrative function as much as possible. Despite the recent volatility in commodity prices, the overall spend on administration increased in 2018 from $205 million in the March quarter 2018 to $229 million in the December quarter 2018.

Based on administration expenses for the March quarter in 2019, the proportion of companies with cash sufficient to sustain these expenses for greater than two years increased marginally from 55% for the December quarter 2018 to 56%. The proportion of companies with more than two quarters and less than two years declined from 29% to 28% over the same period.

ADMINISTRATION EXPENSES - CASH BURN RATE



EXPLORATION EXPENDITURE

Median exploration expenditure declined to $0.19 million for the March 2019 quarter, from $0.26 million for the December 2018 quarter, with total exploration expenditure for the quarter decreasing by 20%.

The March 2019 quarter recorded the lowest total spend on exploration since the June quarter of 2017.

This may appear a stark decline in exploration expenditure however it should be considered in light of historical March quarters where it is not uncommon for there to be a decline, with decreases of 16% and 14% in March 2018 and March 2017 respectively.

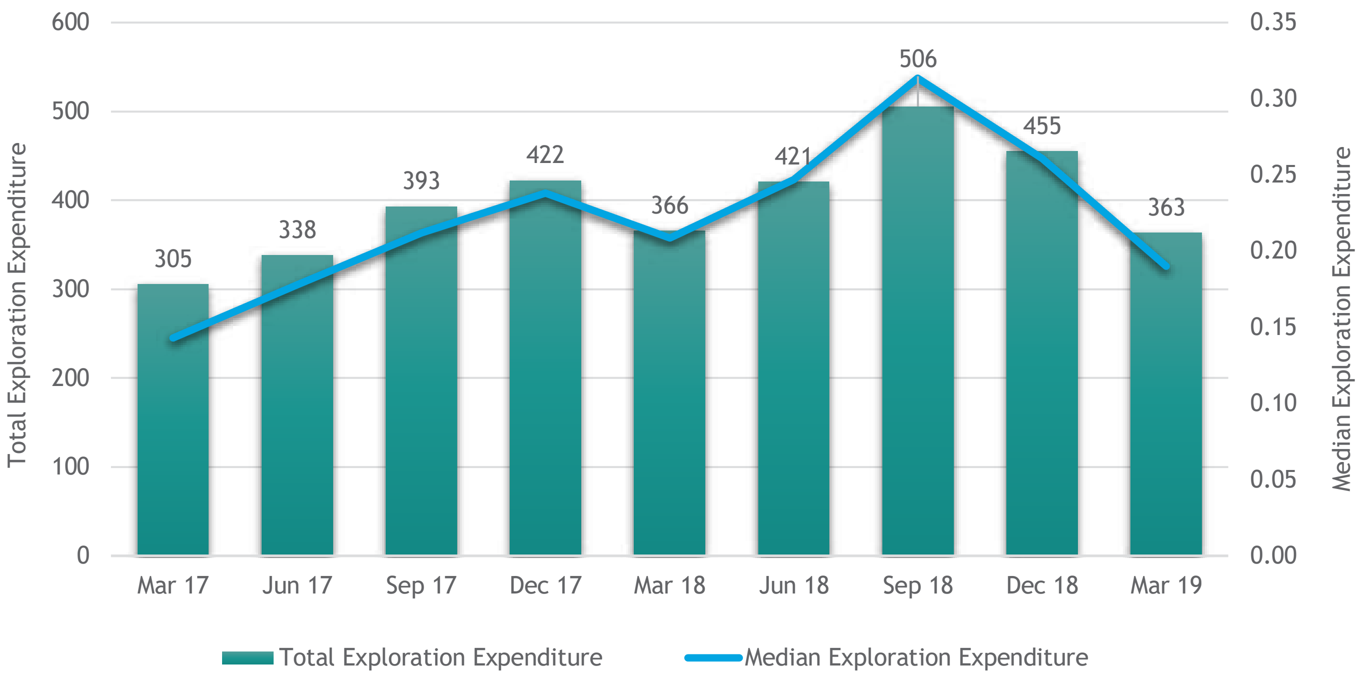
As shown in the graph below, exploration expenditure was stronger in the mid-market, with 150 companies spending between $100k - $300k in the March 2019 quarter, higher than the two-year average of 142.

There was a notable decline in exploration expenditure above $1 million between the December and March quarters, declining from 140 to 97 companies, likely explaining the decrease in total exploration expenditure of 20% for the quarter.

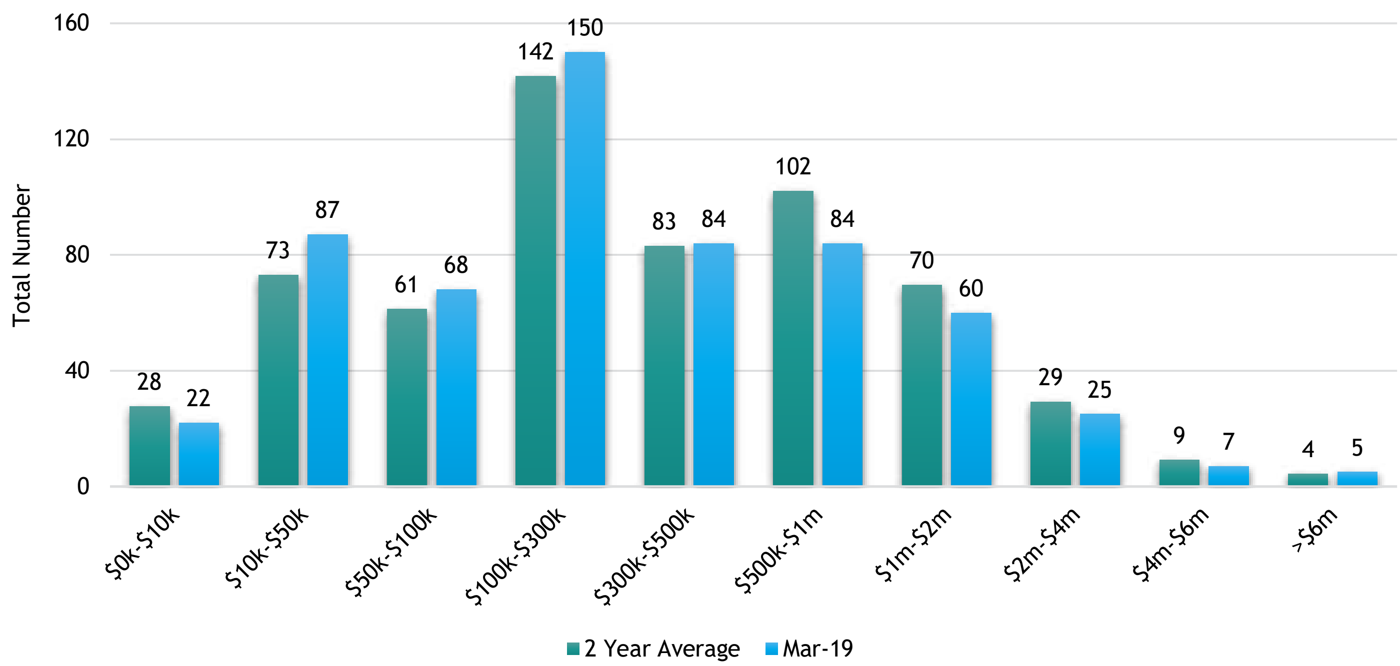
Despite the fall in exploration expenditure for the March quarter, the industry appears to remain bullish with estimated next quarter outflows increasing marginally from a $2.06 billion outflow projection for the March quarter to $2.07 billion for the June quarter of 2019.

It will be interesting to see if this assumption holds true in our June quarter edition.

EXPLORATION EXPENDITURE ($M)



NUMBER OF COMPANIES BY EXPLORATION EXPENDITURE



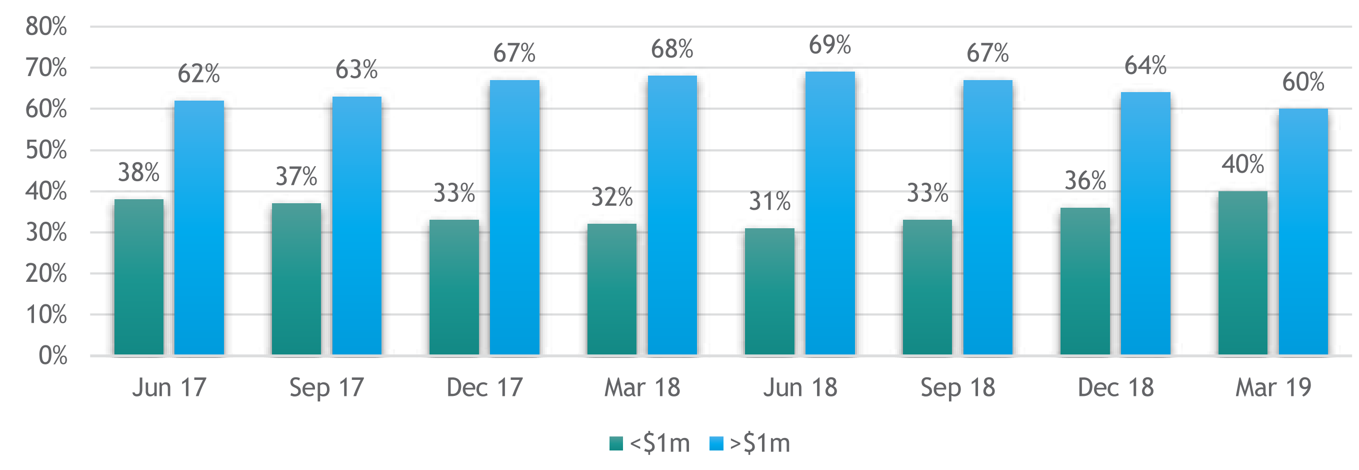
MARCH 2019 QUARTER CASH POSITION

The average cash balance for exploration companies declined from $5.79 million in the December quarter to $5.62 million at the end of the March quarter 2019.

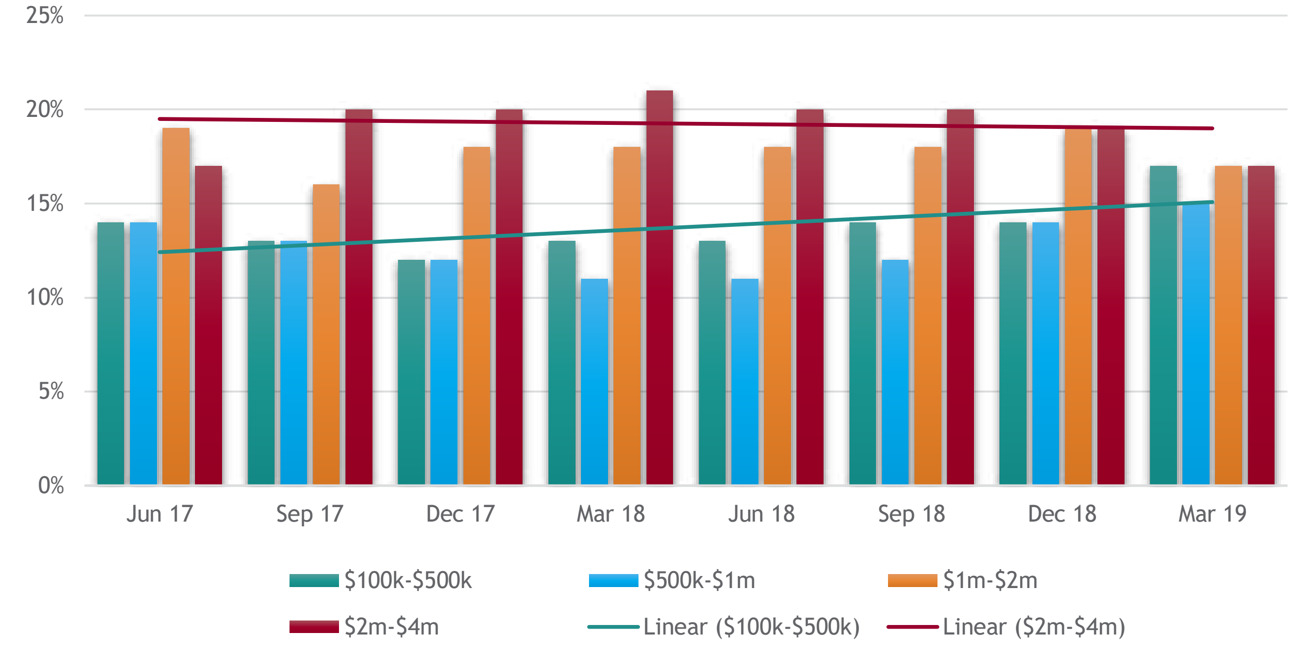
Companies with a cash balance between $100,000 and $4 million accounted for 66% of companies that lodged an Appendix 5B report for the March 2019 quarter, which was the same as the December 2018 quarter.

Between the December and March quarters, the proportion of companies with cash balances greater than $1 million decreased from 64% to 60%. We expect exploration companies to continue to run lean administrative functions going forward, with 40% of companies having less than $1 million in cash. This may provide the catalyst for future merger and acquisition activity with exploration companies seeking consolidation to achieve economies of scale and spread administration costs across a more diverse asset base.

ASX EXPLORERS' CASH BALANCE (%)



ASX EXPLORERS' CASH BALANCE (%)



BDO INSIGHT

The March quarter in 2019 witnessed a continuation of tougher market conditions for ASX-listed exploration companies. It is encouraging that the March quarter broke the downward trend for total financing inflows that had occurred since the June quarter of 2018. The three quarters to June 2018 appear to have been a golden period for exploration companies when most raised sufficient funds to see them through the next few years.

The 19% increase by the S&P/ASX 200 Resources Index in the March quarter was a positive sign for the Australian resources sector, as was the raft of major announcements in the lithium sector, highlighted by Wesfarmers' proposal to acquire Kidman Resources.

While some analysts are saying that IPOs are dying in WA, our pipeline of upcoming IPOs certainly suggests otherwise. We expect a strong resurgence in IPOs generally in the second half of 2019 including in the exploration sector.

There is no doubt that junior explorers in general are finding cash hard to come by and as a consequence are reducing exploration and administration spend. This does not mean that exploration has reduced. In fact the level of exploration occurring actually appears to be healthy. Rather than greenfields exploration, it appears to be more directed to brownfields. Relevantly for exploration companies exploration is increasingly being funded by larger mining companies through farm-in or other equity arrangements.

We are seeing exploration companies now being carried through to feasibility or even to production. In this way the expertise of exploration companies is continuing to be used but being funded by larger companies who recognise that they need to replenish their assets and that exploration is not their strength.

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*Statistics as of 31 December 2018

1,500 OFFICES WORLDWIDE

73,854 PEOPLE

US**$8.1**b TOTAL REVENUES

162 TERRITORIES

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