EXPLORER QUARTERLY CASH UPDATE

QUARTER ENDED 31 MARCH 2018

BDO

RESEARCH INTO THE FINANCIAL HEALTH OF AUSTRALIAN-LISTED EXPLORERS

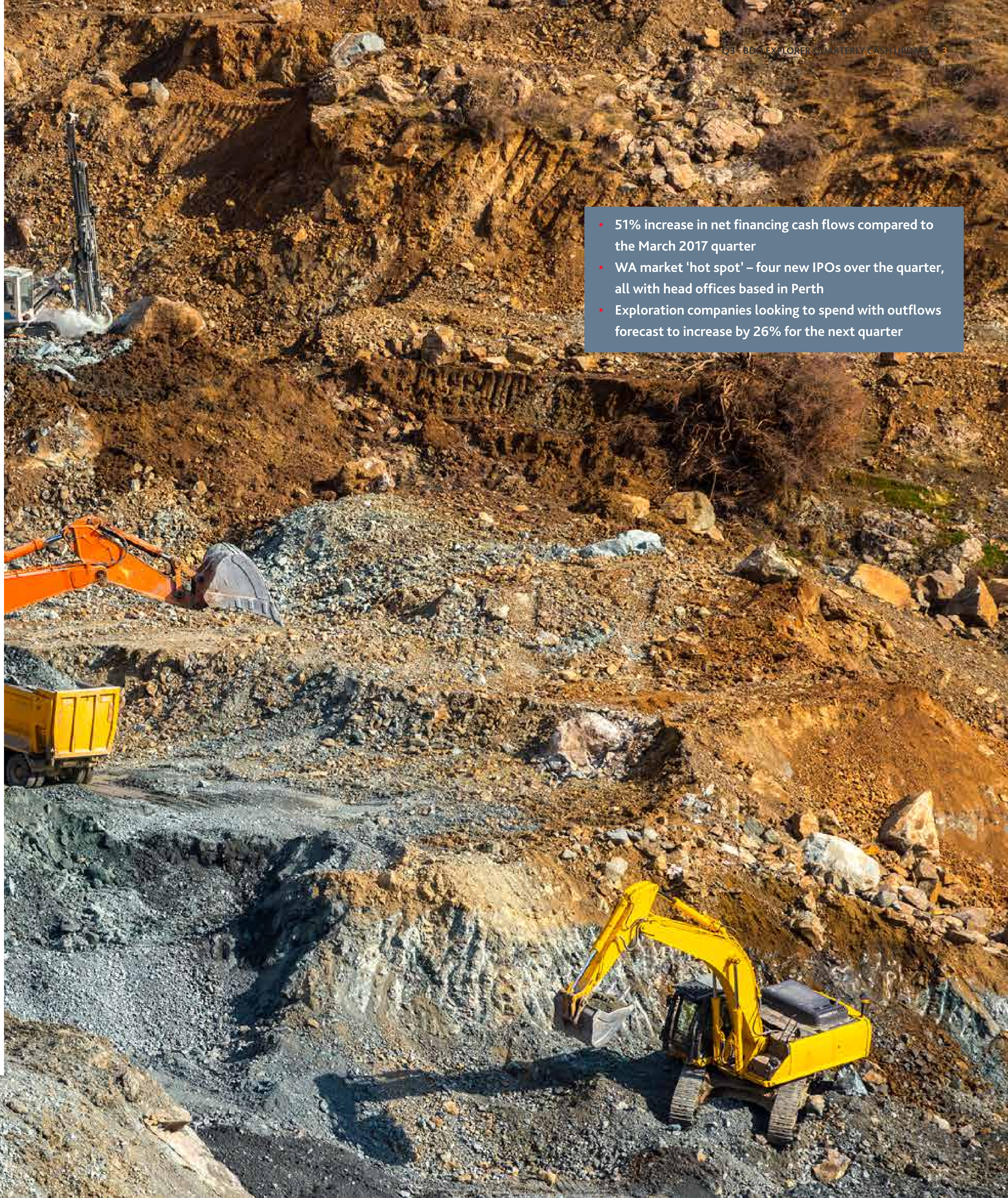
BDO's report on the cash position of Australian-listed explorers for the March 2018 quarter (based on quarterly Appendix 5B reports lodged with the ASX) confirms that the resources sector is continuing its journey to a more settled and sustainable path with positive sentiment remaining strong across the industry.

Despite a 13% decrease in total exploration expenditure for the quarter, it is clear that investor appetite for explorers with sound fundamentals and reasonable valuation levels remains robust. This is evidenced by a 51% increase in net financing cash flows compared to the March 2017 quarter. Topping the list of explorers recording financing cash inflows greater than $10 million were companies with lithium assets, indicating that both debt and equity investors are confident in the growth prospects of the commodity. This is in line with demand for battery applications which is expected to be the driving force behind growth within the lithium industry going forward, led by the development of electric vehicles and underpinned by the use of portable electronics. We have also seen an increase in the appetite for other commodities with battery applications such as graphite and cobalt, which we expect to continue over the coming quarters.

As mentioned in BDO's Explorers Quarterly Cash Update for the quarter ended 31 December 2017, productivity gains still remain a key focus for many explorers. For the March 2018 quarter, we saw an increase in net investing cash outflows of 210% compared to the March 2017 quarter. Further, the proportion of explorers with a net investment in capital expenditure has increased over the same period, from 52% for the March 2017 quarter to 55% for the March 2018 quarter. This is a strong indicator that exploration companies continue to take advantage of opportunities to strengthen or expand the scale of operations rather than purely focussing on exploration activities.

The average cash balance for exploration companies decreased marginally by 4% from the December 2017 quarter, however cash outflows for the next quarter are projected to increase by 26% to $2.7 billion, further reinforcing the buoyancy surrounding the resources industry. Furthermore, with the implementation of the Federal Government's Junior Minerals Exploration Incentive ('JMEI') and the oversubscription of its second round, we expect to see an increase in exploration companies raising funds to increase exploration expenditure for their greenfield projects over the coming quarters.

Overall, a decrease in exploration expenditure and an expected 26% increase in cash outflows for the next quarter suggests explorers may be cautious as to how their newfound cash is spent. We consider this to be reflective of an 'at the right time, for the right purpose' mentality, as exploration companies plan how to best allocate their resources in order to take advantage of the current positive sentiment fuelling the industry. It also is an indication that after a few lean years, companies may have learned the lessons of yesteryear and are only looking to spend in the right area.

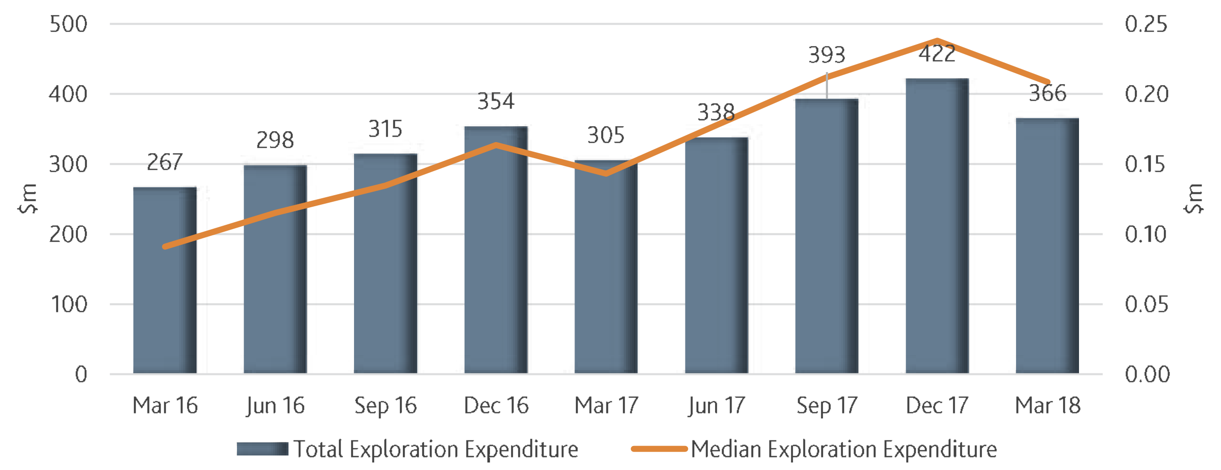


- 51% increase in net financing cash flows compared to the March 2017 quarter
- WA market 'hot spot' – four new IPOs over the quarter, all with head offices based in Perth
- Exploration companies looking to spend with outflows forecast to increase by 26% for the next quarter

EXPLORATION EXPENDITURE

Total exploration expenditure decreased by 13% for the quarter, from $422 million for the December 2017 quarter to $367 million for the March 2018 quarter. This decline is exaggerated by the significant spike in exploration expenditure in the December 2017 quarter with exploration expenditure exceeding $400 million for the first time since March 2015. It is also not uncommon for exploration expenditure to decrease from the December to the March quarter, with the March 2017 quarter exhibiting a decrease of approximately 14% compared to the December 2016 quarter. Despite this decrease, exploration expenditure exhibited increases of 11%, 16% and 7% over the June 2017, September 2017 and December 2017 quarters, respectively. Therefore, we remain confident that 2018 will continue to be a great year for exploration companies.

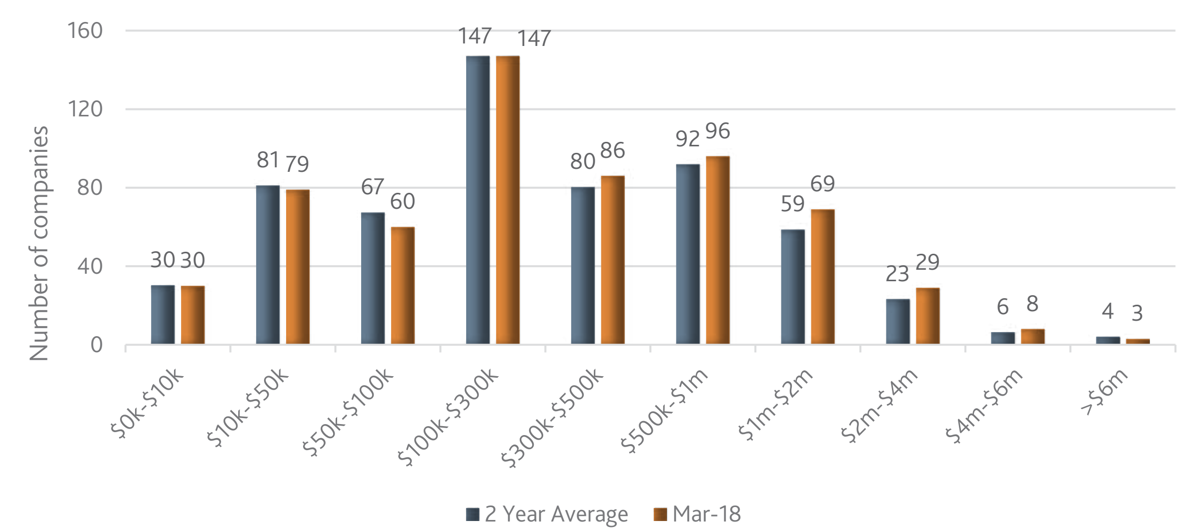
EXPLORATION EXPENDITURE ($M)



As shown below, there has been a general upward trend in the levels of exploration expenditure, with exploration expenditure equal to or exceeding the two-year average in all threshold levels above $300k other than greater than $6 million.

We expect to see an increase in exploration expenditure over the coming quarters as junior explorers begin to take advantage of the JMEI. The JMEI allows mineral exploration companies with no mining income to pass their tax losses through to eligible investors who take up shares that are issued through a capital raise. The funds raised must be spent on Greenfields mineral exploration in Australia. Forty-six companies have secured funds through the JMEI in its second round, with the funds becoming available in the 2019 financial year.
For further information on the JMEI please refer to BDO's paper (https://www.bdo.com.au/en-au/insights/tax/tax-industry/junior-minerals-exploration-incentive).

NUMBER OF COMPANIES BY EXPLORATION EXPENDITURE



NET FINANCING CASH FLOWS

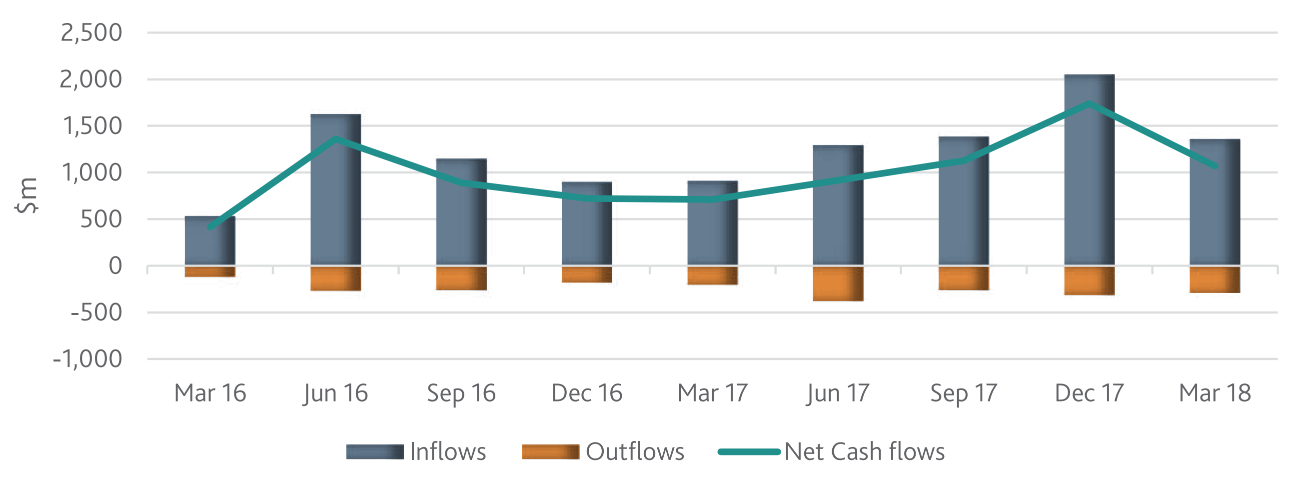
Net financing cash flows decreased by 39% from the December 2017 quarter to the March 2018 quarter, following increases of 54% and 23% from the preceding two quarters. However, compared to the March 2017 quarter, net financing cash flows has increased by 51%. This is illustrative of the increased ability of explorers to secure debt and equity funding over the last year, suggesting that investor appetite for explorers with sound fundamentals and reasonable valuation levels remains strong.

Over the March 2018 quarter, approximately 39% of companies that lodged an Appendix 5B Report reported nil financing cash flows. During the March 2018 quarter, there were 155 companies that reported net financing cash inflows over $1 million. This represents an increase of 41 companies compared to the March 2017 quarter.

The above graph illustrates that financing cash inflows are healthy when compared to the previous March quarters, despite being lower than the lofty financing levels set in the December 2017 quarter. The current March quarter reached $1.34 billion, compared to $913 million and $535 million for the March 2017 quarter and March 2016 quarter, respectively.

Uranium producer and exploration company, Paladin Energy Ltd ('Paladin') recorded the highest cash financing inflow amount at $150 million for the quarter.

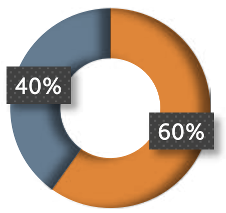
FINANCING CASH FLOWS ($M)



FUND FINDERS

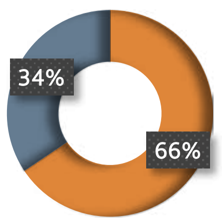
For the quarter ended 31 March 2018, there were 21 exploration companies that raised in excess of $10 million accounting for $0.81 billion or 60% of the total financing inflows for the quarter. Two companies that lodged Appendix 5Bs over the quarter had financing inflows that exceeded $100 million for the March 2018 quarter; Paladin and Pilbara Minerals Limited ('Pilbara Minerals'). Paladin secured approximately $150 million in debt financing for the operation of its Langer Heinrich Mine in Namibia and also repaid approximately $80 million of its borrowings. Pilbara Minerals generated net cash from financing activities of $143 million to fully develop its 100% owned Pilgangoora Lithium-Tantalum Project situated 120km from Port Hedland. This amount comprised proceeds from issues of shares, proceeds from the exercise of share options and funds drawn down from an escrow account associated with a senior secured bond facility, net of transaction costs.

FINANCING INFLOWS MARCH 2018 QUARTER



Compaines to raise >$10m Companies to raise <$10m

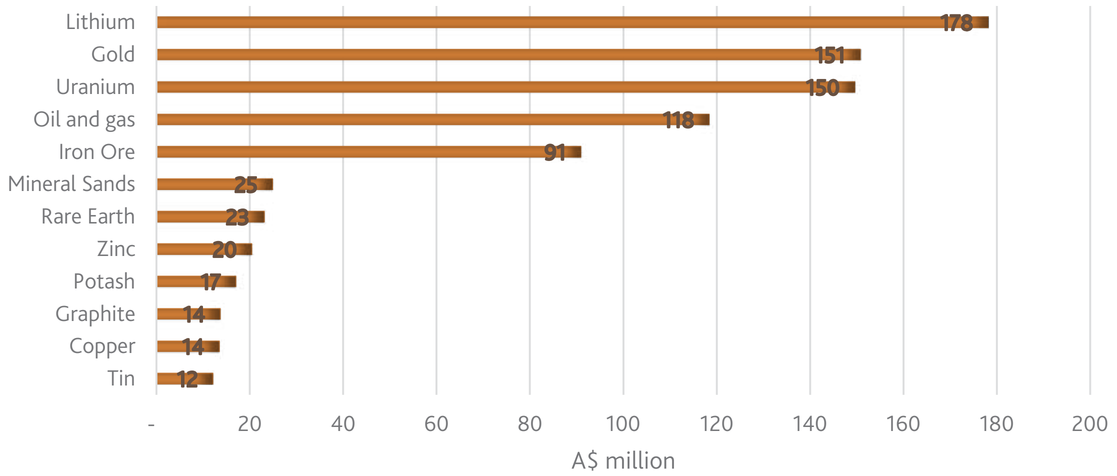
FINANCING INFLOWS DECEMBER 2017 QUARTER

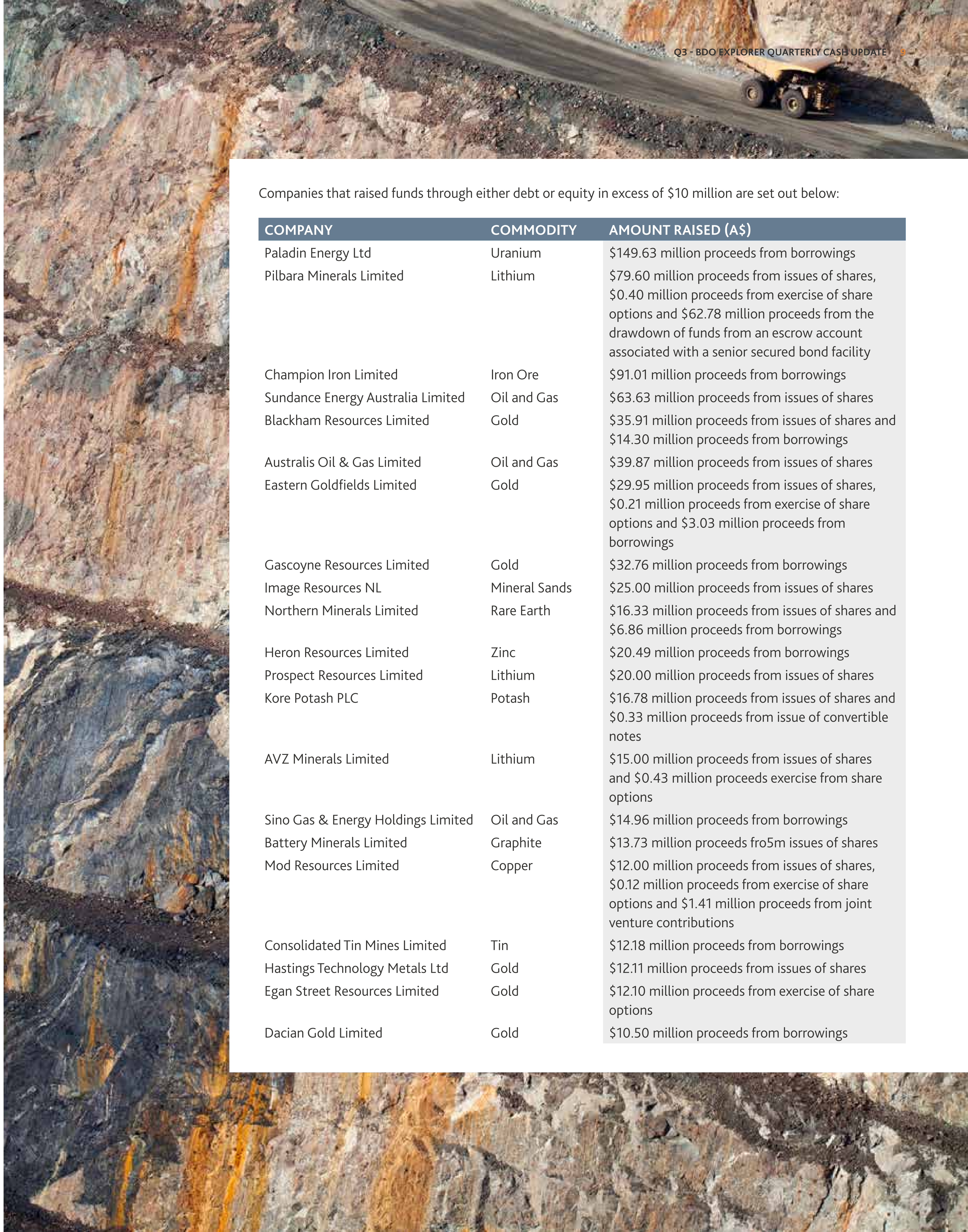


Companies to raise >$10m Companies to raise <$10m

When considering explorers with financing inflows greater than $10 million for the March 2018 quarter, lithium, gold and uranium explorers accounted for 60% of total financing inflows. This included three lithium companies that raised a combined $178 million, six gold companies that raised a combined $151 million and one uranium company that drew down on its debt facility for approximately $150 million.

FINANCING INFLOW BY COMMODITY





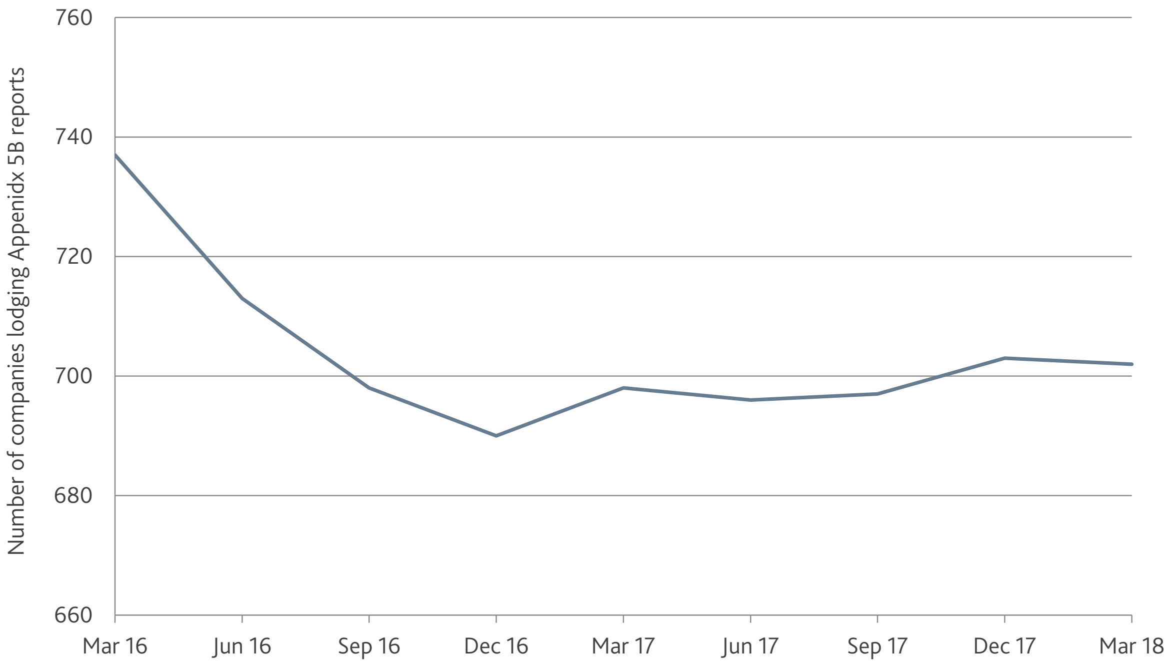
Companies that raised funds through either debt or equity in excess of $10 million are set out below:

COMPANY	COMMODITY	AMOUNT RAISED (A$)
Paladin Energy Ltd	Uranium	$149.63 million proceeds from borrowings
Pilbara Minerals Limited	Lithium	$79.60 million proceeds from issues of shares, $0.40 million proceeds from exercise of share options and $62.78 million proceeds from the drawdown of funds from an escrow account associated with a senior secured bond facility
Champion Iron Limited	Iron Ore	$91.01 million proceeds from borrowings
Sundance Energy Australia Limited	Oil and Gas	$63.63 million proceeds from issues of shares
Blackham Resources Limited	Gold	$35.91 million proceeds from issues of shares and $14.30 million proceeds from borrowings
Australis Oil & Gas Limited	Oil and Gas	$39.87 million proceeds from issues of shares
Eastern Goldfields Limited	Gold	$29.95 million proceeds from issues of shares, $0.21 million proceeds from exercise of share options and $3.03 million proceeds from borrowings
Gascoyne Resources Limited	Gold	$32.76 million proceeds from borrowings
Image Resources NL	Mineral Sands	$25.00 million proceeds from issues of shares
Northern Minerals Limited	Rare Earth	$16.33 million proceeds from issues of shares and $6.86 million proceeds from borrowings
Heron Resources Limited	Zinc	$20.49 million proceeds from borrowings
Prospect Resources Limited	Lithium	$20.00 million proceeds from issues of shares
Kore Potash PLC	Potash	$16.78 million proceeds from issues of shares and $0.33 million proceeds from issue of convertible notes
AVZ Minerals Limited	Lithium	$15.00 million proceeds from issues of shares and $0.43 million proceeds exercise from share options
Sino Gas & Energy Holdings Limited	Oil and Gas	$14.96 million proceeds from borrowings
Battery Minerals Limited	Graphite	$13.73 million proceeds fro5m issues of shares
Mod Resources Limited	Copper	$12.00 million proceeds from issues of shares, $0.12 million proceeds from exercise of share options and $1.41 million proceeds from joint venture contributions
Consolidated Tin Mines Limited	Tin	$12.18 million proceeds from borrowings
Hastings Technology Metals Ltd	Gold	$12.11 million proceeds from issues of shares
Egan Street Resources Limited	Gold	$12.10 million proceeds from exercise of share options
Dacian Gold Limited	Gold	$10.50 million proceeds from borrowings

NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS

MARCH 2016 – MARCH 2018

For the quarter ended 31 March 2018, 702 companies lodged an Appendix 5B report, a decrease of one from the 703 during the previous quarter.



The net decrease of one company to lodge an Appendix 5B from the December 2017 quarter to the March 2018 quarter was primarily a result of the following:

• Three companies that were delisted over the March 2018 quarter pursuant to ASX Listing Rules Chapter 17
• Three companies that were used as listing vehicles for reverse takeovers over the March 2018 quarter, in which one transitioned from an exploration company to a formwork and construction company, one to a tyre processing company, and the other to a gaming company
• Three companies that did not lodge an Appendix 5B for the March 2018 quarter but lodged for the December 2017 quarter, and
• One company that transitioned to production during the quarter and therefore did not submit an Appendix 5B for the March 2018 quarter.

This decrease in the number of companies lodging an Appendix 5B over the quarter was partially offset by:
• Four companies that conducted IPOs and became newly listed exploration companies over the March 2018 quarter
• Three companies that did not lodge an Appendix 5B for the December 2017 quarter however subsequently lodged an Appendix 5B for the March 2018 quarter, and
• Two companies that were suspended during the December 2017 quarter however subsequently reinstated during the March 2018 quarter and therefore lodged Appendix 5Bs for this period.

As set out below, the four IPOs over the March 2018 quarter included Eagle Mountain Mining Limited which raised $8 million over the quarter.

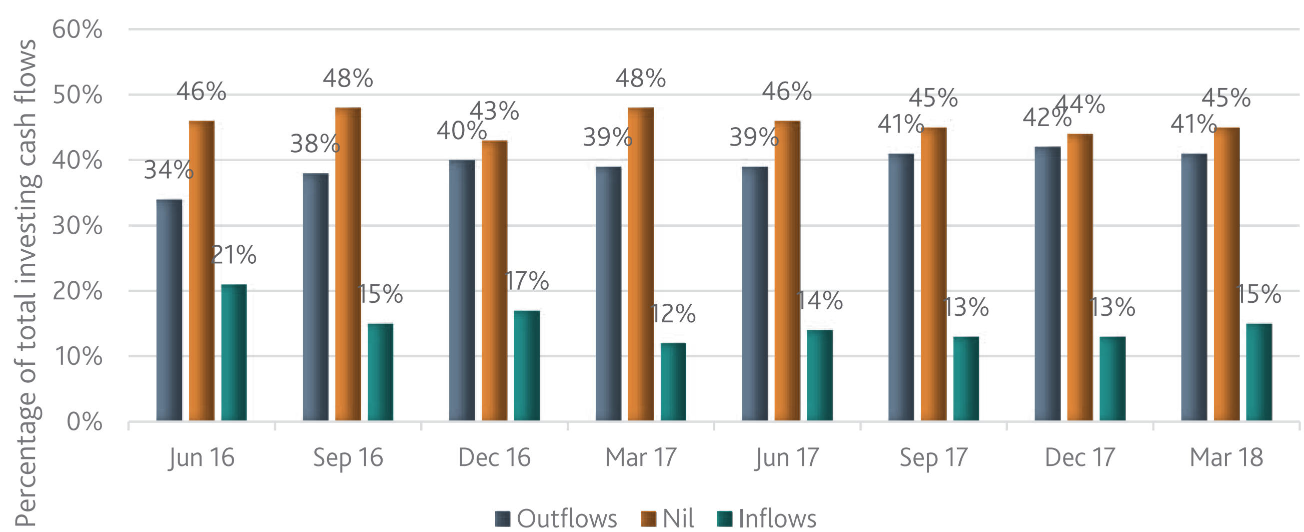
COMPANY	COMMODITY	AMOUNT RAISED (A$)
Eagle Mountain Mining Limited	Copper	8,004,500
Saturn Metals Limited	Gold	7,000,000
Podium Minerals Limited	Platinum Group Metals	5,501,600
Tao Commodities Limited	Zinc	4,750,000

NET INVESTING CASH FLOWS

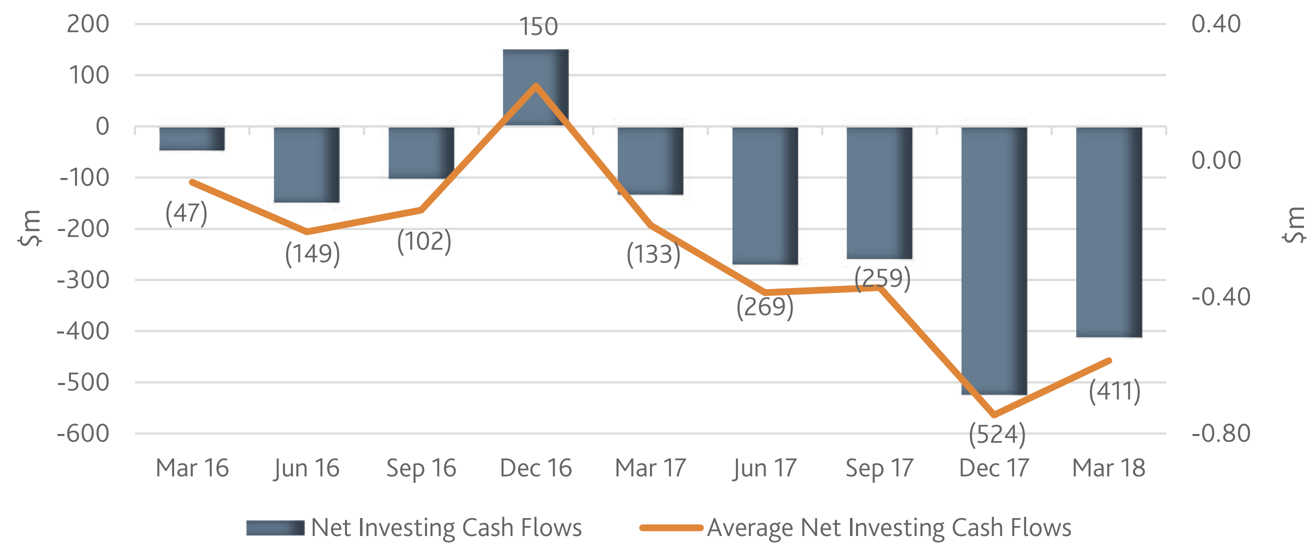
Net investing cash outflows has increased by 210% compared to the March 2017 quarter, increasing from $133 million to $411 million. Pilbara Minerals had the greatest net investing cash outflow for the period, recording $74 million associated with the development of its Pilgangoora Lithium-Tantalum Project.

Compared to the March 2017 quarter, the proportion of explorers with a net investment in capital expenditure has increased from 40% to 42% for the March 2018 quarter. This illustrates that exploration companies continue to pursue investment opportunities to strengthen or expand the scale of operations, rather than focussing purely on exploration activities.

INVESTING CASH FLOWS (%)



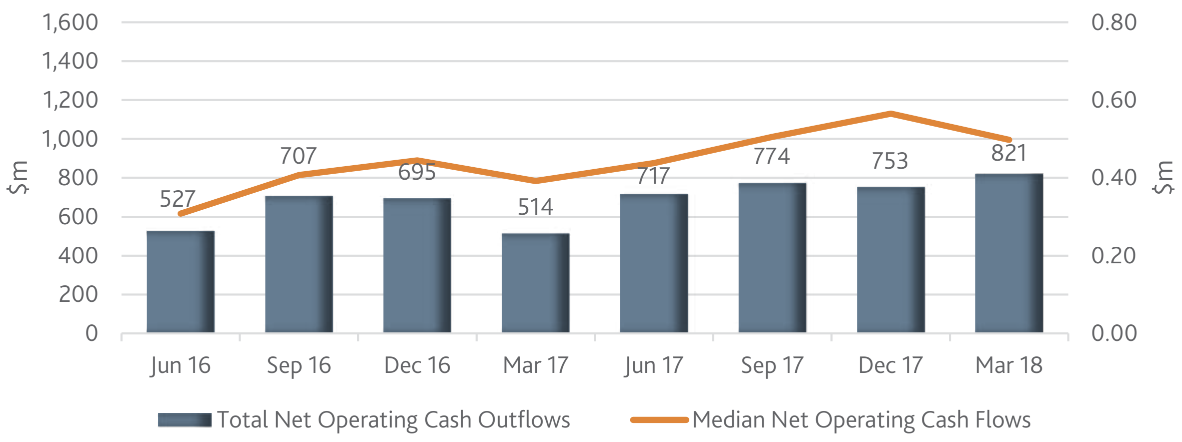
NET INVESTING CASH FLOWS ($M)



NET OPERATING CASH FLOWS

Total net operating cash outflows increased from $753 million for the December 2017 quarter to $821 million for the March 2018 quarter, representing an increase of 9%. The median net operating cash outflow decreased from $0.57 million for the December 2017 quarter to $0.50 million for the March 2018 quarter.

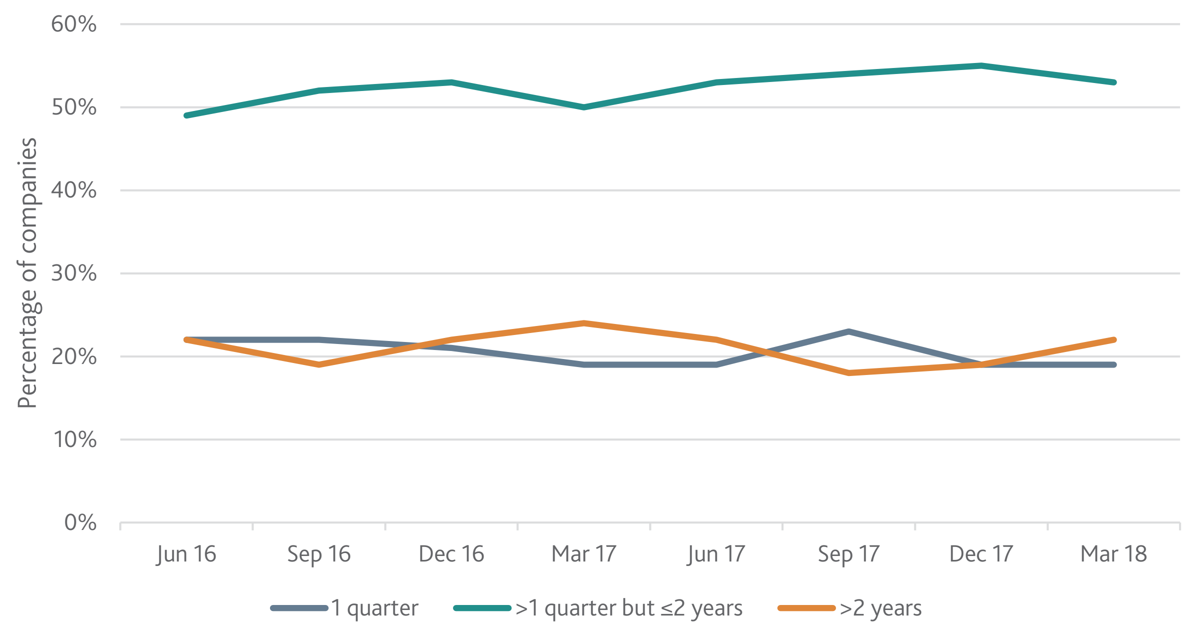
NET OPERATING CASH OUTFLOWS ($M)



Based on current operating expenditure, the proportion of companies that will burn through their cash reserves in one year or less decreased marginally from 55% in the December 2017 quarter to 54% in the March 2018 quarter. Whilst this was not a major decrease, it follows the decreasing trend since the September 2017 quarter, suggesting that exploration companies continue to hold a cash buffer and are in a solid position to spend in coming quarters.

In addition to the above, there was also an increase in the proportion of companies with two or more years of cash reserves to sustain operating expenditure, from 38% for the December 2017 quarter to 41% for the March 2018 quarter.

OPERATING EXPENSES - CASH BURN RATE

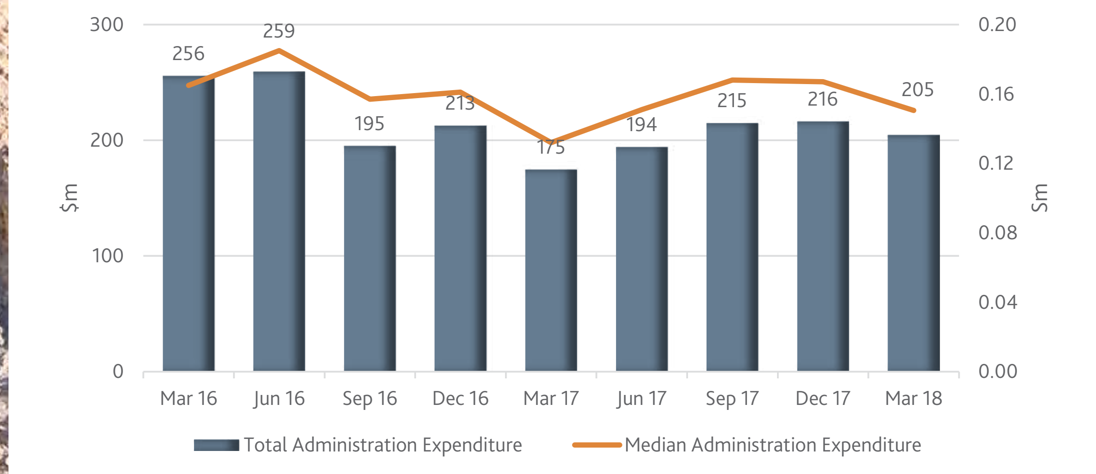


ADMINISTRATION EXPENDITURE

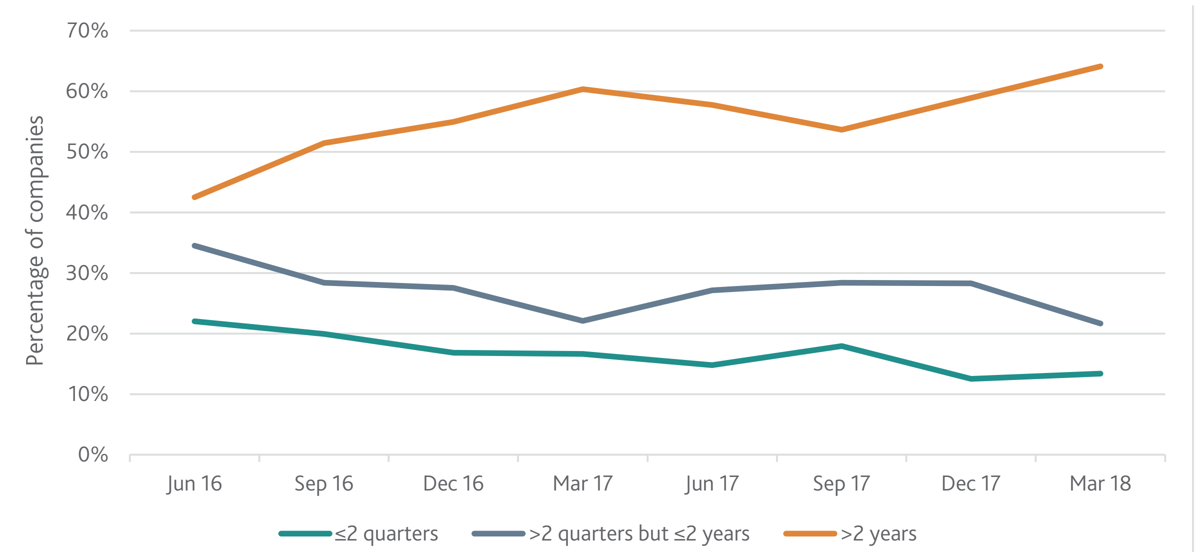
Total administration expenditure decreased from $216 million for the December 2017 quarter to $205 million for the March 2018 quarter, representing a decrease of 5%. In line with exploration expenditure, median administration expenditure also decreased from $0.17 million for the December 2017 quarter to $0.15 million for the March 2018 quarter.

Based on administration expenses for the March 2018 quarter, the proportion of companies with cash sufficient to sustain these expenses for greater than two years increased from 59% for the December 2017 quarter to 64% for the March 2018 quarter. The proportion of companies with equal to or less than two quarters of cash to sustain current administration expenses was maintained at 13% compared to the December 2017 quarter.

ADMINISTRATION EXPENDITURE ($M)



ADMINISTRATION EXPENDITURE - CASH BURN RATE

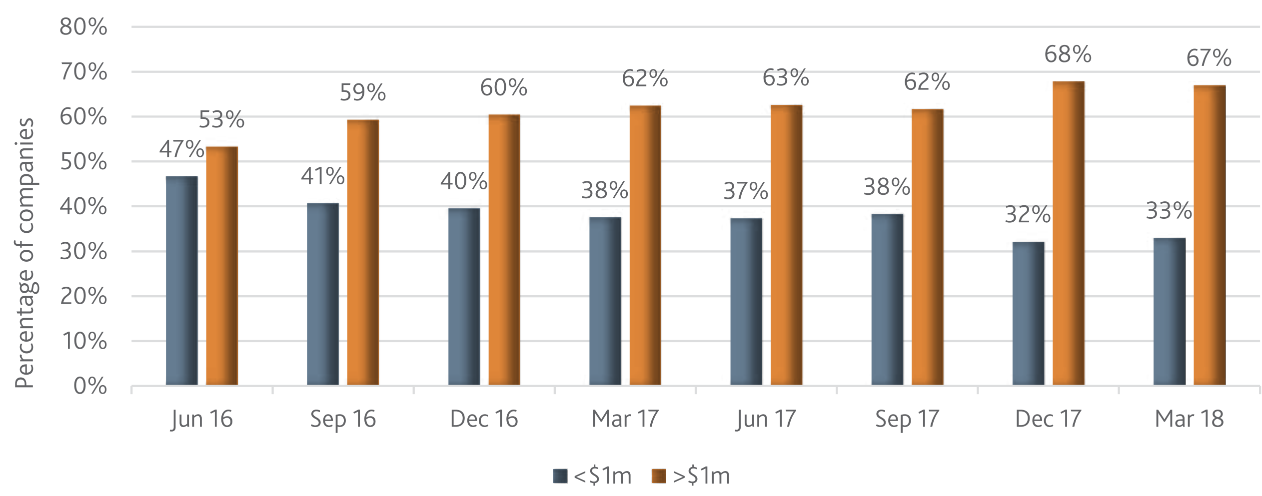


MARCH 2018 QUARTER CASH POSITION

The average cash balance for exploration companies decreased from $6.47 million for the December 2017 quarter to $6.22 million for the March 2018 quarter. However, compared to the March 2017 quarter, the average cash balance has increased by 5%.

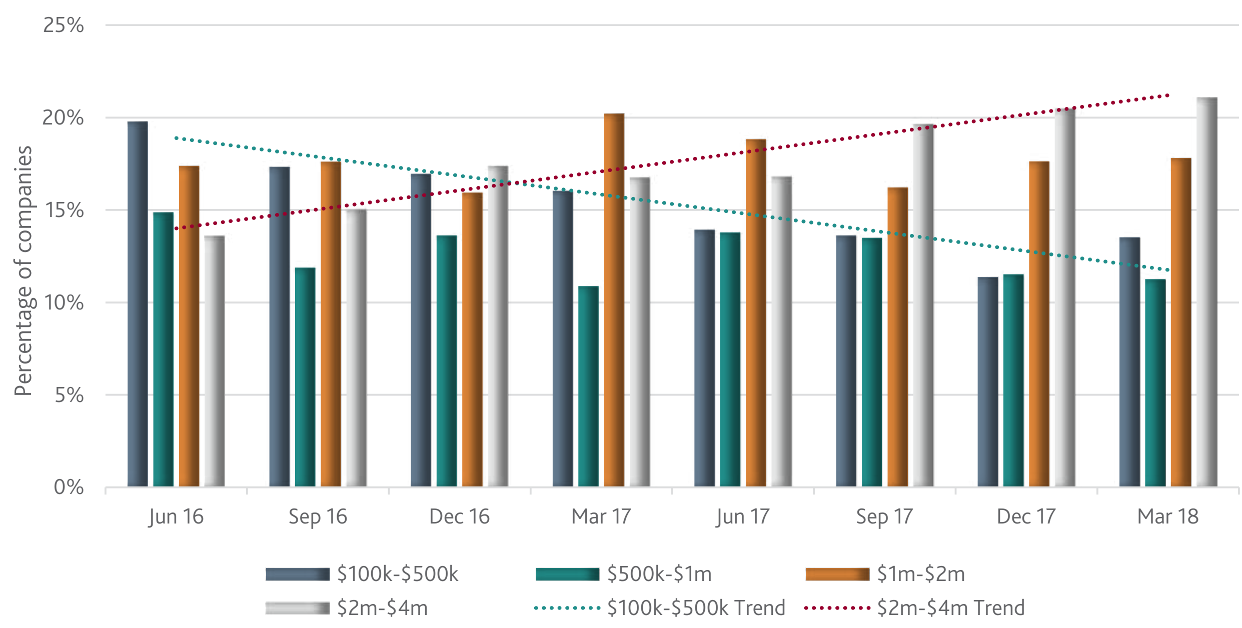
As depicted below, the proportion of companies with cash balances greater than $1 million was broadly consistent between the March 2018 quarter and December 2017 quarter, but as highlighted in previous editions, there is certainly an increasing trend.

CASH BALANCE



Companies with a cash balance between $100k and $4 million account for 64% of companies lodging an Appendix 5B for the March 2018 quarter. The last quarter has seen an increase in the proportion of companies with a cash balance between $100k and $500k by 3% from 11% in the December 2017 quarter to 14% in the March 2018 quarter. The proportion of companies between $500k and $1 million decreased marginally, from 12% for the December 2017 quarter to 11% for the March 2018 quarter. There was also an increase in the proportion of companies with a cash balance between $2 million and $4 million, from 20% for the December 2017 quarter to 21% for the March 2018 quarter.

CASH BALANCE



INSIGHT

The March 2018 quarter saw the strength of exploration companies continue to improve. Many companies managed to raise funds in the previous quarter and this trend continued in the March 2018 quarter. With the assurance of increased available funds and the knowledge that further funds are also available, exploration companies have increased exploration spend further. This is welcome as shareholders invest in exploration companies so that they can spend their money on exploration in order to make company building and value enhancing discoveries.

This increase in expenditure is also a feature of larger producing companies particularly those in the gold sector who have large cash balances and need to replenish depleting resources. As a consequence we are starting to see drilling rigs becoming in short supply and rates for drilling and other support services increasing. In the recovery so far we have seen exploration companies using their cash wisely and being able to take advantage of more competitive pricing to ensure that their funds last longer. Increasing cost pressures may make this more difficult going forwards.

As values of exploration companies increase we are likely to see an increase in M&A activity as companies consolidate to enable projects to be funded and delivered or explorers being acquired by larger companies who see their portfolio as an attractive and lower cost alternative to exploring themselves.

During the March 2018 quarter we saw lithium companies able to raise substantial funds. Since the end of the quarter we have seen interest in battery minerals in general falter. It will be interesting to see over the coming quarters whether this is just a temporary blip or a structural change.

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*Statistics as of 30 September 2017

1,500 OFFICES WORLDWIDE

73,854 PEOPLE

US$8.1b TOTAL REVENUES

162 TERRITORIES

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