EXPLORER QUARTERLY CASH UPDATE

QUARTER ENDED SEPTEMBER 2017

BDO

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QUARTER ENDED 30 SEPTEMBER 2017

RESEARCH INTO THE FINANCIAL HEALTH OF ASX-LISTED EXPLORERS

- EXPLORATION EXPENDITURE INCREASES BY 16% - THE LARGEST INCREASE FOR A SINGLE QUARTER SINCE 2014
- FINANCING CASH INFLOWS INCREASE FOR THIRD CONSECUTIVE QUARTER
- NINE EXPLORATION COMPANY IPOs FOR THE QUARTER

BDO's report on the cash position of ASX listed explorers for the September 2017 quarter (based on quarterly Appendix 5B reports lodged with the ASX) reaffirms the growing positive market sentiment towards the resources sector that was identified last quarter and speculation that the industry is primed for further growth in the coming periods. This was characterised by sustained increases in exploration expenditure and financing cash flows, in addition to nine new exploration companies conducting Initial Public Offerings ('**IPOs**') during the quarter.

Exploration expenditure increased for the second consecutive quarter from $338 million in the June 2017 quarter to $393 million in the September 2017 quarter. This represents an increase of more than 16%, which is the largest increase exhibited during a single quarter since 2014.

Financing cash inflows increased by 7% during the quarter to reach $1.39 billion. This suggests that the increased investor appetite for exploration companies exhibited last quarter may be sustained going forward and was not the result of a short-lived trend in the market.

The number of ASX listed exploration companies to lodge Appendix 5Bs increased for only the second time since the September quarter of 2013. This endorses our theory from previous reports that the number of exploration companies exiting the market is plateauing and that the resources sector is entering an upward trajectory.

This positive outlook is further supported by the 38% increase in the estimated next quarter cash outflows from the June 2017 quarter to the September 2017 quarter, which demonstrates the optimism that explores have for their future prospects. This contrasts significantly from the 9% decline for the same period last year, in which total estimated cash flows for the December 2016 quarter were almost half of the estimate for the December 2017 quarter.

EXPLORATION EXPENDITURE

Total exploration expenditure increased by 16%, from $338 million for the June 2017 quarter to $392 million for the September 2017 quarter, marking the largest increase in a single quarter since March 2014. Furthermore, the median exploration expenditure increased by almost 20% from $0.18 million for the June 2017 quarter to $0.21 million for the September 2017 quarter. This indicates that the growth in exploration expenditure has been across the market and is not being artificially inflated by significant exploration expenditure at the higher end of the market. The median exploration expenditure of $0.21 million for the September 2017 quarter is the highest since the June 2014 quarter and reaffirms the notion that the dormant exploration companies have either increased their exploration spend or exited the market.

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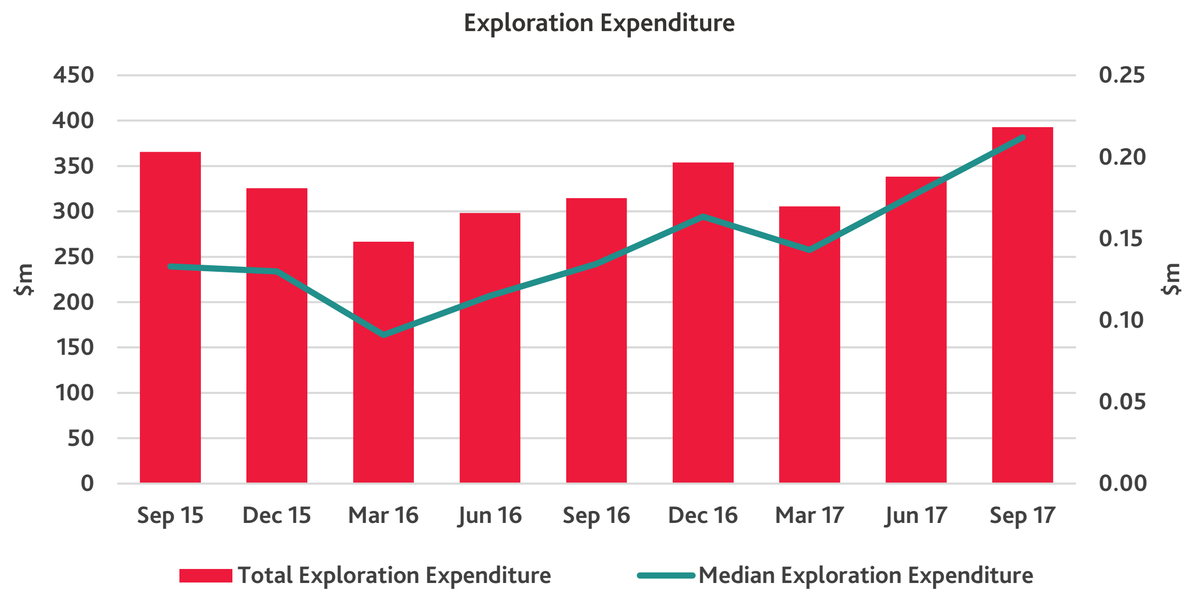
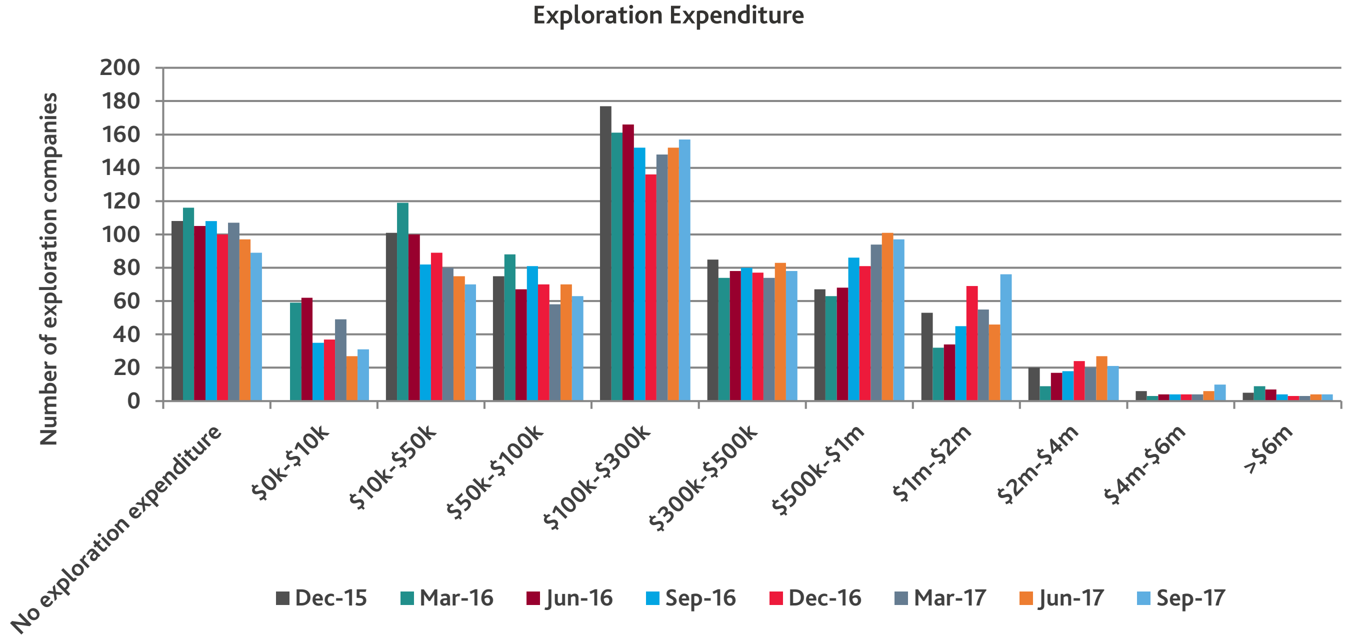
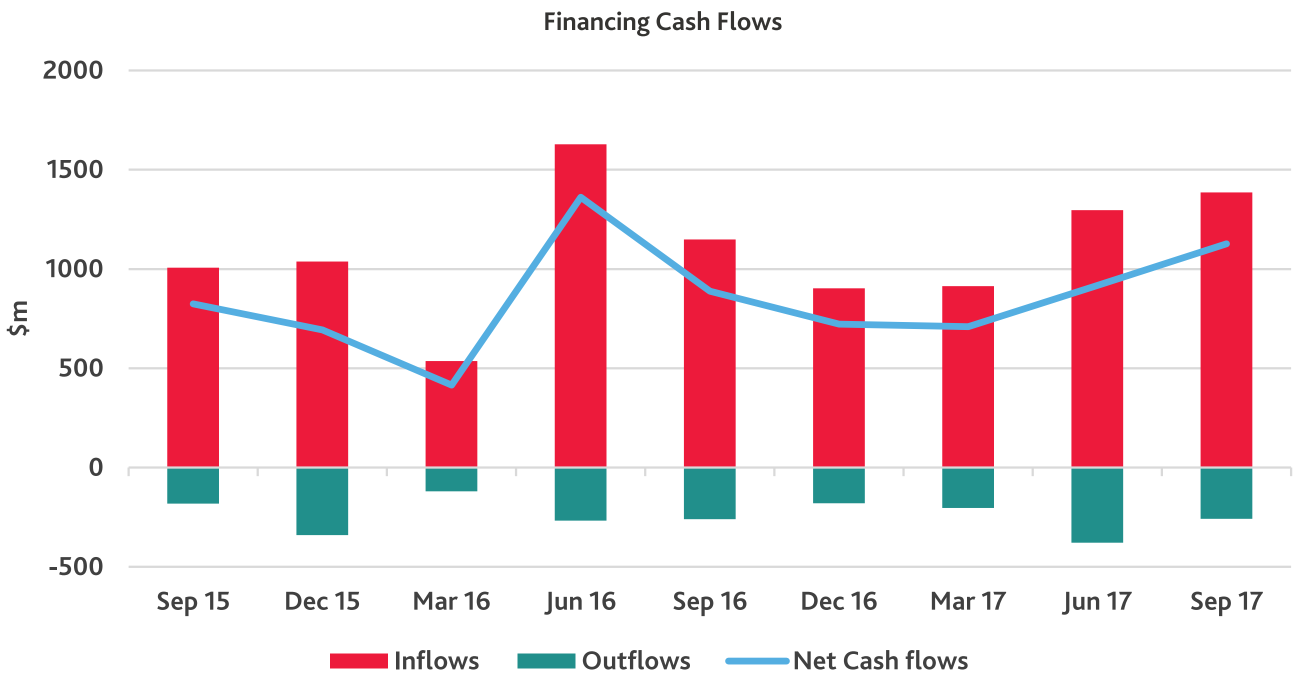


In line with previous quarters, exploration expenditure of between $0.1 million and $0.3 million was the most common range for the September 2017 quarter. This accounted for approximately 22% of the reporting companies, which is consistent with the June 2017 quarter. At the high end of the market, there was a 4% increase in the proportion of reporting companies that recorded exploration expenditure in excess of $1 million, from 12% for the June 2017 quarter to 16% for the September 2017 quarter. We also note that there has been a declining trend in the percentage of companies with nominal amounts of exploration expenditure i.e. less than $50,000. This further evidences the fact that the inactive exploration companies with less attractive assets are being squeezed from the market.

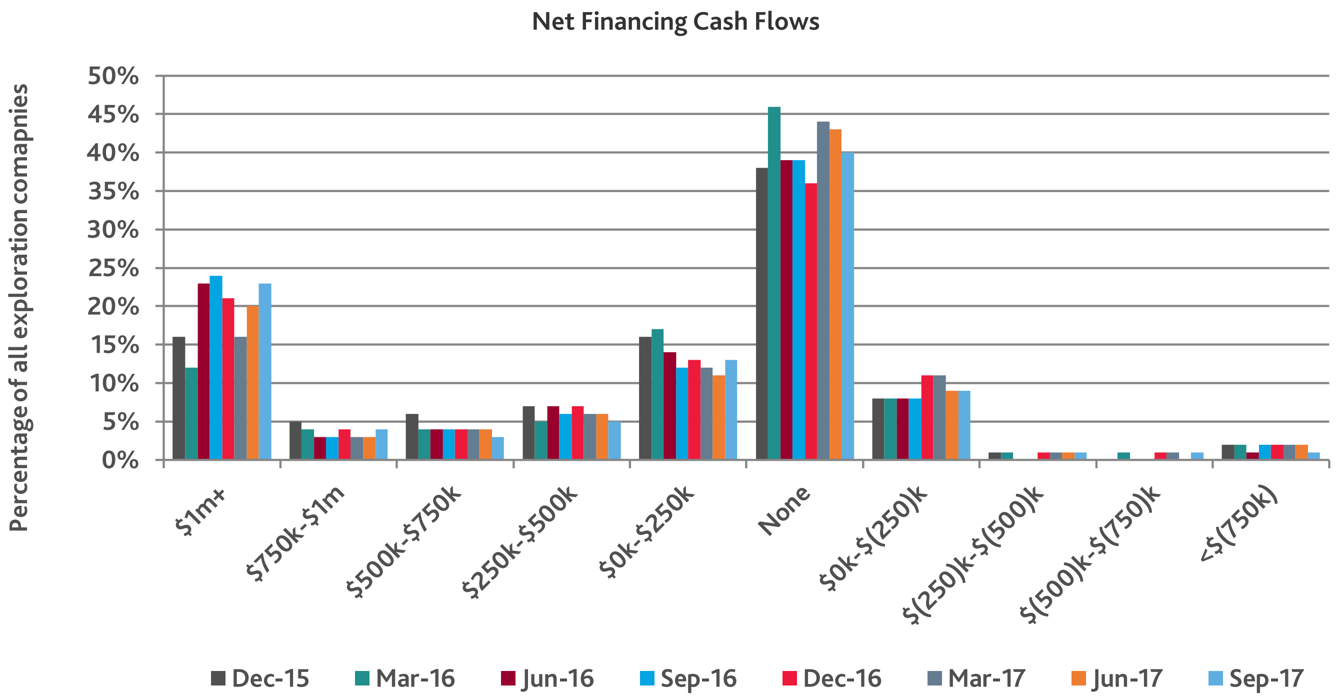


NET FINANCING CASH FLOWS

Financing inflows for the September 2017 quarter totalled $1.39 billion, representing an increase of more than 7% on the previous quarter of $1.30 billion.



The proportion of exploration companies with net financing inflows increased from 45% for the June 2017 quarter to 48% for the September 2017 quarter. Furthermore, there were 282 (40.5%) companies with nil financing cash flows for the quarter, a 2% decrease from the June 2017 quarter.



FUND FINDER

There were 27 exploration companies that raised in excess of $10 million during the September 2017 quarter. Of these, there were seven gold companies, six oil & gas companies and four lithium companies. Heron Resources Limited had the largest financing inflow of approximately $140 million, which was used to fund the development of its Woodlawn Zinc-Copper Project, located in New South Wales, Australia. Heron Resources Limited successfully completed the raising on 7 September 2017, as part of a total funding package of approximately $240 million.

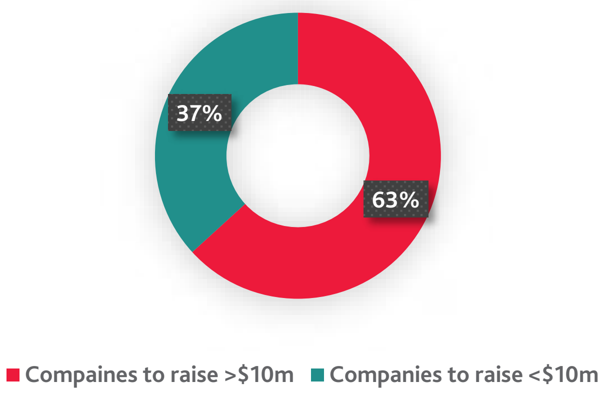
The second largest raising during the quarter was by Altura Mining Limited with approximately $129 million. These funds will be used for the construction and commissioning of its Pilgangoora Lithium Project, situated in Western Australia. Altura Mining Limited announced in its September quarterly activities report that this funding package was the final prerequisite to enable it to finish construction of the mine, and commence production in the first half of 2018.

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

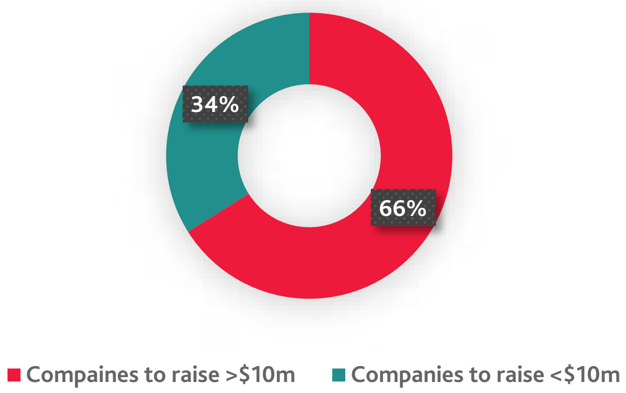
COMPANY	COMMODITY	MECHANISM OF RAISING
Heron Resources Limited	Copper	$140.12 million in proceeds from the issue of shares
Altura Mining Limited	Lithium	$128.62 million from borrowings
Syrah Resources Limited	Graphite	$73.15 million in proceeds from the issue of shares
Metro Mining Limited	Bauxite	$38.00 million in proceeds from the issue of shares and $26.71 million from borrowings
Dacian Gold Limited	Gold	$45.00 million from borrowings and $1.28 million in proceeds from the exercise of options
Sundance Energy Limited	Oil and gas	$38.27 million in advanced revenue
Pilbara Minerals Limited	Lithium	$28.86 million in proceeds from the issue of shares, $2.87 million in other proceeds and $0.05 million in proceeds from the exercise of options
Cudeco Limited	Copper	$31.56 million from borrowings
Elk Petroleum Limited	Oil and gas	$12.42 million from borrowings, $12.19 million in proceeds from the issue of shares and $4.00 million in other proceeds
Byron Energy Limited	Oil and gas	$28.50 million in proceeds from the issue of shares
Central Petroleum Limited	Oil and gas	$27.25 million in proceeds from the issue of shares
West African Resources	Gold	$17.34 million in proceeds from the issue of shares and $5.68 million in proceeds from the exercise of options
Hastings Technology Metals Limited	Rare Earth	$21.28 million in proceeds from the issue of shares
Wolf Minerals Limited	Tungsten	$20.15 million from borrowings
Champion Iron Limited	Iron Ore	$11.27 million from borrowings and $5.28 million in other proceeds
Nusantara Resources Limited	Gold	$16.49 million in proceeds from the issue of shares
Mayur Resources Limited	Mineral Sands	$15.52 million in proceeds from the issue of shares and $0.75 million from borrowings
Amani Gold Limited	Gold	$15.00 million in proceeds from the issue of shares and $0.01 million in proceeds from the exercise of options
AVZ Minerals Limited	Lithium	$13.02 million in proceeds from issue of shares and $1.65 million in proceeds from the exercise of options
Buru Energy Limited	Oil and gas	$13.80 million in proceeds from the issue of shares
Carbon Energy Limited	Coal	$8.30 million in proceeds from issue of convertible notes, $3.85 million in proceeds from the issue of shares and $1.23 million from borrowings
Artemis Resources Limited	Gold	$11.05 million in proceeds from the issue of shares and $1.93 million in proceeds from the exercise of options
Consolidated Tin Mines Limited	Copper	$11.86 million from borrowings
Breaker Resources NL	Gold	$11.37 million in proceeds from the issue of shares
Otto Energy Limited	Oil and gas	$10.46 million in proceeds from the issue of shares
American Pacific Borate and Lithium Limited	Lithium	$10.14 million in proceeds from the issue of shares
Ardea Resource Limited	Gold	$9.76 million in proceeds from the issue of shares, $0.22 million from borrowings and $0.14 million in proceeds from the exercise of share options

In total, the 27 companies to raise in excess of $10 million accounted for $876 million, approximately 63% of the $1.39 billion in total financing inflows. This contrasts to the 66% from last quarter, which illustrates that the increase in financing inflows has been driven by a greater number and value of fund raisings at the mid and low end of the market.

Financing Inflows - September 2017 quarter

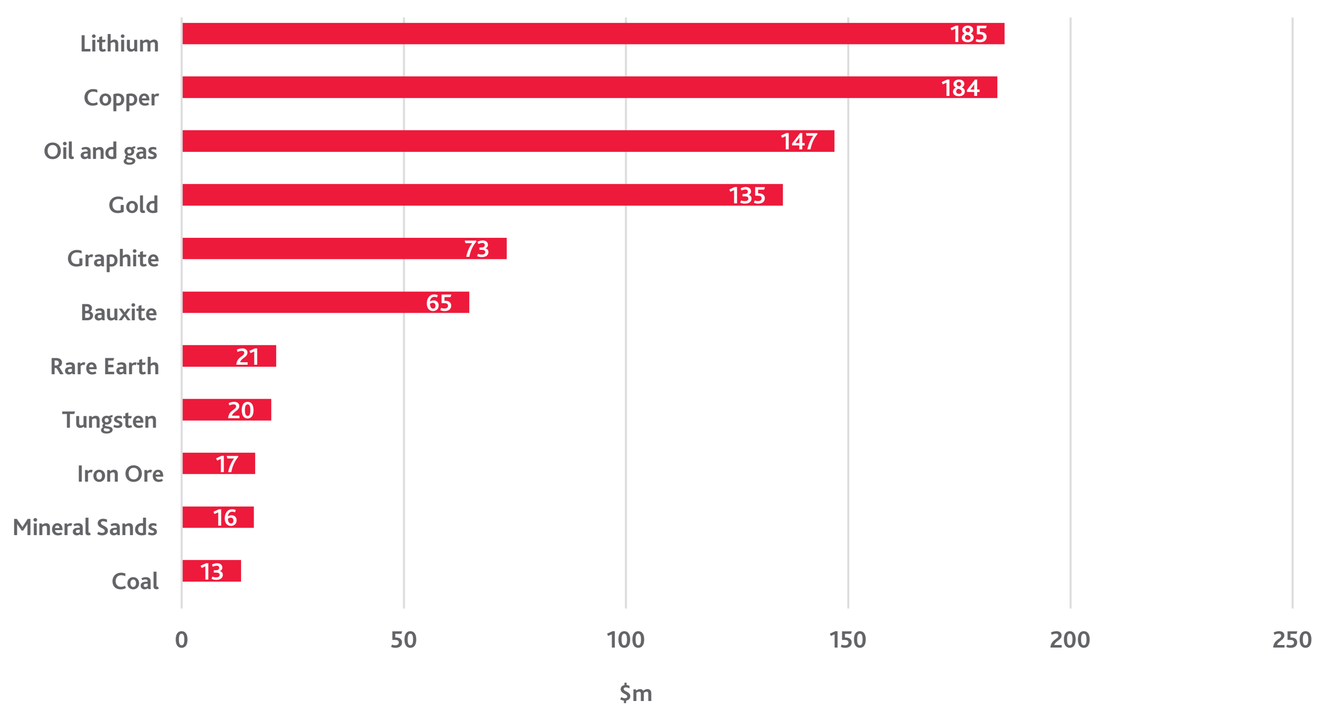


Financing Inflows - June 2017 quarter



Of the $876 million raised by the 27 companies to raise in excess of $10 million, lithium explorers accounted for 21%, followed by copper explorers with 21% and oil & gas explorers with 17%.

Financing Inflow by Commodity



Battery-related commodities have continued to attract investor interest on the back of hype surrounding battery powered vehicles. The Asia Lithium Carbonate price, the bellwether for lithium trades, increased from US$17,000 per tonne at 30 June 2017 to US$20,250 per tonne at 30 September 2017. During the September 2017 quarter, Tesla announced its goal to produce 20,000 Model 3 vehicles per month by the end of the year, a significant increase from its previous plan in the June 2017 quarter of producing 1,500 vehicles for the month of September.

The copper spot price increased by approximately 10% during the quarter, including reaching a high of US$6,904 per tonne on 5 September 2017, its highest level in almost three years. It is anticipated that copper could be a big beneficiary from the growth of electric vehicles and advances in energy storage technology, primarily due to the use of copper wiring in electric vehicle batteries. According to the International Copper Association, copper demand for electric cars is expected to increase nine-fold by 2027.

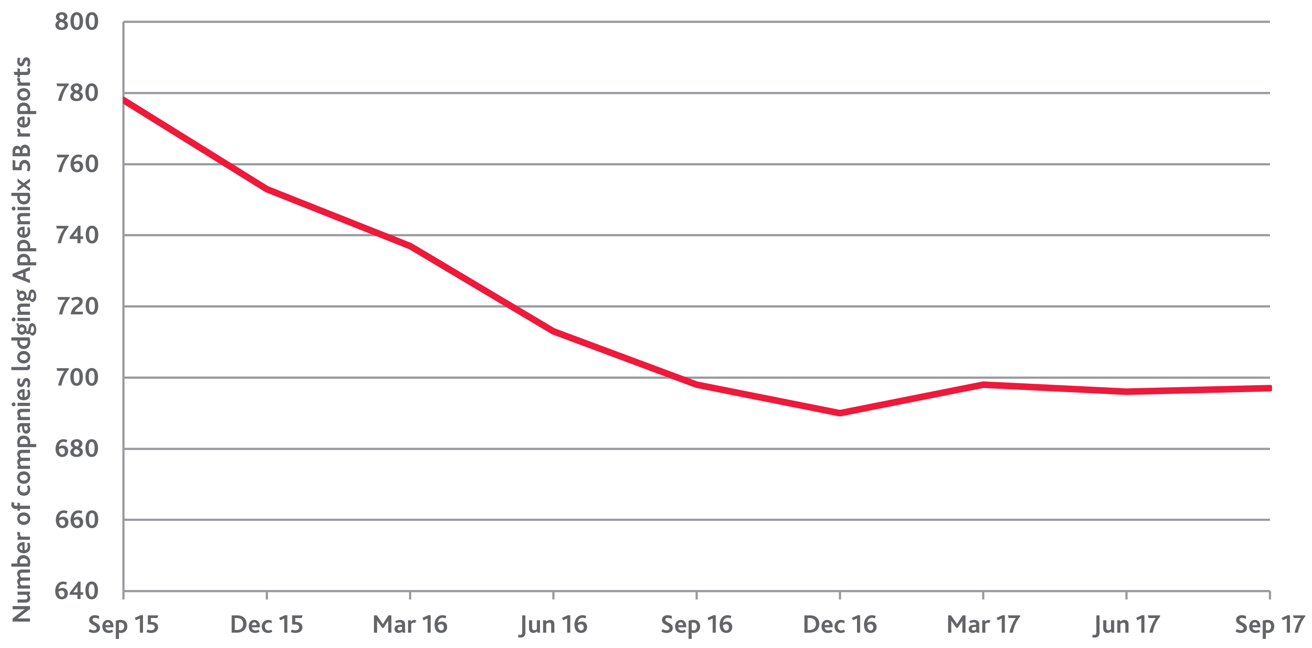
The oil price increased by approximately 12% during the quarter, a favourable movement compared to its performance in the June 2017 quarter. This has been primarily due a rebalancing of supply from the Organisation of Petroleum Exporting Countries ('**OPEC**') as well as increased tension in the Middle East. OPEC and other major suppliers, such as Russia, came to

an agreement in November 2016 to reduce production, in an effort to support oil prices. This rebalance in the supply of oil has aided an oil price recovery, following the oil price collapse in 2014. Additionally, there are major oil deposits located in Northern Iraq, a region currently administered by the semi-autonomous Kurdistan Regional Government. The government casted ballots in September 2017 in a controversial independence referendum, which built tensions in both Turkey and Iraq. As a result, the Turkish Government threatened to close the pipeline that carries oil from the region, which produces around 650,000 barrels per day, creating a substantial threat to supply.

NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS: SEPTEMBER 2015 – SEPTEMBER 2017

For the quarter ended 30 September 2017, 697 companies lodged an Appendix 5B report, an increase of 1 from the June 2017 quarter.

Number of Companies Lodging Appendix 5B Reports



The increase in the number of companies reporting exploration activity was primarily attributable to nine IPOs during the quarter, a significant increase from the four IPOs during the June 2017 quarter. A summary of the IPOs from the September 2017 quarter is presented in the table below:

COMPANY	COMMODITY	AMOUNT RAISED
Nusantara Resources Limited	Gold	16,200,000
Mayur Resources Limited	Copper, Gold and Industrial Minerals	15,523,316
American Pacific Borate & Lithium Limited	Borate and Lithium	15,000,000
Riversgold Limited	Gold	6,125,485
Galena Mining Limited	Lead and Silver	6,000,000
Bryah Resources Limited	Copper and Gold	5,000,000
Okapi Resources Limited	Gold	5,000,000
Northern Cobalt Limited	Cobalt	4,213,500
Doriemus Plc	Oil and Gas	3,500,000

Since the introduction of new ASX Listing Rules in December 2016, there has been a shift away from reverse takeovers ('**RTOs**') towards IPOs. There were 2 RTOs for the September 2017 quarter, which was the same as the number of RTOs during the June 2017 quarter, however, nine less than the 11 RTOs during the December 2016 quarter. A summary of the number of RTOs, as well as the number of companies suspended or delisted since the September 2017 quarter is summarised in the following table:

	SEP-17 No.	JUN-17 No.	MAR-17 No.	DEC-16 No.
Reverse Takeover	2	2	5	11
Delisted	4	4	3	2
Suspended	1	2	2	2

The net increase of one company to lodge an Appendix 5B report from the June 2017 quarter to the September 2017 quarter was primarily a result of the following:

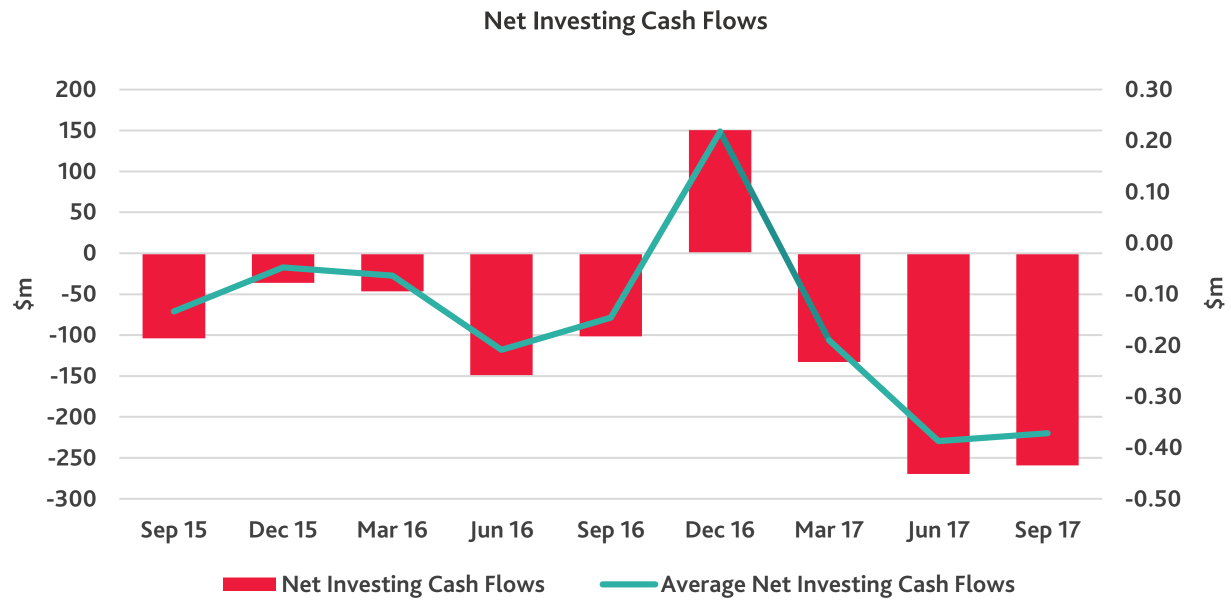
- Nine companies that conducted IPOs and became newly listed exploration companies; and
- One company that did not lodge an Appendix 5B report during the June 2017 quarter due to being in administration, subsequently being reinstated on the ASX and lodging during the September 2017 quarter.

The increase in the number of companies lodging Appendix 5B reports was partially offset by:

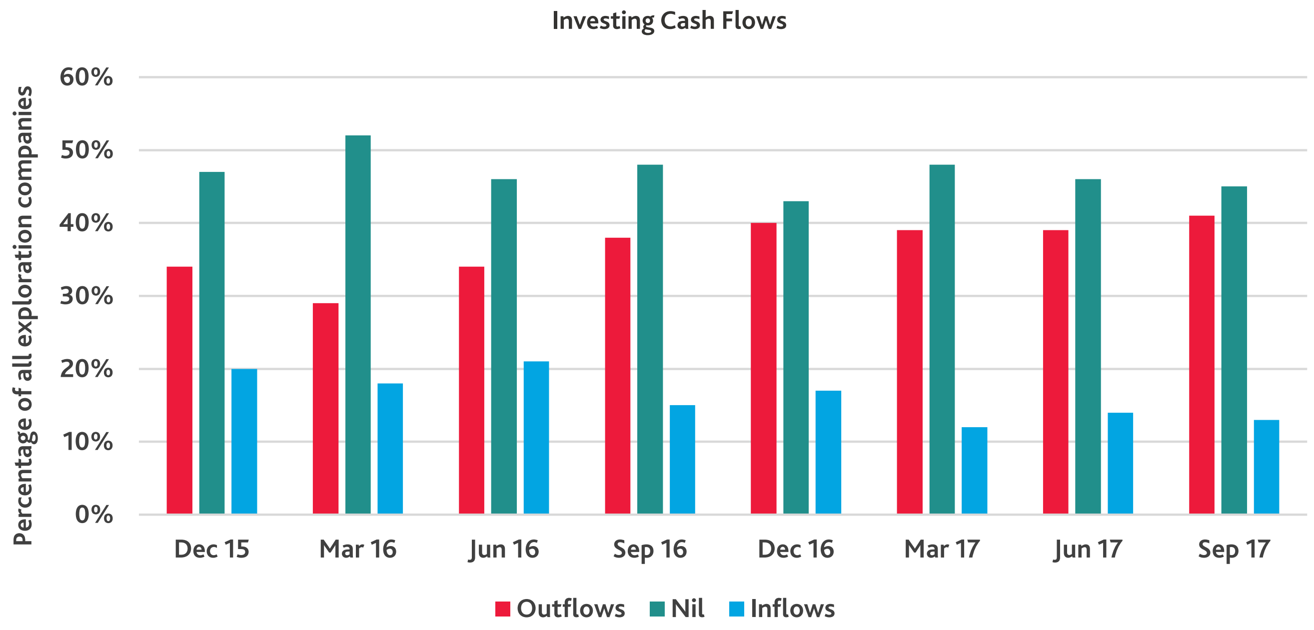
- Four companies that were delisted pursuant to ASX Listing Rules Chapter 17;
- Two companies that were used as a listing vehicles for reverse takeovers, in which one transitioned from an exploration company to a company in the industrials sector and the other to a technology company;
- Two companies that entered voluntary administration during the September quarter and consequently did not lodge an Appendix 5B; and
- One company that was suspended from quotation on the ASX for non-compliance relating to the reporting of mineral resources.

NET INVESTING CASH FLOWS

Net investing cash flows declined marginally for the September 2017 quarter, decreasing by 4% from a net outflow of $269 million for the June 2017 quarter to $259 million. This is still significantly higher than the $132 million net outflow exhibited during the March 2017 quarter and the average net outflow over the two years to March 2017 of $64 million. The increase in investing activity over the last two quarters further indicates that exploration companies are positive in their outlook and confident of returns on their investments.

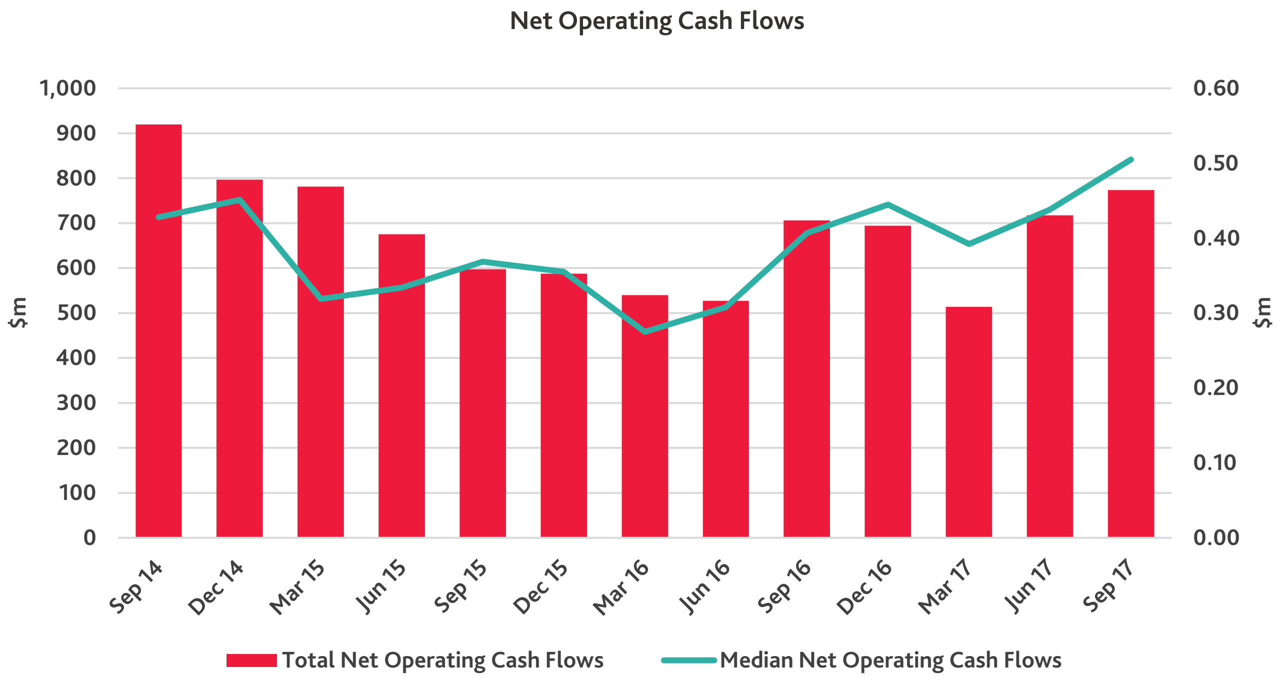


The proportion of explorers with a net investment in capital expenditure increased from 39% for the June 2017 quarter to 41% for the September 2017 quarter, which shows that exploration companies are not only exploring but also pursuing investment opportunities to increase the scale of operations. Additionally, the proportion of explorers with nil investing cash flows declined from 46% for the June 2017 quarter to 45% for the September 2017 quarter.



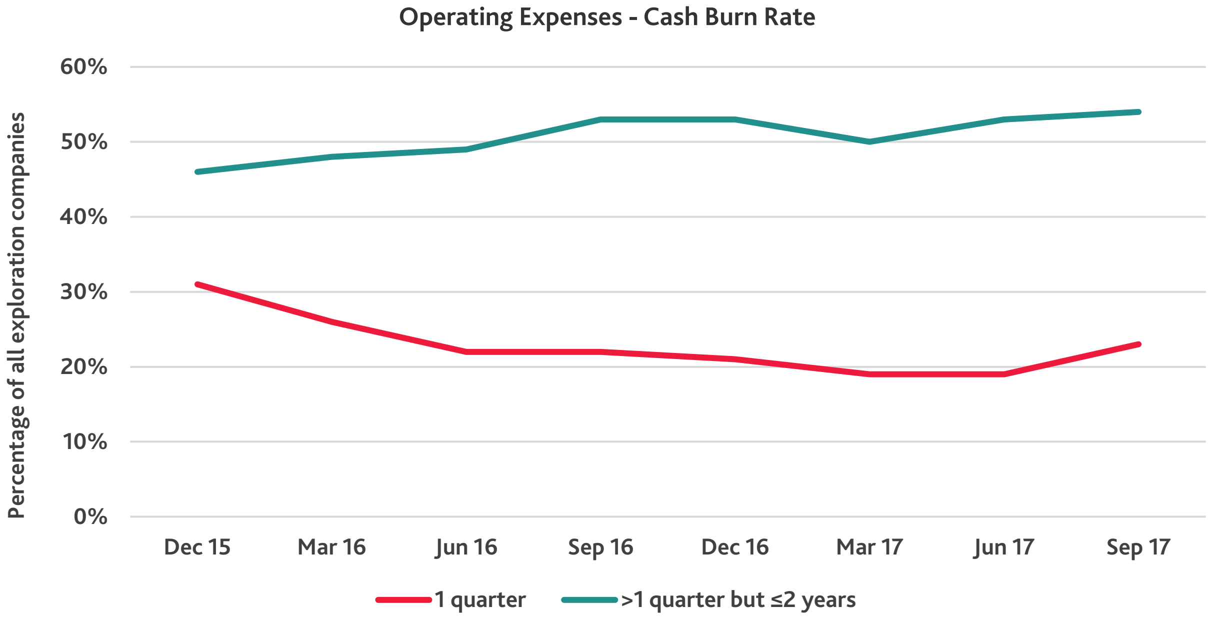
NET OPERATING CASH FLOWS

Total net operating cash outflows increased for two consecutive quarters for the first time since 2013 to reach $774 million for the September 2017 quarter. This marks the highest net operating cash outflow for a quarter since March 2015 and is 8% higher than the $717 million exhibited in the June 2017 quarter. Moreover, the increase appears to be consistent across the board as the median net operating cash outflows increased by 15% from $0.44 million for the June 2017 quarter to $0.51 million for the September 2017 quarter.



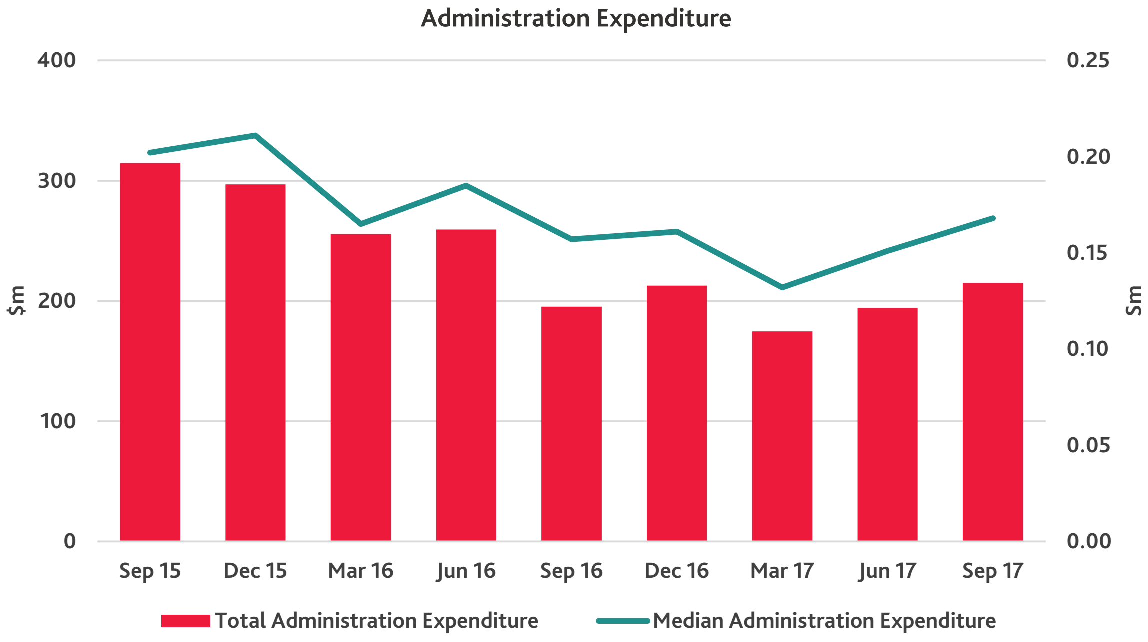
Based on the September 2017 quarter's operating cash flows, the percentage of companies that will burn through their cash reserves in the next quarter increased from 19% for the June 2017 quarter to 23%. This bucks a trend since December 2015 in which the percentage of companies that will burn through their cash reserves has been declining. Furthermore, the proportion of companies with more than one quarter and two or less years of cash reserves continued to increase from 53% for the June 2017 quarter to 54% for the September 2017 quarter. This illustrates that confidence has once again returned to the sector.

With the increased exploration spend across the industry, we expect exploration companies to continue to look to equity capital markets as a source of financing. This was evidenced by the financing cash flow analysis discussed previously and is further supported by the increase in estimated spend for the next quarter of 38%, compared to decline of 9% this time last year. Exploration companies' requirements for cash is illustrated below with an increase in the percentage of companies with one quarter or less of cash reserves from 19% for the June 2017 quarter to 23% for the September 2017 quarter. This requirement for funding and intent to spend should provide exciting times for investors.

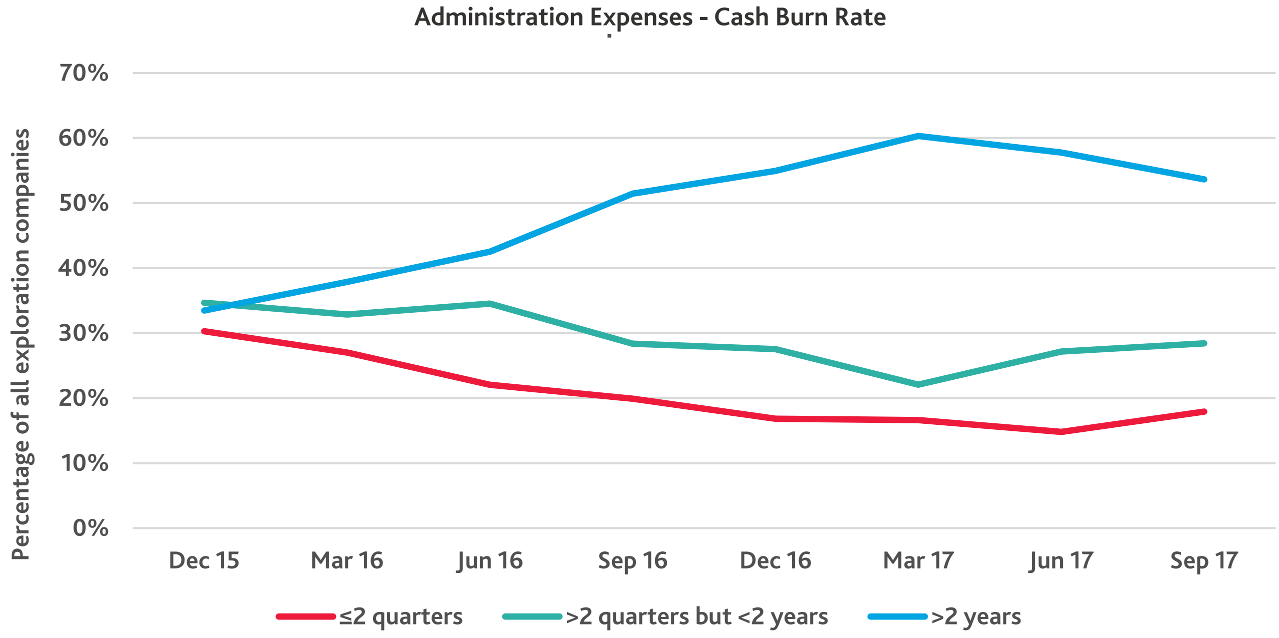


ADMINISTRATION EXPENDITURE

In line with total exploration expenditure, total administration expenditure increased by 11% for the second consecutive quarter, from $194 million for the June 2017 quarter to $215 million for the September 2017 quarter. Similarly, median administration expenditure increased by 11% from $0.15 million to $0.17 million, which further highlights the increase in administration expenditure across the sector.



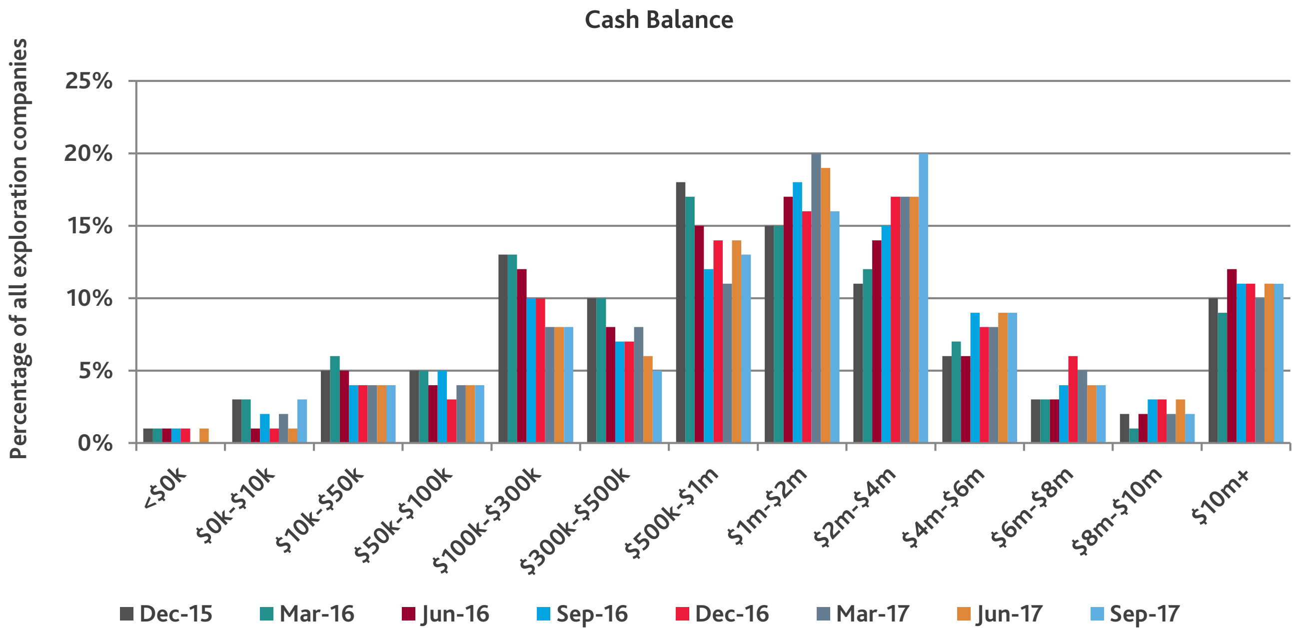
Despite exploration expenditure showing signs of a recovery from the lows exhibited in mid-2016, administration expenditure continues to lag behind. We believe this is a conscious effort by exploration companies, who have learnt from experience the need to operate more efficiently. As such we are seeing exploration companies investing more of their cash into the ground, which should facilitate value accretion and ultimately benefit shareholders.



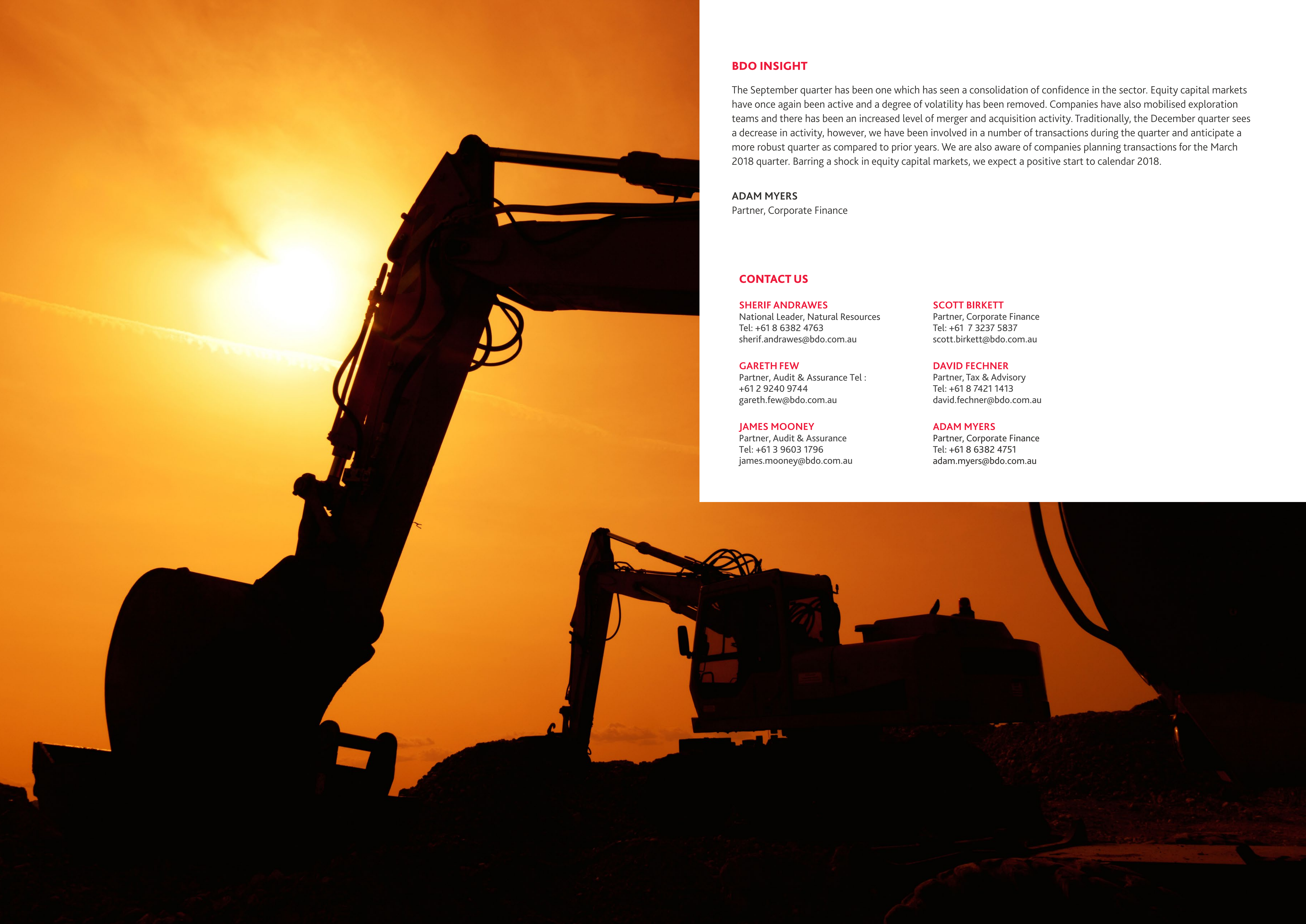
Based on current administration expenditure, the proportion of companies that will burn through their cash reserves in the next two quarter increased from 15% for the June 2017 quarter to 18% for the September 2017 quarter. Furthermore, the proportion of companies with more than two years of cash reserves continued to decline from 58% for the June 2017 quarter to 54% for the September 2017 quarter.

SEPTEMBER 2017 QUARTER CASH POSITION

The average cash balance of exploration companies increased by 1% during the quarter, from $5.79 million at 30 June 2017 to $5.86 million at 30 September 2017. A summary of the exploration companies' cash balances over the last two years is set out in the graph below:



As depicted in the graph above, there has been a general upward trend in the percentage of companies with cash positions greater than $2.0 million over our analysis period. Furthermore, there has been a declining trend in the percentage of companies with less than $0.5 million in cash reserves, indicating that the smaller exploration companies that have been bleeding cash have either exited the market or have been able to raise capital. This 'survival of the fittest' notion is further supported by the 8% increase in median cash reserves of exploration companies during the quarter, which suggests that there has been a wide spread increase in cash balances rather than just at the higher end of the market.



BDO INSIGHT

The September quarter has been one which has seen a consolidation of confidence in the sector. Equity capital markets have once again been active and a degree of volatility has been removed. Companies have also mobilised exploration teams and there has been an increased level of merger and acquisition activity. Traditionally, the December quarter sees a decrease in activity, however, we have been involved in a number of transactions during the quarter and anticipate a more robust quarter as compared to prior years. We are also aware of companies planning transactions for the March 2018 quarter. Barring a shock in equity capital markets, we expect a positive start to calendar 2018.

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