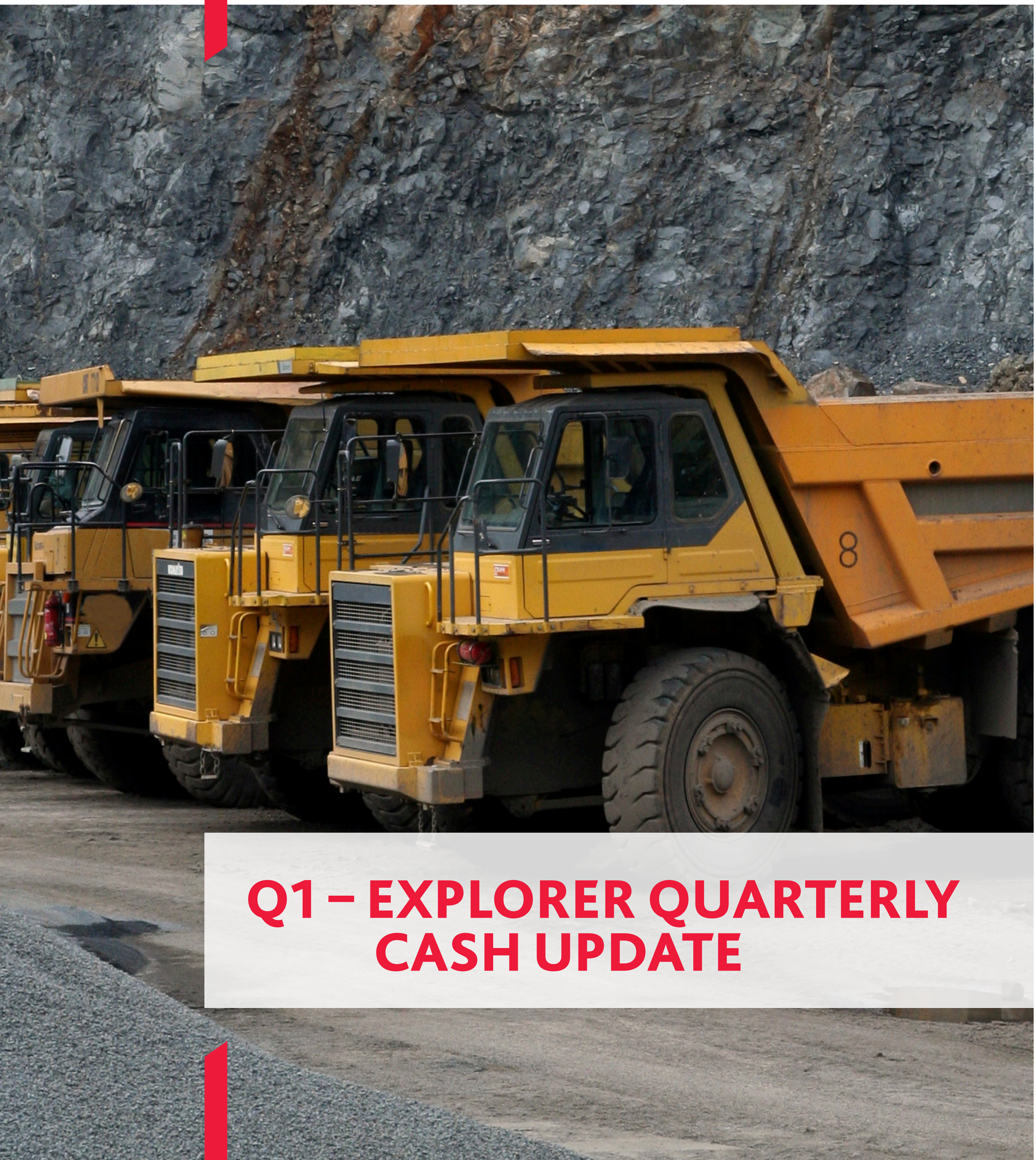

Q1 – EXPLORER QUARTERLY CASH UPDATE

BDO

RESEARCH INTO THE FINANCIAL HEALTH OF AUSTRALIAN-LISTED EXPLORERS: Q1 (QUARTER ENDED 30 SEPTEMBER 2015)

SIGNS OF LIGHT AT THE END OF THE TUNNEL, IS THIS THE START OF A SLOW IMPROVEMENT?

BDO's report of the cash position of Australian-listed explorers for the September 2015 quarter (based on quarterly Appendix 5B reports lodged with the ASX), shows a marginal decrease in the number of companies reporting and a stable median level of exploration expenditure.

The June edition of this report highlighted the increase in the percentage of exploration companies with positive financing cash flows from 38% in March 2015 to 47% in June 2015. This proportion of exploration companies with positive financing cash flows has dropped slightly in the September quarter with approximately 44% of exploration companies generating net financing inflows, well up on historical averages. The issue of convertible debt facilities is becoming a common source of funding for ASX listed exploration companies, with investors taking to this form of funding as they highlight the potential upside returns available to investors through future conversions to equity.

The declining trend in the number of companies lodging Appendix 5B reports from 814 companies for the December 2014 quarter to 780 for the June 2015 quarter and further to 778 for the September 2015 quarter can be mainly attributable to technology companies using exploration companies as a means to list on the ASX via the reverse takeover route, and companies being delisted/suspended from the ASX as they explore other growth opportunities. Whilst there is a declining trend of companies existing in the exploration sector, we note there is a number of companies currently seeking approval to change activities.

In summary, the key findings of the quarterly update reveal the following:

- In the September 2015 quarter, 778 companies lodged Appendix 5B reports, indicating a decrease of less than 1% from the June 2015 quarter where 780 companies lodged reports
- There has been a slight decrease in the number of explorers with positive financing cash flows over the last two quarters, with approximately 44% of the companies being able to raise funds either via the capital raising route or through borrowings. This has reduced slightly from 47% for the June quarter however this is still an improvement from the average of 38% in March 2015
- During the September quarter there were 106 companies which did not conduct any exploration activity, an increase from 96 in the June quarter
- Of the companies which incurred exploration expenditure there has been a decline in the number of companies which incurred less than $300,000 of exploration expenditure from 429 in June to 405 in September, indicating that the smaller end of the market preferred cash preservation over small amounts of exploration expenditure
- The number of companies with sufficient cash to continue net operational expenditures at present levels for more than two quarters has increased marginally from 56% in June to 59% in September, indicating a higher level of prudence among exploration companies and an ability to obtain greater cost efficiencies by maintaining lean operations
- The number of companies with no investing cash flows has increased from 358 to 393 which also highlights the cash preservation approach of exploration companies as highlighted above
- The number of companies with negative financing cash flows have increased from 84 in June to 93 in September indicating a slowing in the receipt of financing for exploration companies as well as a retirement of historical debt
- The average net financing cash flows have increased from $0.95 million for the June 2015 quarter to $1.06 million for the September 2015 quarter
- The number of explorers with a net investment in capital expenditure has remained flat at approximately 33% between June 2015 and September 2015.

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"We are seeing an increase in activity that we expect to continue into the first quater of the new year. Companies need to position themselves now to execute their chosen strategy"

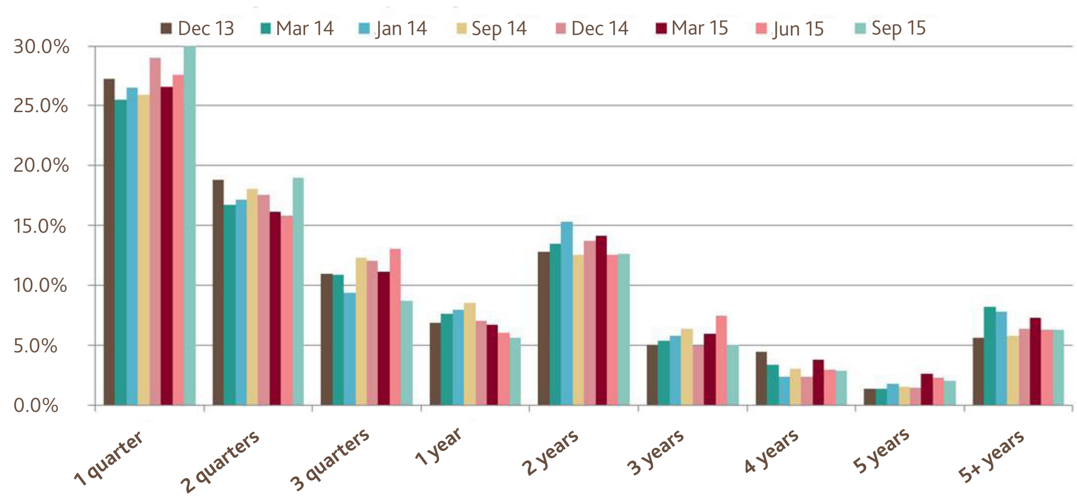
Adam Myers
Partner, Corporate Finance

SEPTEMBER 15 QUARTER CASH POSITION

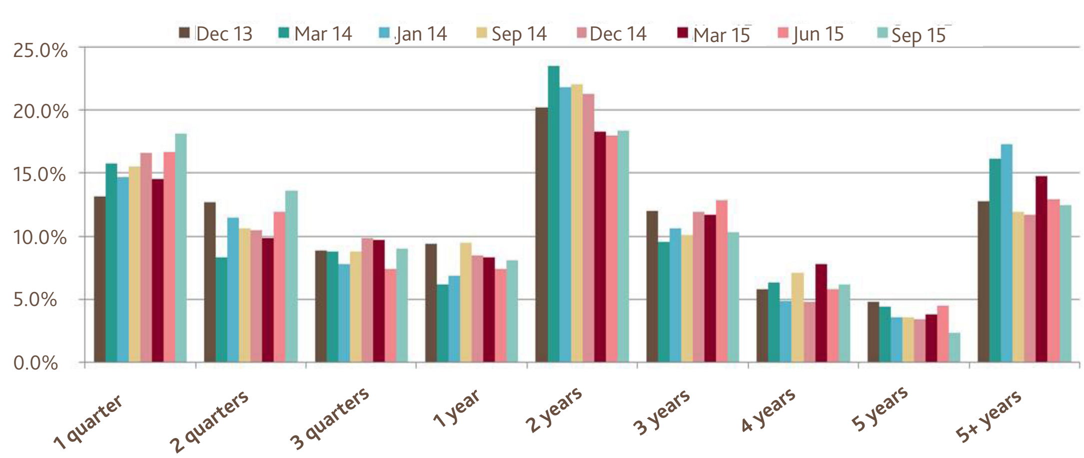
	JUNE 15 QUARTER		SEPTEMBER 15 QUARTER	
	No.	%	No.	%
Total number of companies lodging Appendix 5B's	780	100%	778	100%
Net Operating Expenditure				
- Companies with one quarter cash reserves	215	28%	231	30%
- Companies with two quarters' cash reserves	338	43%	393	51%
Administrative Expenditure				
- Companies with one quarter cash reserves	130	17%	133	17%
- Companies with two quarters' cash reserves	223	29%	247	32%

The following graphs provide a snapshot of the operating, administration and exploration expenditure across the sector:

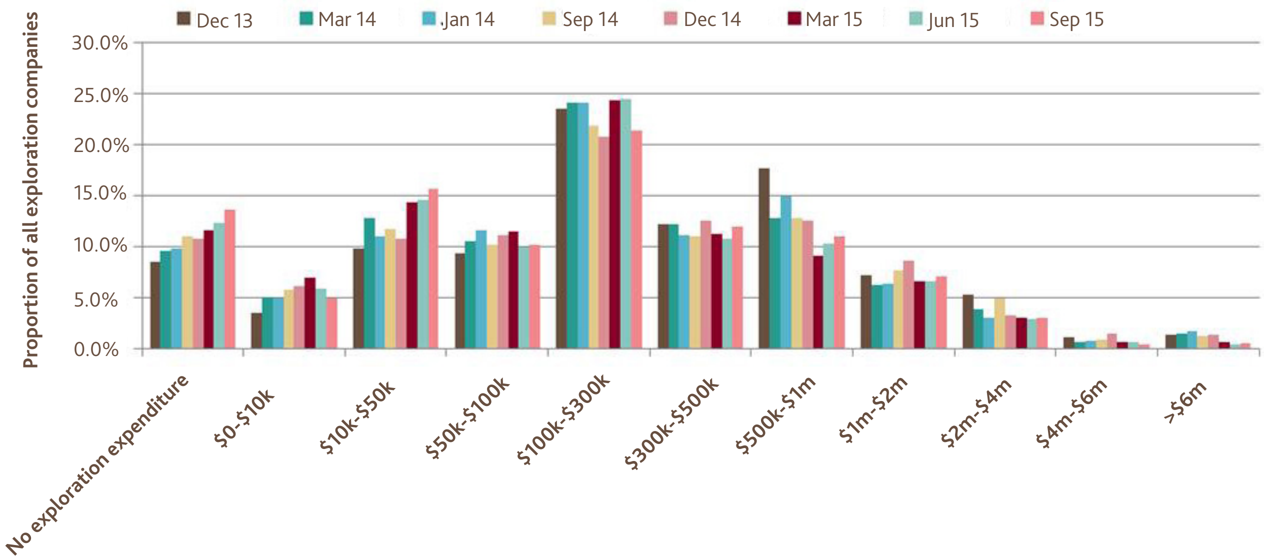
OPERATING EXPENSES - CASH BURN RATE



ADMINISTRATION EXPENSES - CASH BURN RATE



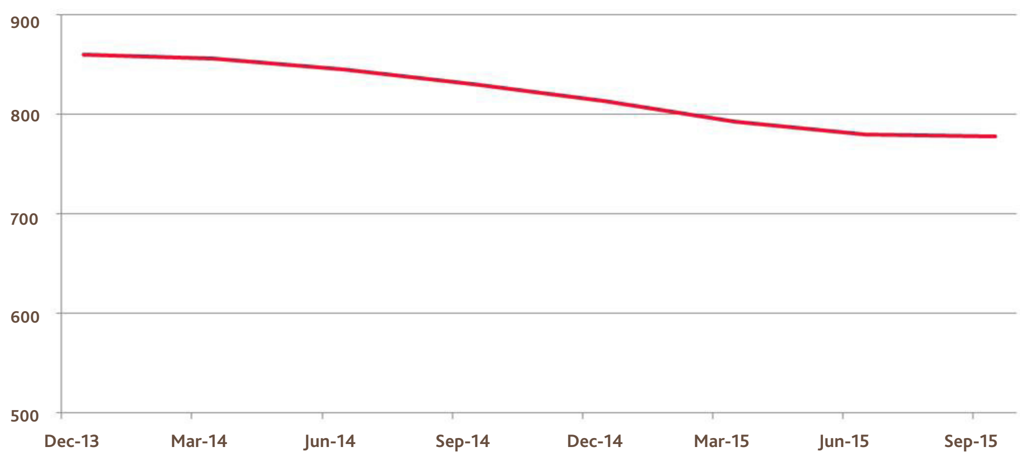
TOTAL EXPLORATION EXPENDITURE



Points to note in relation to the above graphs are:

- There has been a steady increase in the percentage of companies that have not undertaken exploration activities, with a significant increase to approximately 14% of exploration companies in September, up from 12% in June
- The number of companies that have spent more than $1m on exploration activities has remained flat at approximately 11% between the June 2015 and September 2015 quarters. However, the average exploration expenditure has continued to fall for the sixth straight quarter to $474,000 from $481,000 in the June quarter and a high of 1.076 in March 2014, though the median expenditure has remained relatively stable between quarters
- The percentage of companies with less than two quarters of operating expenditure (including companies with a negative cash balance) has increased from 43% in the June 2015 quarter to 51% in September. We attribute part of this trend to a reduction in the number and quantum of capital raisings completed by exploration companies over the period but is partially offset by more prudent operations and greater cost efficiencies across the industry
- In relation to administration expenditure, there has been an increase in the number of companies that have less than two quarters of cash remaining (including companies with a negative cash balance) on current administration spend from 29% recorded in the June 2015 quarter to 32% in the September 2015 quarter. This result most likely reflects the number of companies which are no longer exploring and simply preserving their cash reserves to meet administrative costs. As well as an increase in average admin expenditure as companies evalutate opportunities
- Only 11% (86) of explorers spent more than $1 million on exploration related activities in the quarter, a marginal increase on the previous low point of 83 recorded in the June 2015 quarter.

NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS: DECEMBER 2013 – SEPTEMBER 2015



There has been a declining trend in the number of Appendix 5B lodgements over the review period, with the number of companies lodging Appendix 5B's decreasing to 778 in September 2015 from 780 in June 2015.

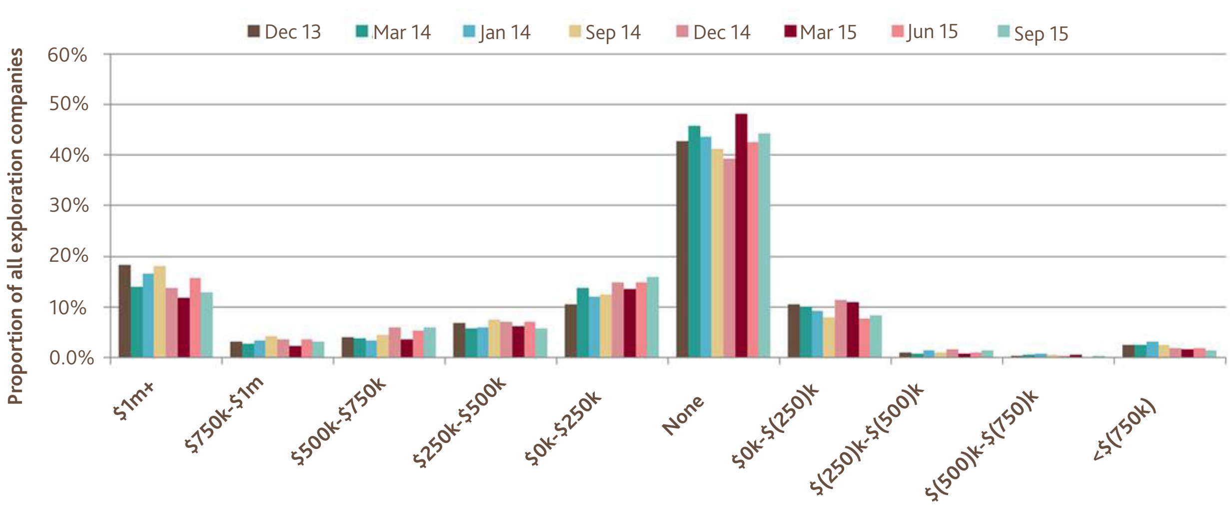
The net decrease from the June 2015 quarter to the September 2015 quarter of two companies was a result of the following:

- Nine exploration companies were used as listing vehicles for backdoor listings, seven of which were technology assets
- One exploration company relinquished its tenements and is pursuing alternative investment options
- Four companies were delisted or suspended during the period.

These reductions in the number of companies lodging Appendix 5B's were partially offset by an increase in the number of lodgements for the following noteworthy reasons:

- One new exploration company being listed on the ASX
- One company was suspended during the June 2015 quarter but re-commenced trading during the September 2015 quarter
- One company previously supplied medical products and lodged an Appendix 4C for the June quarter but has since moved its focus to mineral exploration and therefore lodged an Appendix 5B for the September quarter
- Four exploration companies missing the lodgement date for the June quarter but were included in the September quarter
- The remaining seven differences pertained to exploration companies not lodging an Appendix 5B in June but lodging in September.

NET FINANCING CASH FLOWS



The proportion of exploration companies with positive financing cash flows has come off slightly in the September quarter with approximately 44% of exploration companies generating net financing inflows, down from 47% in the June quarter. However, this is still higher than the historical average of 42% since December 2013.

FUND FINDERS

In the September 2015 quarter, 17 companies raised more than $10 million, a slight decrease from the 18 companies that raised more than $10 million in the previous quarter.

- **88 Energy Limited** - $12m from share issue, options
- **Central Petroleum Limited** - $41.3m borrowings
- **Coal of Africa Limited** - $14.33m borrowings and $19.21m from share issue, options
- **Doray Minerals Limited** - $12.99m from share issue, options
- **Finders Resources Limited** - $52.33m borrowings
- **Geographic Resources Limited** - $23.07m from share issue, options
- **MZI Resources Ltd** - $13.37m borrowings
- **Northern Iron Limited** - $19m from share issue, options
- **Oilex Ltd** - $17.24m from share issue, options
- **Orocobre Limited** - $4.36m borrowings and $32.3m from share issue, options
- **Peak Resources Limited** - $9.55m from share issue, options and $2.6m convertible notes
- **Prairie Mining Limited** - $15m convertible notes
- **Range Resources Limited** - $31.99m from share issue, options
- **S2 Resources Ltd** - $15.86m from share issue, options
- **Sundance Energy Australia Limited** - $43m borrowings
- **Syrah Resources Limited** - $210.89m from share issue, options
- **Wolf Minerals Limited** - $32.6m borrowings.

BDO INSIGHT

There continues to be a large number of companies that are not undertaking exploration activities which in the longer term is an issue for the industry. There was a slight increase in companies spending in excess of $1 million on exploration in this quarter. We have heard however that there has been a change in the approach to how exploration is being approached. At a recent WA Mining Club lunch a drilling contractor recounted that they are currently experiencing a high level of demand. He explained that companies are demanding a greater use of technology to enable a greater level of data to be captured, this enables programs to be altered as they are in progress and to better inform future exploration and evaluation work.

The conversion to Tech continues with seven of the nine RTO's in the quarter involving a vend in of a Tech company. The post relisting results vary, with a great deal depending on the stage of commercialisation of the technology and a clear path to success with tangible milestones for investors to monitor post listing. The shells of most interest to these companies are those with a good degree of shareholder spread, a relatively clean balance sheet and with minimal possibility of contingent liabilities emerging. Cash is not essential, but certainly assists in making a shell comparatively more attractive.

We continue to observe and hear of larger mining companies divesting assets, most recently Anglo American, providing opportunities to the larger cashed up exploration companies to acquire assets which provide a clear production pathway. In addition to this we have seen increased M&A activity such as Norton and Evolution bidding for Phoenix Gold which ultimately saw Evolution successful.

Debt positions have also been restructured in a number of cases and we expect this to continue until there is a sustained improvement in equity capital markets.

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