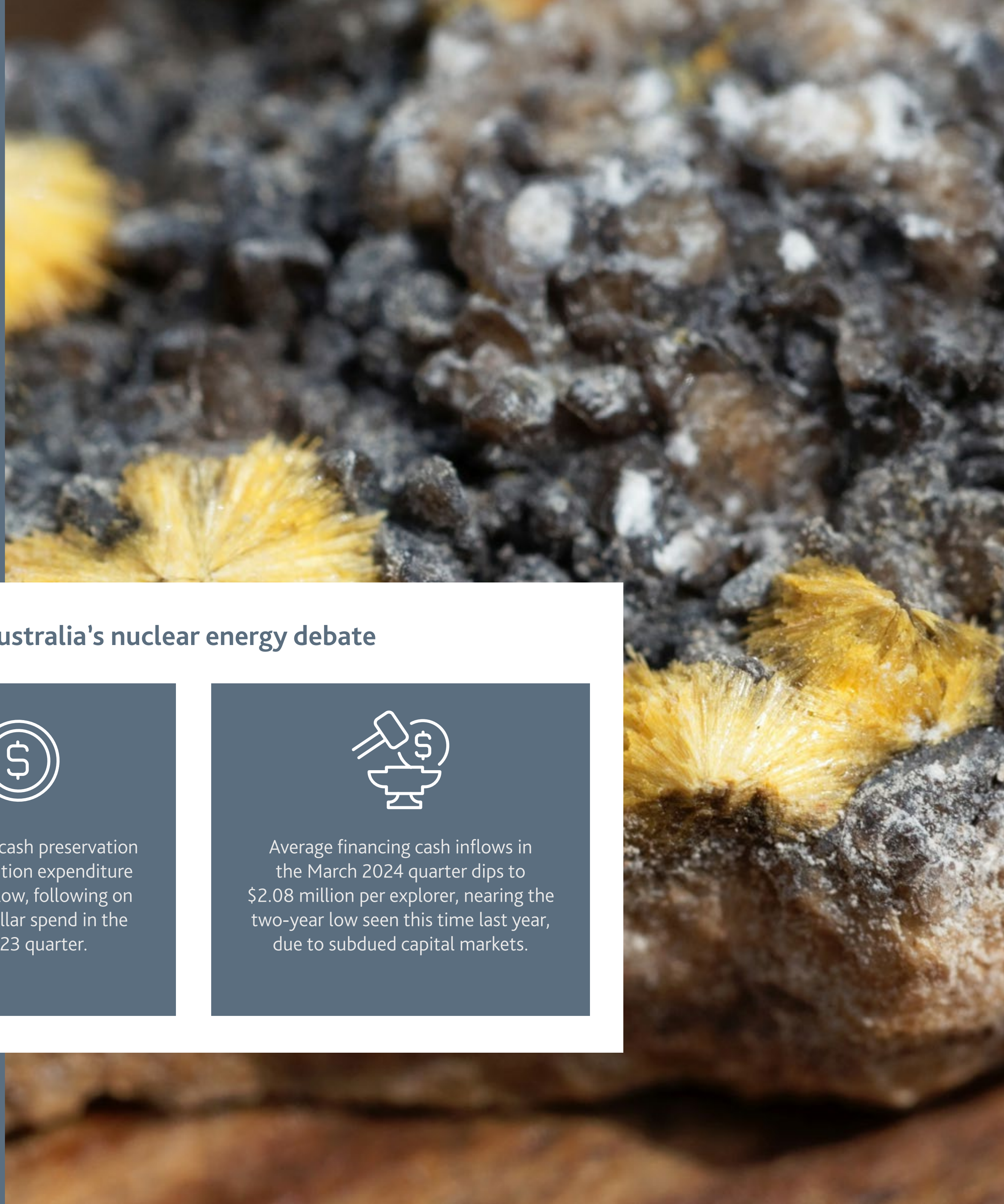
Explorer Quarterly Cash Update

March Quarter 2024

BDO

Research into the financial health of Australian-listed explorers: Quarter ended 31 March 2024



Investors flock to uranium amid Australia's nuclear energy debate

Uranium emerges as the leader in our Fund Finder analysis (comprising of 38 companies which secured capital over $10 million) after a two-year battle for top spots with lithium and gold.

Explorers reset to a cash preservation strategy, as exploration expenditure falls to a two-year low, following on from the billion dollar spend in the December 2023 quarter.

Average financing cash inflows in the March 2024 quarter dips to $2.08 million per explorer, nearing the two-year low seen this time last year, due to subdued capital markets.

Foreword

BDO's report on the financial health and cash position of Australian-listed explorers for the March quarter of 2024 (based on quarterly Appendix 5B reports lodged with the Australian Securities Exchange (ASX)) suggests a slowdown in activity during a period of market stabilisation. This comes after a quarter marked by near-record exploration spending and abundant fundraisings, resulting in healthy cash balances. Despite having to navigate lingering uncertainties in global economies and geopolitical challenges, explorers were encouraged by strong commodity prices, particularly in the uranium sector, and sustained demand for minerals vital to the global energy transition.

In the March 2024 quarter, inflation showed signs of moderation, though the near-term economic outlook remains cloudy. Commodity prices continued to climb, particularly for energy commodities including coal, gas and uranium, priming the ability of these explorers to attract investor interest. Unravelling geopolitical tensions, concerns over the Chinese property market and an anticipated lowering of interest rates in major economies in 2024 and 2025, called for gold to remain a popular safe haven asset.

Following strong fundraising activity in the December 2023 quarter, financing cash inflows experienced a 39 per cent decline to $1.62 billion in the March 2024 quarter, while the average financing inflows per company dipped by 29 per cent when compared to the two-year average. Notably, fewer companies raised more than $1 million, while the proportion of explorers raising no funds at all increased, nearing the two-year high seen this time last year. While we acknowledge the influence of seasonality on this trend, with the March quarter often being a quiet period for capital raises, looming market uncertainty has contributed to a softening in capital markets, resulting in reduced funding availability, particularly for smaller explorers.

Meanwhile, advanced explorers and early-stage producers continued to gather investor support. In the March 2024 quarter, 38 companies (which we have termed 'Fund Finders') raised capital in excess of $10 million, down from 43 in the previous quarter. Interestingly, the Fund Finders were led by seven uranium explorers, trailed by five gold, four oil and gas, and three lithium companies, with the remaining 19 companies covering 13 different commodities.

After a two year-long battle between lithium and gold, uranium claimed first place in our Fund Finders analysis for the quarter, accounting for 27 per cent of the total $1.21 billion raised by our Fund Finders, with gold closely behind at 24 per cent. Uranium Fund Finders were led by advanced players, Deep Yellow Limited (Deep Yellow), Peninsula Energy Limited (Peninsula) and Paladin Energy Limited (Paladin). Graphite also continued to be a leading commodity in our Fund Finders analysis which was a result of Syrah Resources Limited's (Syrah) $77.6 million equity raise.

Amidst the current headwinds of high inflation and interest rate uncertainty, the initial public offering (IPO) market has continued to dwindle. Despite this, two of the three IPOs in the quarter focused on commodities essential for the 'clean energy' transition. This indicates that although explorers are generally finding it difficult to raise capital and list, with the right project and a future facing commodity, there is still somewhat of an appetite for exploration company IPOs. Overall, the number of ASX-listed exploration companies lodging an Appendix 5B decreased by one, with 780 companies recorded in the March 2024 quarter.

Exploration expenditure in the quarter declined by 26 per cent to $748 million, following the near record billion-dollar spend witnessed in the prior quarter. The average exploration spend per company decreased to $0.96 million, the lowest point seen since the March 2021 quarter, with 62 per cent of explorers undertaking small scale exploration programmes in all tranches of less than $500k. Similarly, investment spending showed a slowdown with net investing outflows declining by 29 per cent. All signs indicate that after a quarter of ample fundraising and exploration, explorers have retreated to a cash preservation mode, likely a result of the availability of capital being less certain.

In the wake of ongoing inflationary pressures, explorers have demonstrated resilience by maintaining healthy cash balances. Although the average cash balance per explorer has decreased from $10.16 million in the December 2023 quarter to $9.46 million in the current quarter, the levels still stand as relatively robust when compared historically.

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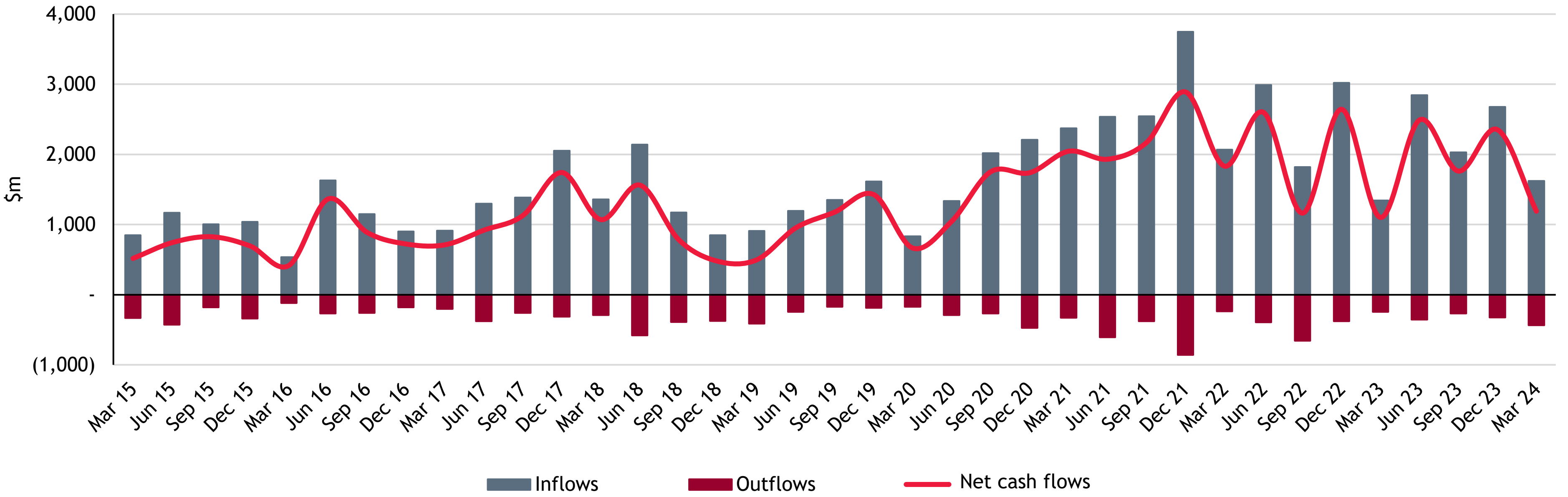
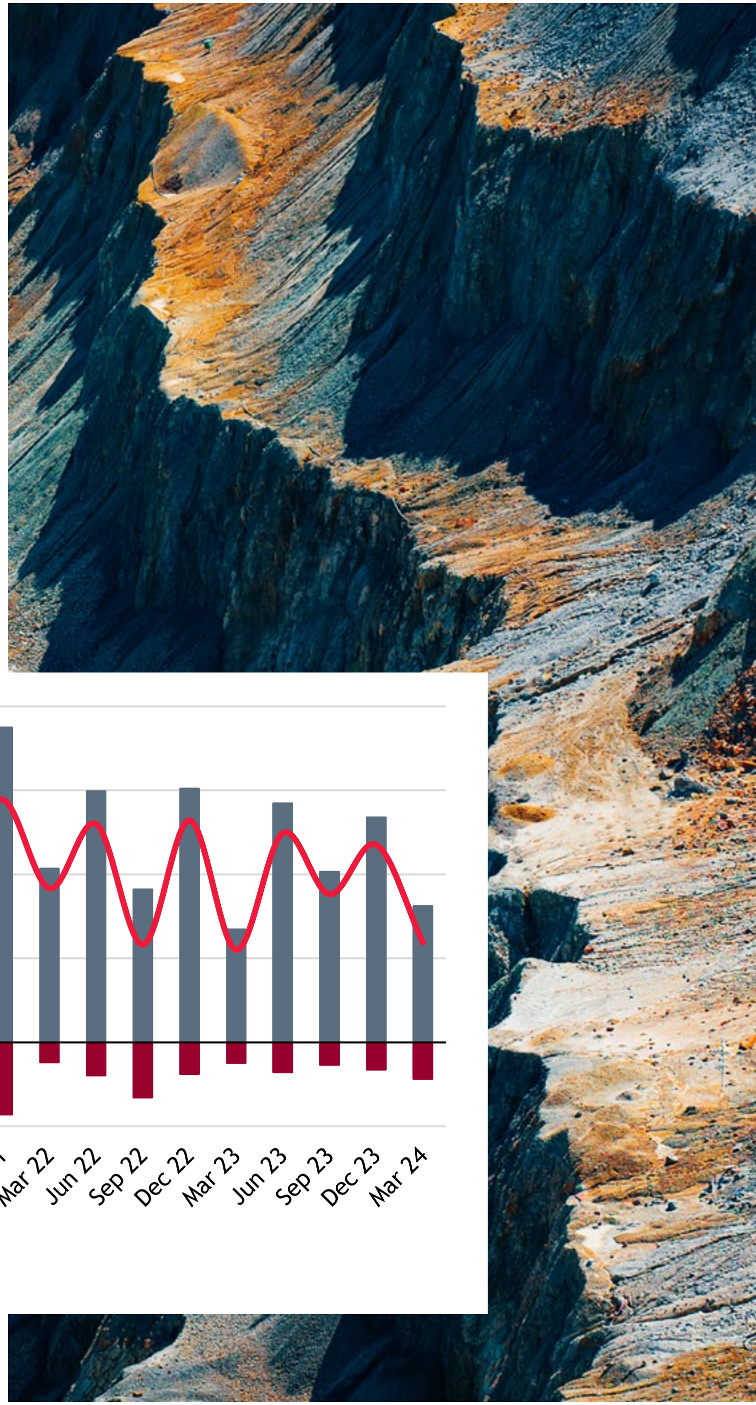
Financing cash flows

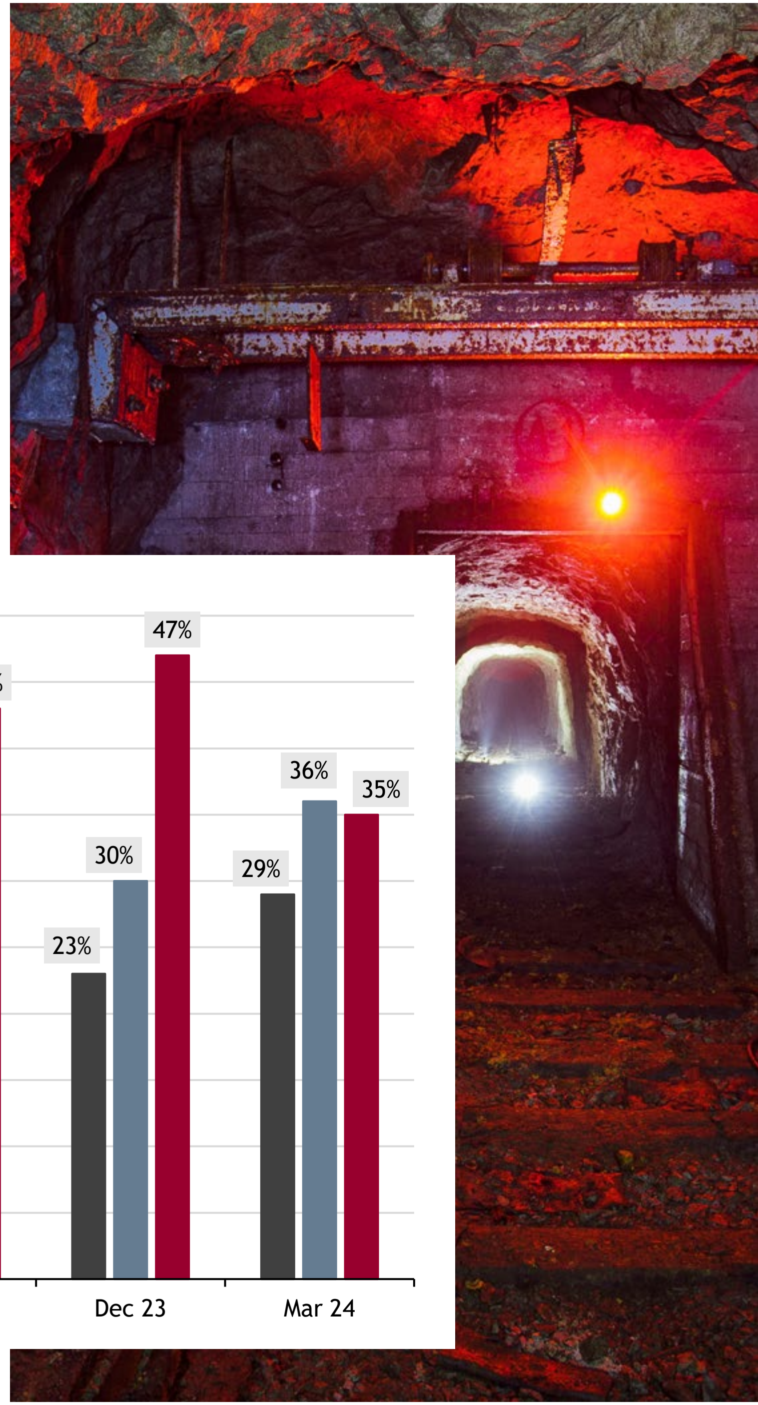
Financing cash inflows fell to $1.62 billion in the March 2024 quarter, representing a 39 per cent decrease to the $2.68 billion of funds raised in the previous quarter. In addition, financing inflows averaged $2.08 million per company, which is 29 per cent lower than the two-year average of $2.92 million (since March 2022). The decrease in financing inflows, coupled with a 34 per cent increase in financing cash outflows, resulted in a 49 per cent decrease in net financing cash flows from the December 2023 quarter.

The recent volatility in financing cash flows, graphically depicted below, stems from the adverse reaction of capital markets to interest rate rises implemented since May 2022, which is likely to have been compounded by elevated inflation and uncertainty stemming from other macroeconomic and geopolitical events. However, despite wider macroeconomic factors, we also highlight a seasonal trend that has been apparent since the March 2015 quarter, in that capital raises tend to be lower in the March quarters.

ASX explorers' financing cash flows ($M)



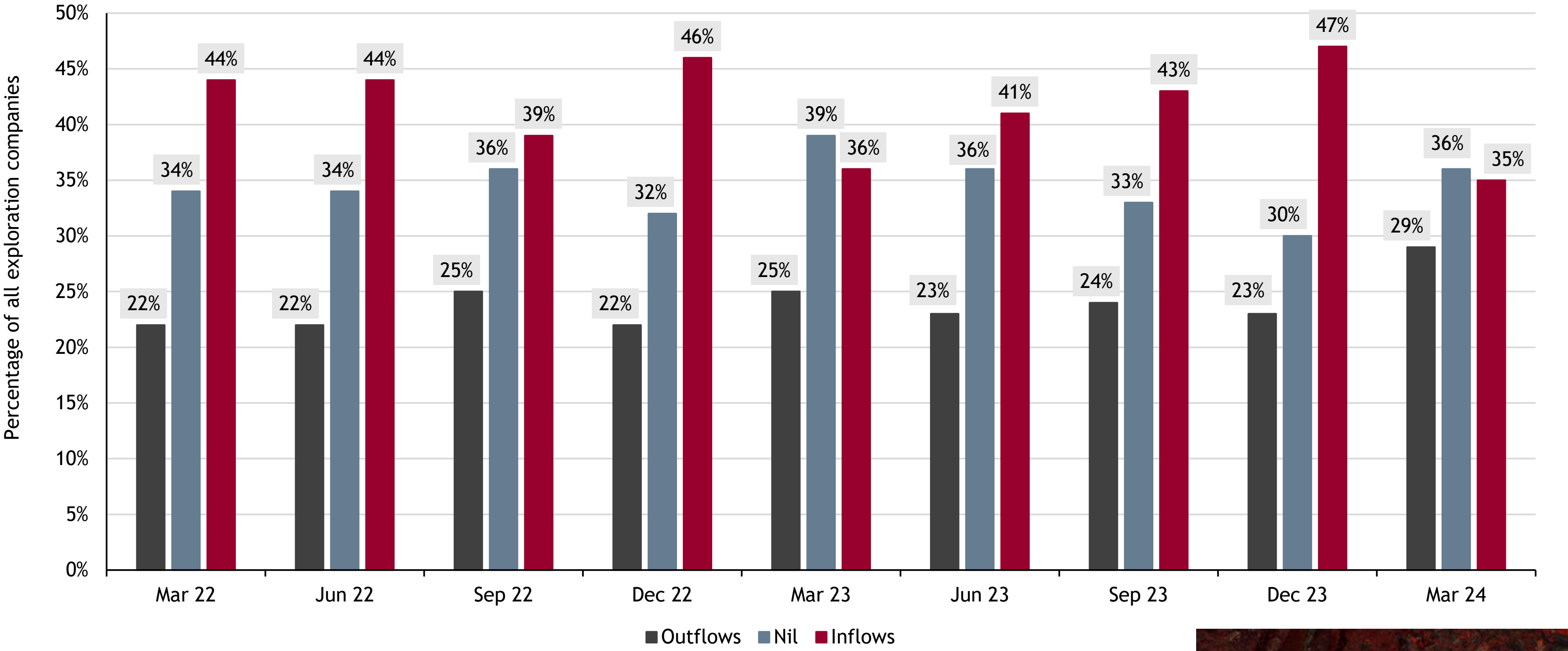




The number of Fund Finders reduced in the March 2024 quarter with 38 companies raising $1.21 billion compared to the 43 companies raising $2.01 billion in the December 2023 quarter. Fund Finders are companies that recorded debt and equity raises of $10 million or more in a quarter. On average, the Fund Finders of the March 2024 quarter raised $31.8 million each and contributed to 74 per cent of the total financing inflows in the quarter. The March 2024 quarter Fund Finders were primarily led by gold and uranium explorers, contributing 51 per cent of the total funds raised by the Fund Finders (see the Fund Finder section on page seven for more details).

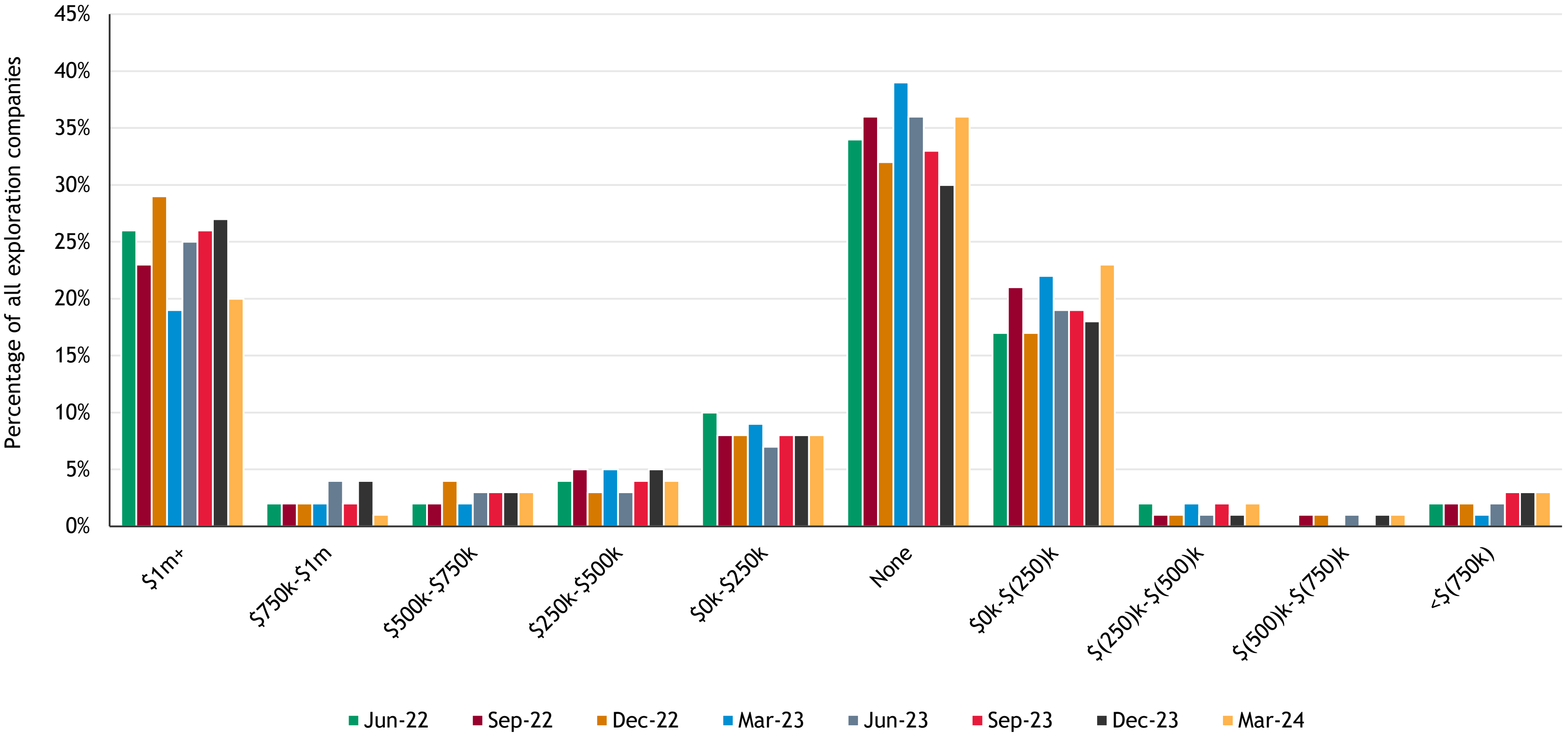
As illustrated in the chart below, the proportion of companies reporting a net financing inflow declined from 47 per cent in the December 2023 quarter to 35 per cent in the March 2024 quarter. Simultaneously, the proportion of companies reporting a net financing outflow rose from 23 per cent to 29 per cent and the proportion of companies reporting a net financing cash flow of nil rose from 30 per cent to 36 per cent. This trend indicates that more explorers have been unable to, or have cut back on their efforts to, raise funds.

Financing cash flows (%)



As observed from the graph below, the proportion of companies with net financing inflows larger than $1 million reduced from 27 per cent in the December 2023 quarter to 20 per cent in the March 2024 quarter. This has been coupled with an increase in the number of companies either having nil financing cash flows or having a cash outflow of less than $250k, likely reflective of the fund-raising challenges faced by many explorers after a bumper quarter of capital raisings in December 2023.

Net financing cash flows (%)



Fund Finders

In the March 2024 quarter, a total of 38 companies raised capital in excess of $10 million, representing a decrease from the 43 companies recorded in the December 2023 quarter. Fund Finders of the March 2024 quarter comprised of seven uranium companies, five gold companies, four oil & gas companies and three lithium companies. The remaining 19 companies were spread across 13 commodities, largely consisting of silver, copper, iron ore, copper-gold and diversified metals.

West African Resources Limited (West African) recorded the largest financing inflow for the March 2024 quarter, being its US$150 million (approximately $225 million) drawdown under a US$265 million secured loan facility made available by a fund managed by Sprott Resource Lending Corporation and Coris Bank International SA. Additional funds were received from the exercise of options. The funds raised were committed to the development of the Kiaka Gold Project in Burkina Faso, Africa, which is expected to produce its first gold concentrate in the third quarter of 2025.

Deep Yellow recorded the second largest financing inflow for the March 2024 quarter, with an inflow of $140.5 million from the first tranche of an equity placement. The second tranche of approximately $79.5 million (before costs) is subject to shareholder approval to be sought at a general meeting expected to be held in the upcoming quarter. The funds raised were dedicated to advancing the development of the Tumas Project, with a final investment decision expected to be made in 2026. Residual funds were committed to exploration endeavours at the Alligator River Project located in the Northern Territory and the Omohola Project located in Namibia.

Syrah claimed third place, securing a financing inflow of US$48 million (approximately $77.6 million) in the March 2024 quarter through the institutional placement component of a wider pro rata accelerated non-renounceable entitlement offer of US$65 million (approximately $98 million). In particular, the funds are intended to be used to advance its Balama Graphite Project in Mozambique and fund the ramp-up of production and operating costs at its Vidalia Facility in Louisiana, United States.

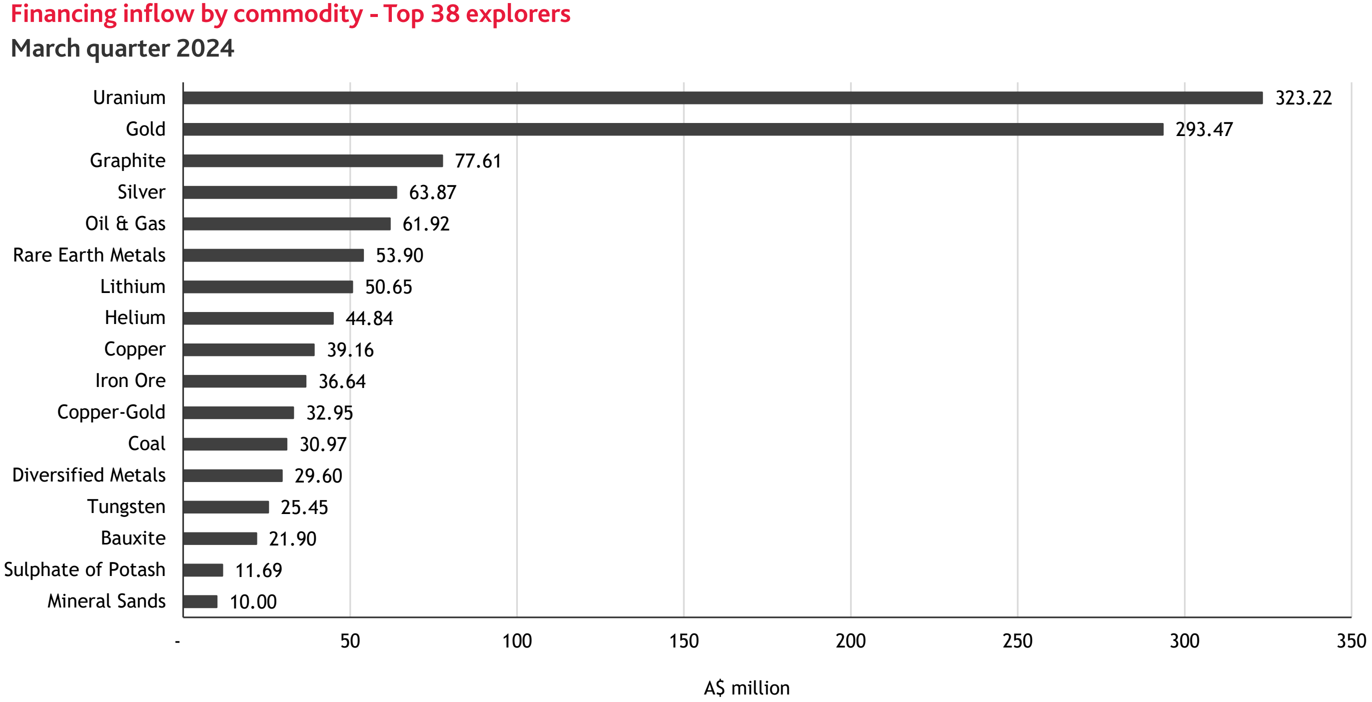
Peninsula came in fourth place, recording a total financing inflow of $65.9 million, comprising primarily of a US$39 million (approximately $60 million) share purchase plan and placement. Residual funds were received from the exercise of options. Funds were allocated towards the progression of the construction of the Lance Project located in Wyoming, the United States, with production expected to commence later in 2024.

Company name	Commodity	Mechanism of raising
West African Resources Limited	Gold	$224.71 million in proceeds from borrowings and $0.08 million in proceeds from exercise of options
Deep Yellow Limited	Uranium	$140.51 million in proceeds from issue of equity securities
Syrah Resources Limited	Graphite	$77.61 million in proceeds from issues of equity securities*
Peninsula Energy Limited	Uranium	$60.0 million in proceeds from issues of equity securities and $5.87 million in proceeds from exercise of options*
Adriatic Metals Plc	Silver	$46.09 million in proceeds from borrowings and $3.78 million in proceeds from issue of convertible debt securities
Renergen Limited	Helium	$44.84 million proceeds from issues of equity securities*
WA1 Resources Limited	Rare Earths	$40.00 million proceeds from issues of equity securities
Paladin Energy Limited	Uranium	$38.41 million proceeds from borrowings
Australian Pacific Coal Limited	Coal	$30.97 million proceeds from borrowings
Ora Banda Mining Limited	Gold	$30.00 million proceeds from issues of equity securities

*Foreign-currency denominated inflows have been converted using the prevailing exchange rate as of 31 March 2024

Equity continued to be the primary source of investment for explorers, accounting for 64 per cent of the total funds raised by the Fund Finders.

Financing inflow by commodity – Fund Finders – March quarter 2024



Despite relatively low financing volumes during the March 2024 quarter, trends first identified in the December 2023 quarter have gathered momentum, with uranium and gold continuing to gain traction. Building on two years of rivalry between lithium and gold, our Fund Finders from the March 2024 quarter revealed notable themes expected to set the stage for the remainder of the year.

The momentum for uranium continued, accounting for 27 per cent of funds raised by all Fund Finders during the quarter. The radioactive metal dominated this quarter's Fund Finder analysis, with seven represented companies. Moreover, it emerged as the top fundraiser for the March 2024 quarter, raising a total $323.22 million. This marked a 50 per cent increase from the previous quarter, which featured only two uranium companies.

It is worth noting that uranium prices have doubled over a twelve-month period, peaking at US$106 per pound early in the quarter, hitting a 16-year high. The key factors driving this price shift were supply chain disruptions, sparked by geopolitical tensions with Russia, which is projected to hold 42 per cent of the world's enrichment capacity by 2025, coupled with renewed interest, which indicates there are both demand and supply factors driving investment in uranium.

Recent price growth and investor interest will support exploration and the development of uranium mines in Australia. Although, according to the Department of Industry, Science and Resources, no new capacity is expected to emerge in the outlook period to 2029. Furthermore, while Australia has not yet decided if uranium will be part of its future energy mix, uranium explorers should find themselves well positioned in the near term to address the rising international demand for nuclear power.

After gold's strong reign at the top since June 2022, market sentiment shifted in favour of lithium during the last two quarters of 2023, dethroning the safe haven asset. Despite gold slipping behind uranium in our Fund Finder analysis for the quarter, its popularity remains high as the commodity's price reached a record high of US$2,230 on the final day of March. Specifically, gold accounted for 24 per cent of the $1.21 billion raised by Fund Finders during the quarter.

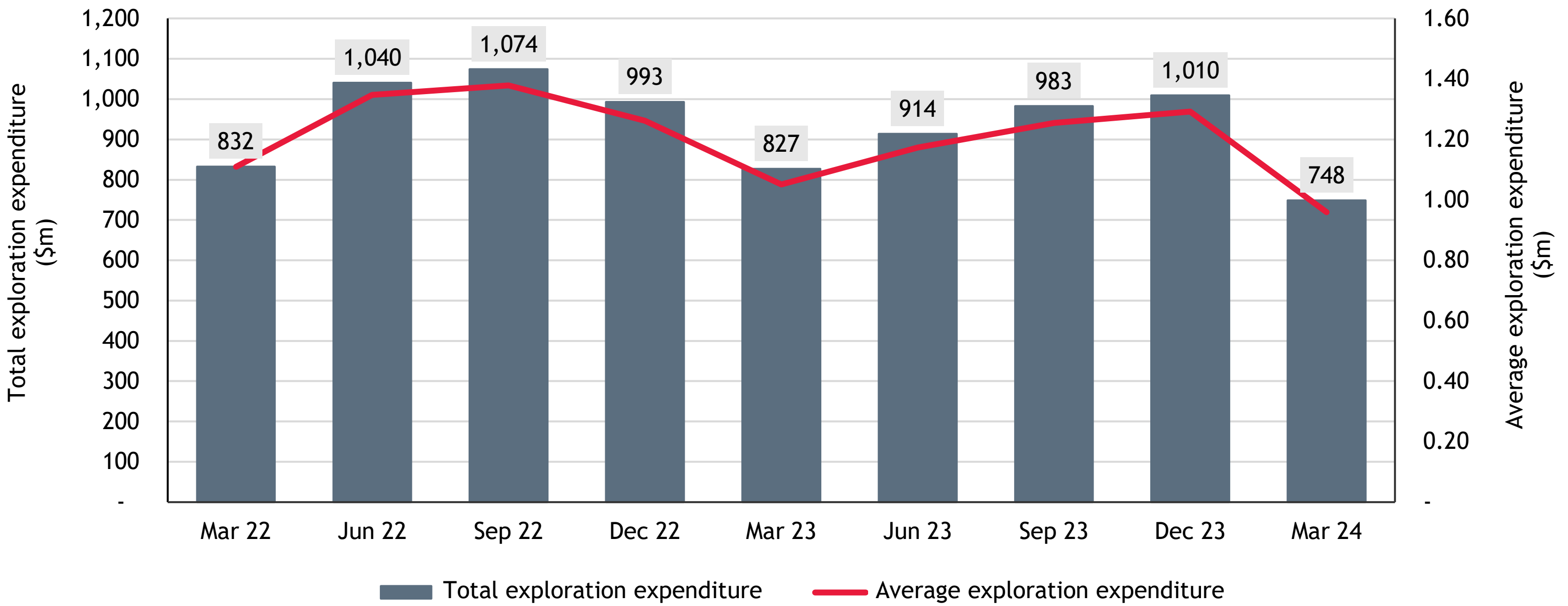
Interestingly, graphite explorer, Syrah, landed the commodity's first podium finish in our Fund Finder analysis since the June 2023 quarter, as it raised funds towards the ramp-up of production at its Vidalia Facility in Louisiana, the United States, in addition to progressing its Balama Graphite Project in Mozambique. This demonstrates that graphite's role in the advancement of battery technology continued to attract investor support.

Remarkably, following a robust performance by lithium Fund Finders in the December 2023 quarter, total fundraisings dipped to $50.65 million in the March 2024 quarter, reflecting a 93 per cent decrease from the $756.39 million raised in the previous quarter. The significant drop off in funds raised can be attributed to the bearish short-term outlook on lithium, fuelled by slower-than-expected demand for electric vehicles, driving down lithium prices. However, despite current weak market sentiment, experts continue to hold a bullish outlook on lithium's long-term prospects.

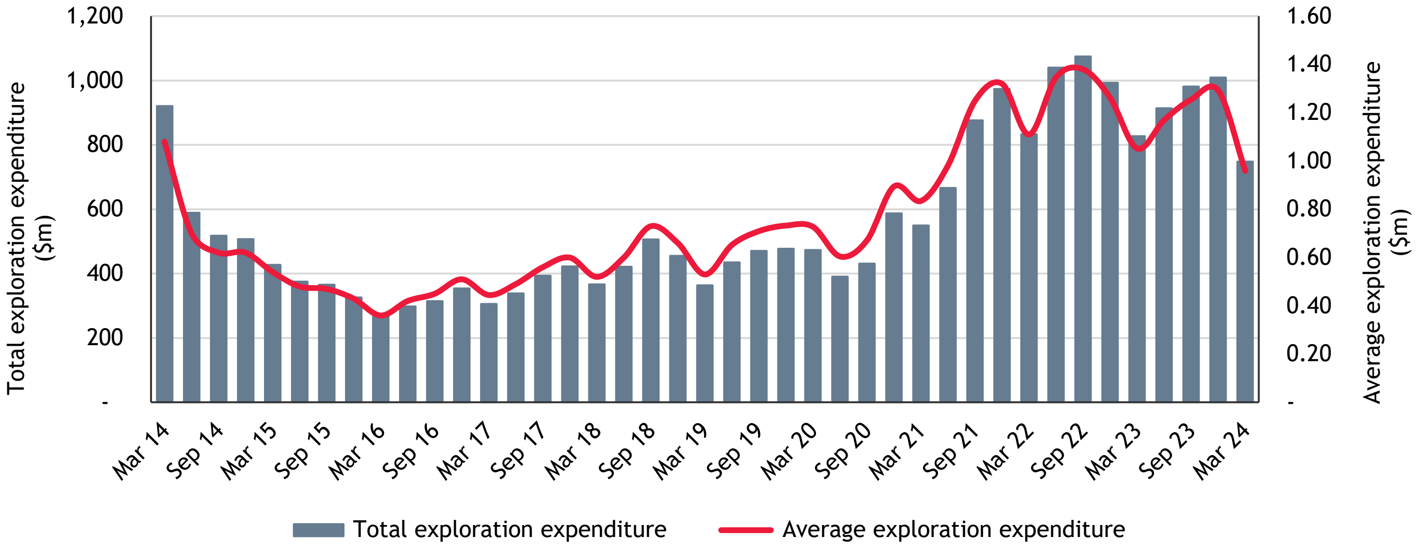
Exploration expenditure

After a near record billion-dollar spend in the December 2023 quarter, total exploration spending fell by 26 per cent to $748 million in the March 2024 quarter, hitting a two-year low not seen since March 2022. Additionally, the average exploration spend per company reached a new low of $0.96 million, the lowest since the $0.83 million average in March 2021. The key driver behind the subdued quarter of exploration activity appears to be explorers adopting a cash preservation mentality in response to the softening in capital markets.

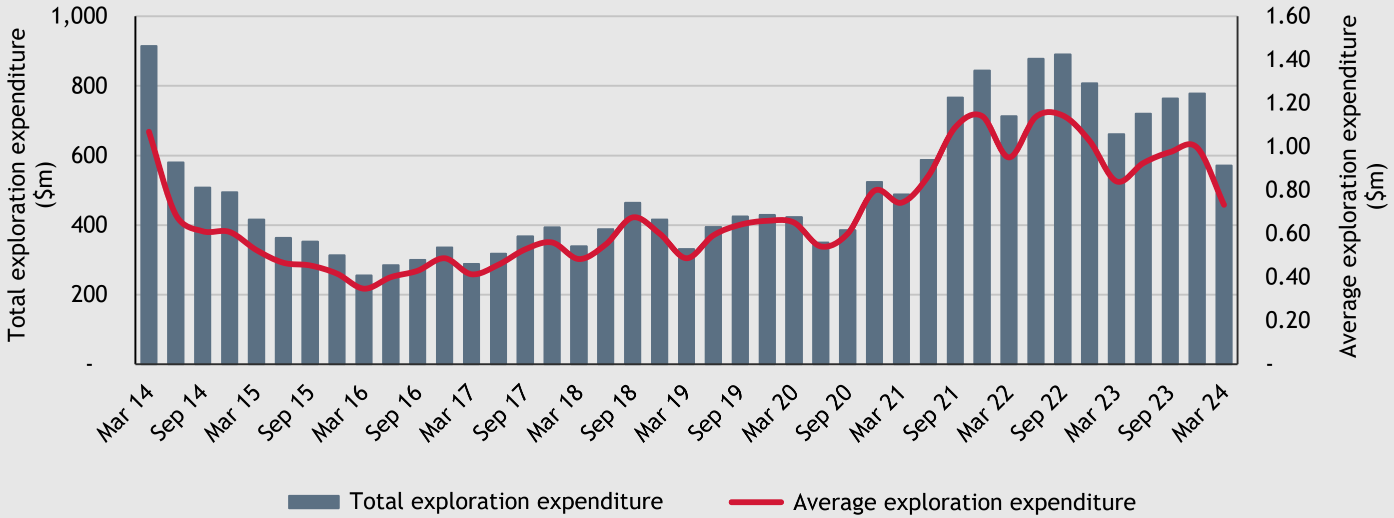
Total exploration expenditure - Last two years ($M)



ASX explorers' total exploration expenditure ($M)



ASX explorers' total exploration expenditure ($M) - Inflation adjusted



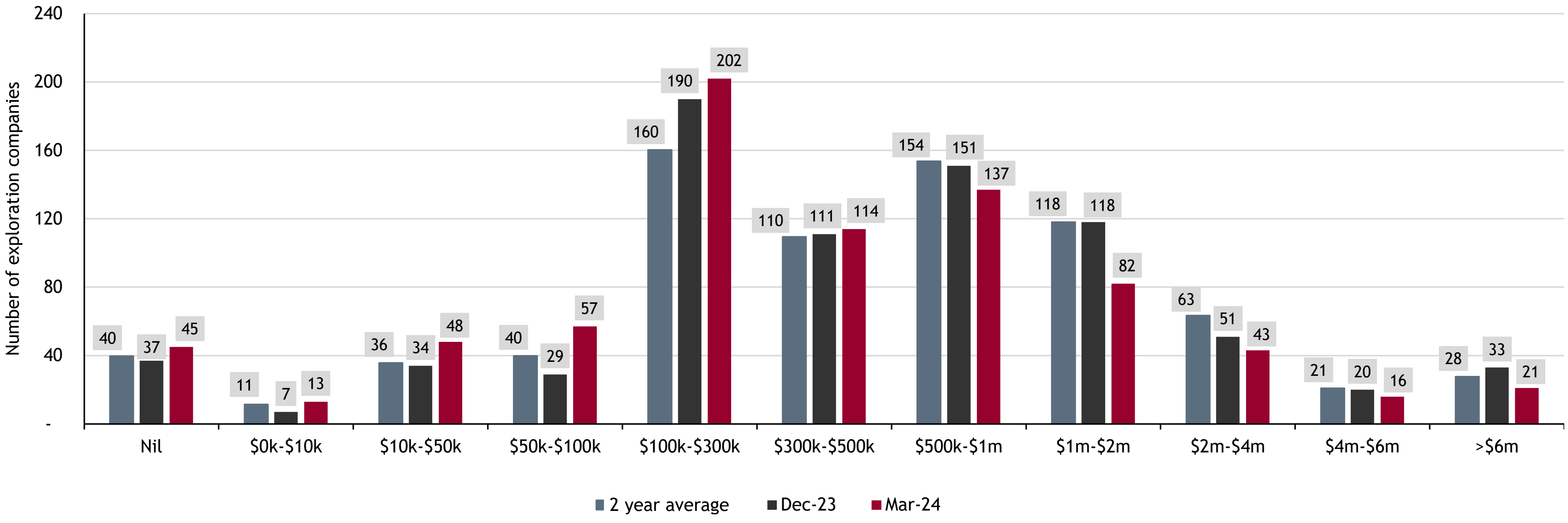
As observed in the initial long-term chart on this page, since the March 2016 quarter, exploration spending had trended upwards to peak at $1.07 billion in September 2022. This was due to favourable capital raising conditions and strong commodity prices from late 2020 to the end of 2022, offering an incentive for companies to ramp up their exploration endeavours. Throughout 2023, the average exploration spend per company increased each quarter, marking an increase of 1.7 per cent over the year, indicating sustained confidence in the sector.

Nonetheless, there has been a noticeable decrease in exploration activity in the current quarter, which we attribute to the level of uncertainty around when explorers can next fill the coffers from a capital raise.

Cost pressures have been felt across the Australian economy and the exploration sector certainly has not been immune. Anecdotally, we understand from our clients that the shortage of drilling equipment and rigs over the past three to four years has had a significant impact on the cost of completing drilling programs. Since 2019, there has been an increasing trend in the level of exploration spend however given inflation levels in Australia, we have also presented these statistics in real terms (to remove the impact of cost inflation). Therefore, we have rebased historical exploration expenditure to the March 2014 quarter, based on the Australian quarterly Consumer Price Index (CPI) data. Interestingly, although the narrative since 2022 suggests record high levels of exploration spending, an analysis of exploration expenditure in real terms reveals that the March 2014 quarter remains the highest period of exploration spending over the last ten years. While the trends observed in prior quarters remain relevant, our analysis indicates that inflation has likely compounded the magnitude of the exploration spend increase. It is interesting to note that real-term exploration expenditure in the post-COVID-19 world remains significantly higher than during the period from September 2014 to September 2020.

The following graph illustrates the breakdown in exploration expenditure patterns and shows a clear increase in the number of explorers that undertook small-scale exploration spends in all tranches of less than $500k. In comparison to the December 2023 quarter and the two-year average, growth can be detected at the smaller end of the market, whilst the number of companies undertaking larger exploration spends has diminished. The primary reason for this decline is likely attributable to explorers' focus on cash preservation in response to prevailing market conditions and softening capital markets.

Number of companies by exploration expenditure



The top ten exploration spends, totalling $179 million, comprised of four lithium companies, three oil and gas companies, two gold companies and one copper-gold company. Typically, gold and oil and gas constitute the largest portion of the top ten exploration spends. However, similar to the previous quarter, we have observed growth in exploration spending for lithium. Notably, lithium players such as Galan Lithium Limited (who recorded the second largest exploration spend of $25 million), Ioneer Limited, Latin Resources Limited, and Delta Lithium Limited have collectively spent $62 million on exploration during the March 2024 quarter.

In the March 2024 quarter, the average exploration spend per lithium explorer was more than 2.5 times greater than the global average exploration spend per company. It is worth noting that lithium Fund Finders generated the most fund raises for the 2023 calendar year, with Liontown Resources Limited's (Liontown) institutional placement of $365 million in the final quarter adding further momentum. As a result, lithium explorers, particularly the more advanced ones, are generally well funded to sustain their exploration programs.

This allocation of funds highlights the industry's persistence to meet the future medium to long-term demand for lithium resources. Continued exploration activity in lithium suggests that recent price declines are caused by short to medium term demand and supply imbalances stemming from slower than anticipated electric vehicle demand. Despite this, a positive long-term outlook is envisaged, prompting lithium explorers to prioritise long term economic extraction over short term forecasts.

Furthermore, oil and gas explorer, Strike Energy Limited, reported the largest exploration spend of $32 million for the March 2024 quarter. The expenditure was incurred primarily in relation to gas flow testing and drilling activities at several wells at South Erregulla and West Erregulla, located in the Perth Basin.

Unsurprisingly, sentiment for gold remains robust, consistently serving as a symbol of stability during times of market volatility. De Grey Mining Limited (De Grey), who recorded the largest exploration spend in the previous quarter, ranked third in exploration spending for the March 2024 quarter, with a spend of $20 million. Throughout the quarter, De Grey continued to focus on extending its mineral resource at its Hemi Gold Project.

Net investing cash flows

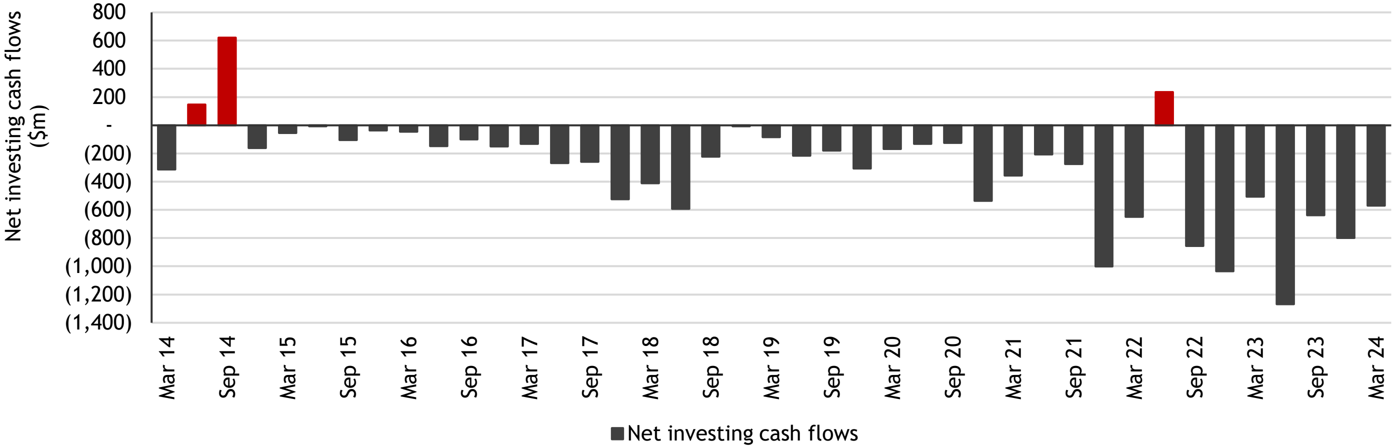
Net investing cash outflows for the March 2024 quarter totalled $570 million, representing a 29 per cent decrease from the $800 million in the prior quarter. The decline in net investing cash flows is in line with the expectations of explorers prioritising cash preservation.

A large proportion of the $570 million net cash outflow for the quarter was attributable to Boss Energy Limited (Boss) and Liontown. Boss recorded a net cash outflow of $143 million, which primarily related to the acquisition of a 30 per cent stake in the Alta Mesa Project located in Texas from enCore Energy Corporation. Liontown was a close second, recording an outflow of $142 million directed toward the development of its Kathleen Valley Lithium Project, with first production targeted for mid-2024.

Additionally, Bellevue Gold Limited and West African recorded outflows of $56 million and $47 million respectively, signifying the continued strength of gold explorers advancing their top-tier projects.

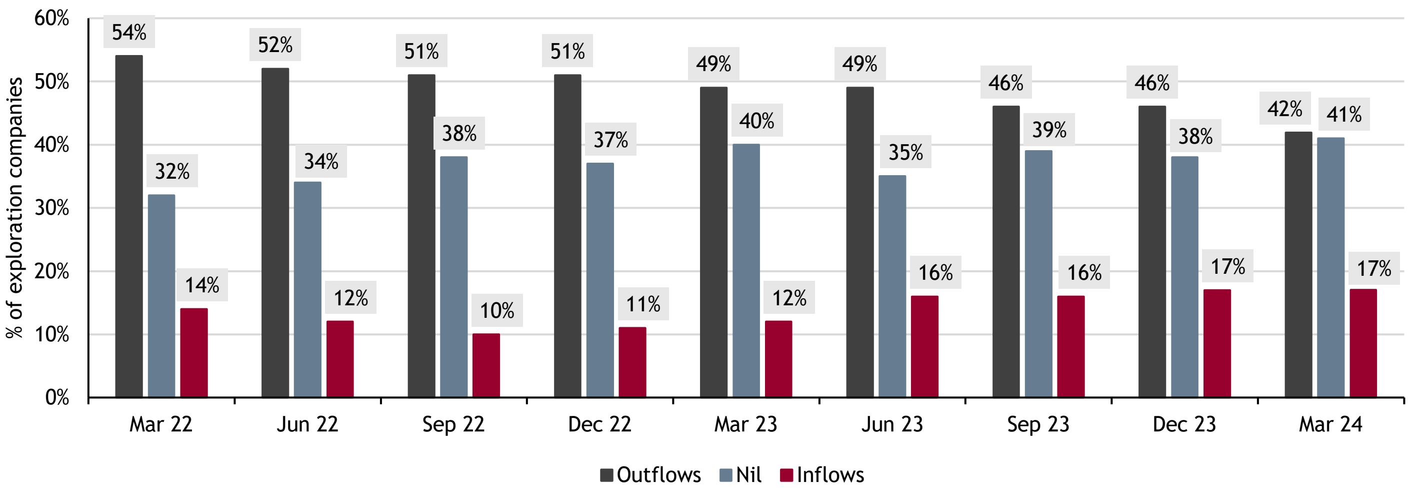
For consistency across all quarters, we note that our analysis of net investing cash flows for the March 2024 quarter excludes exploration and evaluation expenditure that is capitalised. We have instead included this under exploration expenditure.

ASX explorers' net investing cash flows ($M)



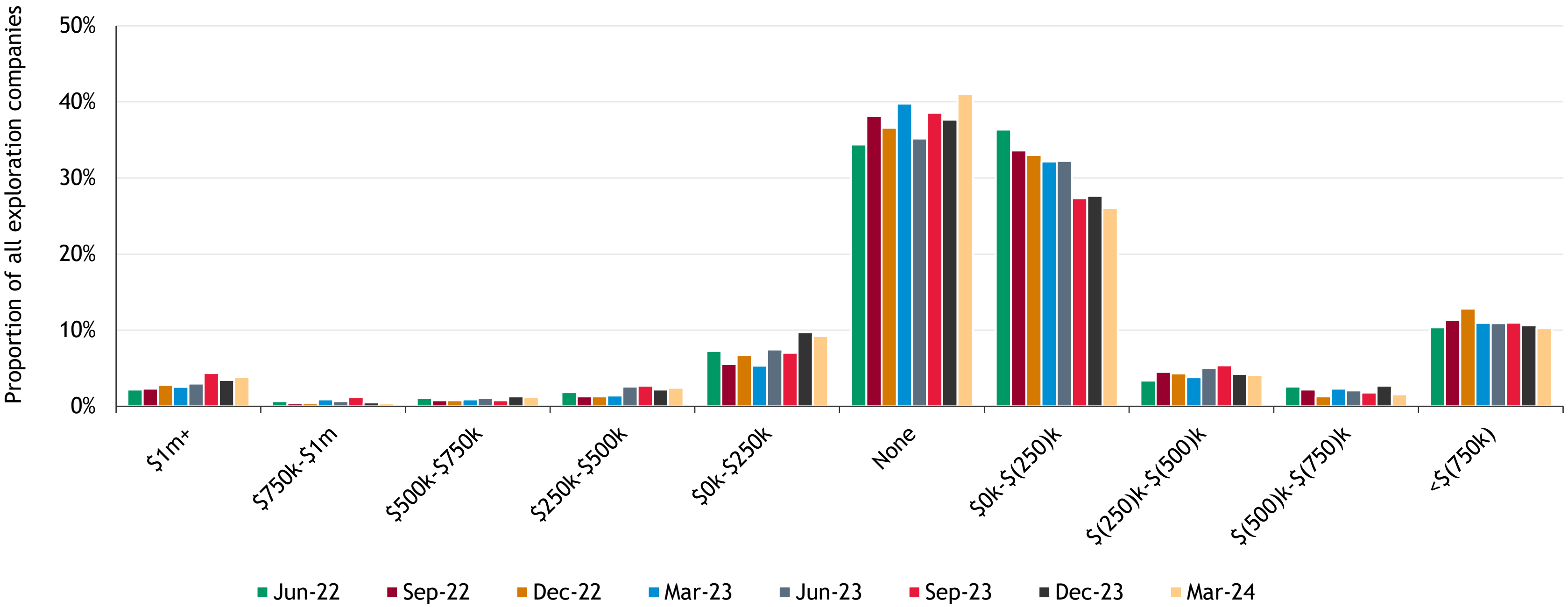
The proportion of companies with net investment outflows has trended downwards since the December 2021 quarter, decreasing to a two-year low of 42 per cent in the March 2024 quarter. Simultaneously, the proportion of companies reporting nil investing cash flows and net investment inflows reached two-year highs of 41 per cent and 17 per cent in the March 2024 quarter, respectively. These trends reaffirm that explorers are prioritising the preservation of their cash reserves and deferring investments amidst a softening of capital markets.

Investing cash flows (%)



Furthermore, as observed from the chart below, the deceleration of investing outflows appears to be evident across the entirety of the sector. In terms of net investing inflows, we notably observed an increase in the proportion of companies with investing inflows in excess of $1 million. Upon investigation, the major investment inflows for the quarter were Calima Energy Limited's sale of Blackspur Oil Corp to Astara Energy Corp for $81 million and Kin Mining NL's sale of gold deposits to Genesis Minerals Limited (Genesis) for $15 million in the form of cash and 21,917,532 shares in Genesis, part of which was sold during the quarter for $32 million.

Net investing cash flows

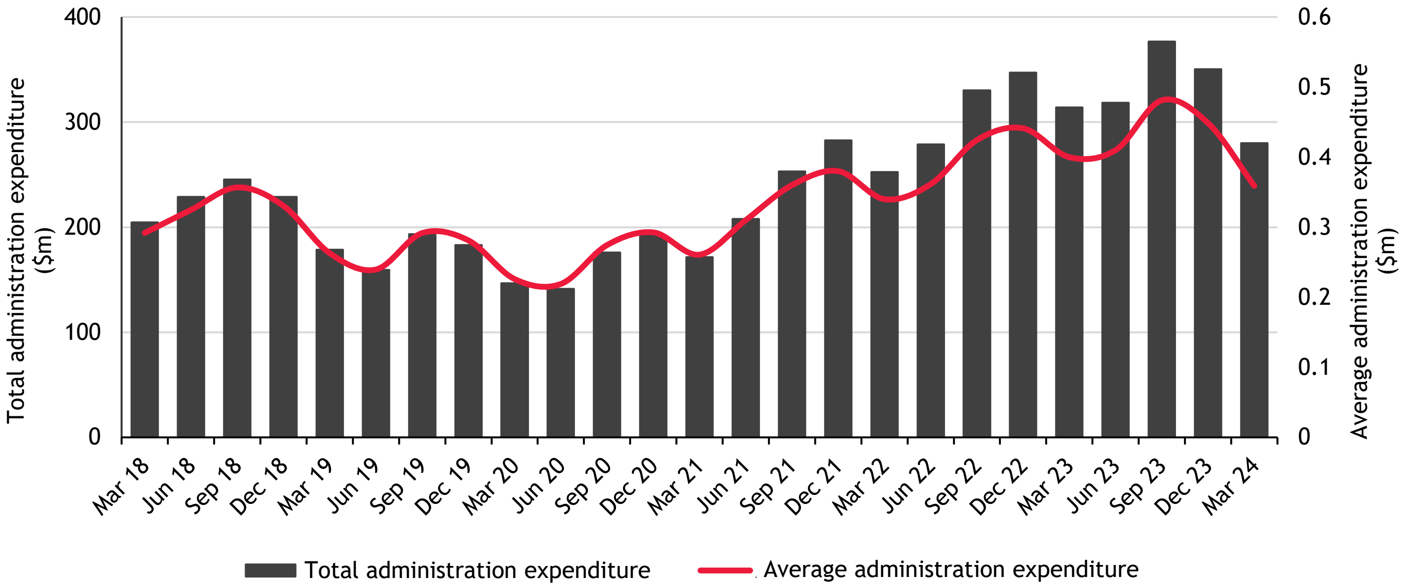


Administration expenditure

Total administration expenditure (comprising mainly of listing fees, professional fees, director fees and other corporate costs), recorded a 20 per cent decrease in the March 2024 quarter to $280 million, marking a new low since the June 2022 quarter. Furthermore, total administration expenditure remained 12 per cent lower than the two-year average of $317 million.

The decline in total administration expenditure, complemented by the average administration expense per company decreasing from $0.45 million in the December 2023 quarter to $0.36 million in the current quarter, aligns with the cyclical trend of administration spending over the past five years. In particular, and as noted in previous issues, we have observed a cyclical pattern where administration expenditure tends to be lower in the March and June quarters, and higher in the September and December quarters.

ASX explorers' administration expenditure ($M)



The elevated levels of administration expenditure incurred over the last two quarters is largely a result of inflation filtering through to corporate costs. Additionally, the tight labour market has contributed to upward pressure placed on staff remuneration and the quantum of fees paid to external advisers. Conversely, in the current quarter, the fall in administration expenditure could be ascribed to the conservative approach to spending adopted by explorers, which has similarly impacted the subdued exploration and investing expenditure levels.

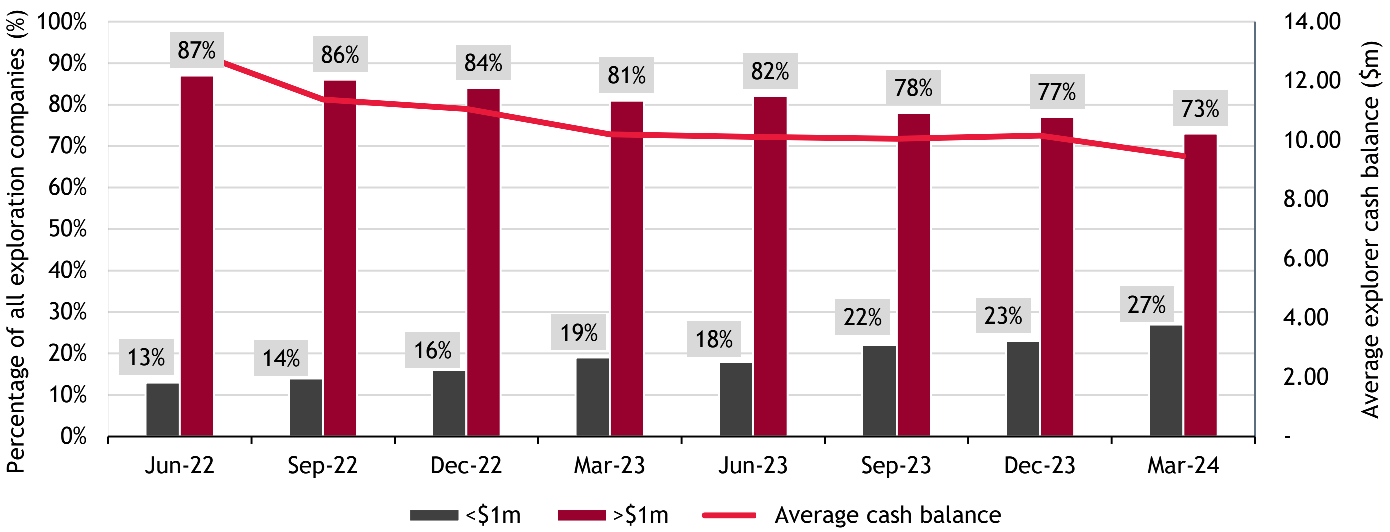
We further highlight that the moderation in inflation levels observed in the March 2024 quarter has played a role in reducing administration expenditure during the quarter. As upward inflationary pressures ease, we expect a deceleration in the rate of increase in average administration costs in the medium to long term. Nonetheless, we anticipate the lingering influence of inflationary pressures on administration expenditure in the upcoming quarters.

March 2024 quarter cash position expenditure

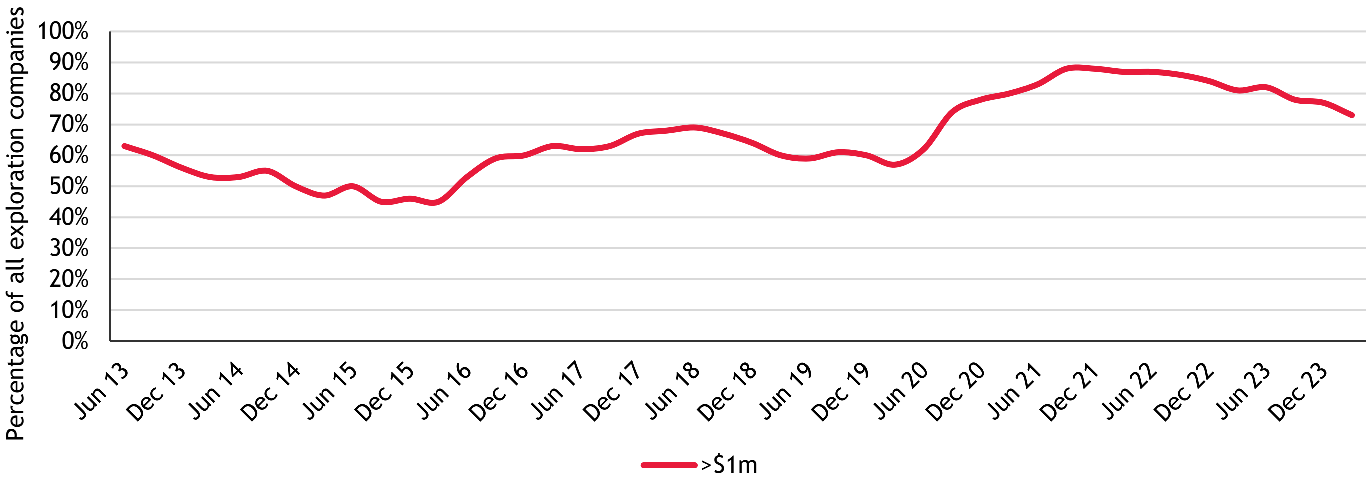
The average cash balance of explorers fell to a three-year low of $9.5 million in the March 2024 quarter, a seven per cent decrease from the average cash balance of $10.2 million in the previous quarter. Simultaneously, 73 per cent of exploration companies reported a cash balance of over $1 million, down from 77 per cent in the December 2023 quarter. Notably, this marks the third consecutive quarter in which this measure has dipped below 80 per cent (the first time since December 2020.)

Despite this decline, the overall cash position of explorers still remains relatively strong when compared to the average cash positions at the commencement of our analysis in June 2013. While inflationary pressures and a slowdown in fundraising may have impacted cash balances, companies are demonstrating resilience by maintaining ample cash balances in anticipation of potential challenges that may arise over the remainder of 2024.

ASX explorers' cash balance



ASX explorers' cash balance (%)



Interestingly, whilst the average cash balance for all explorers was $9.5 million as at 31 March 2024, the average cash balance for lithium explorers was more than double the average, with an average of $21.6 million. The higher-than-average cash balances of lithium explorers highlights the strong twelve months of fundraising for lithium explorers in 2023. As a result, lithium explorers have continued to invest in large exploration spends in the current quarter.

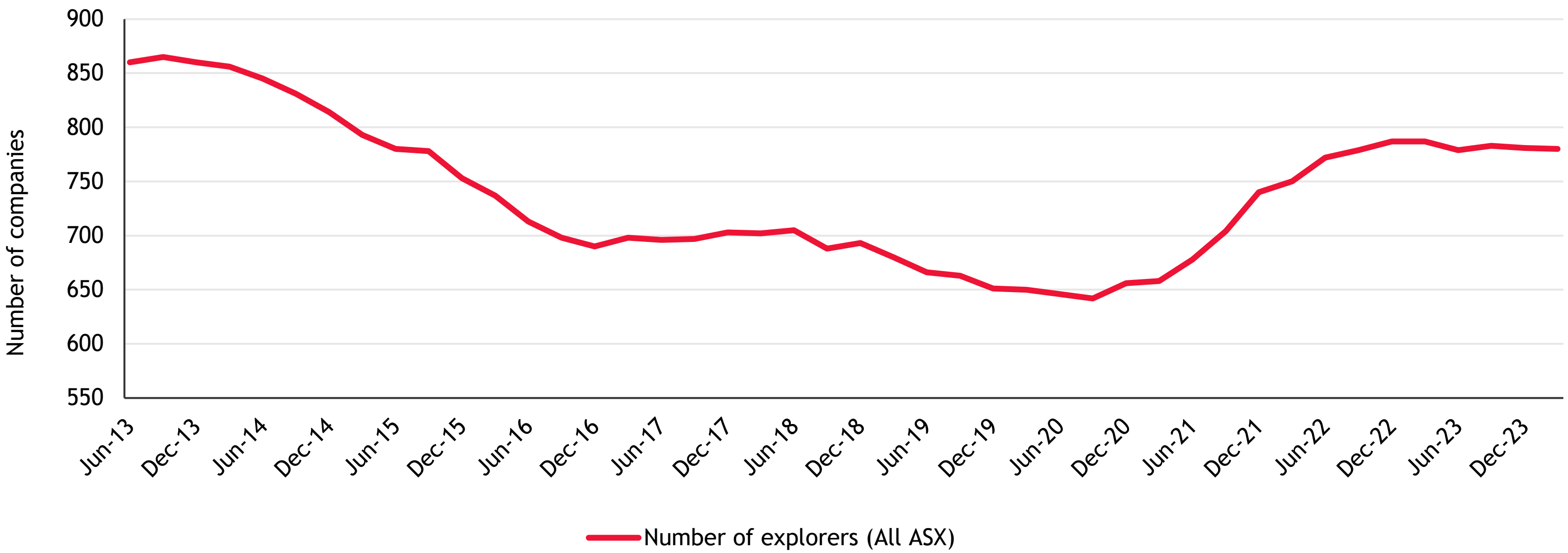
Number of companies lodging Appendix 5B reports: June 2013 – March 2024

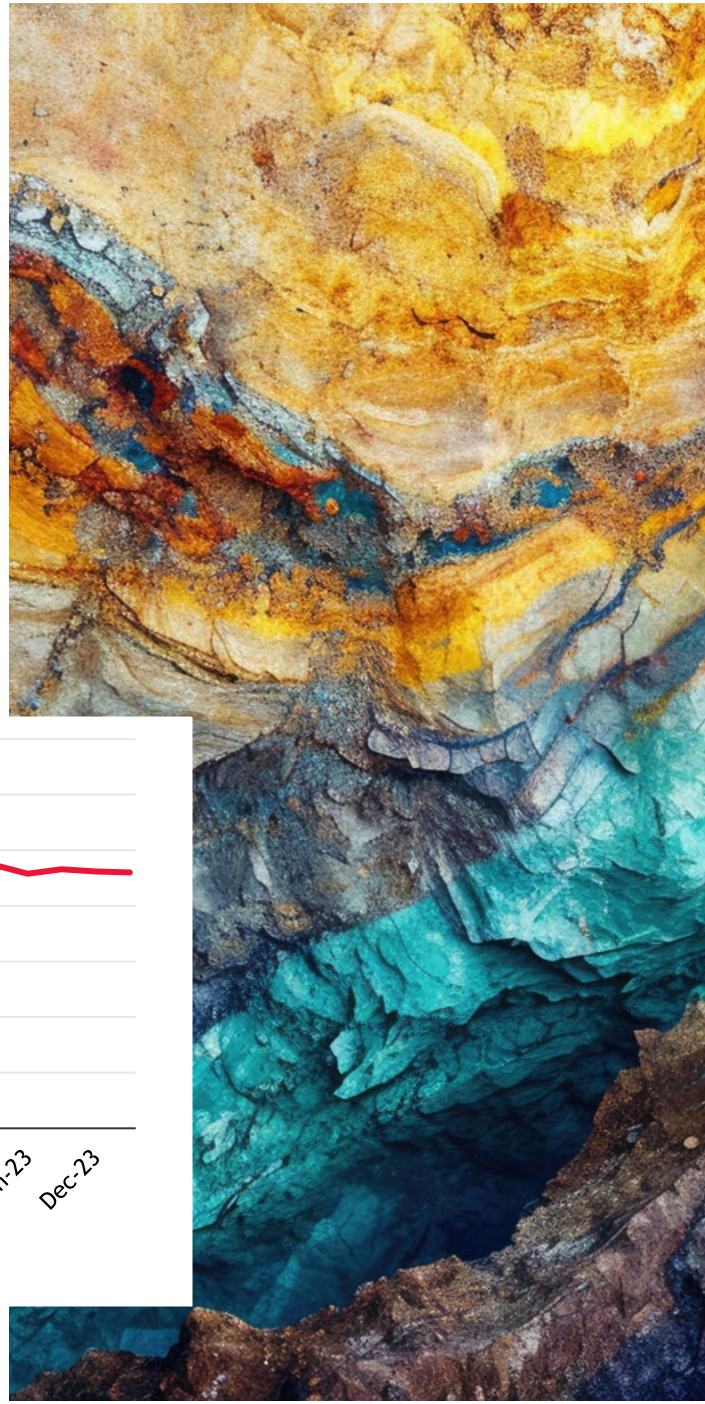
780 companies lodged an Appendix 5B in the March 2024 quarter, a decrease of one company from the 781 seen in the December 2023 quarter. Three exploration companies completed an IPO and lodged an Appendix 5B for the first time in the March 2024 quarter, being:

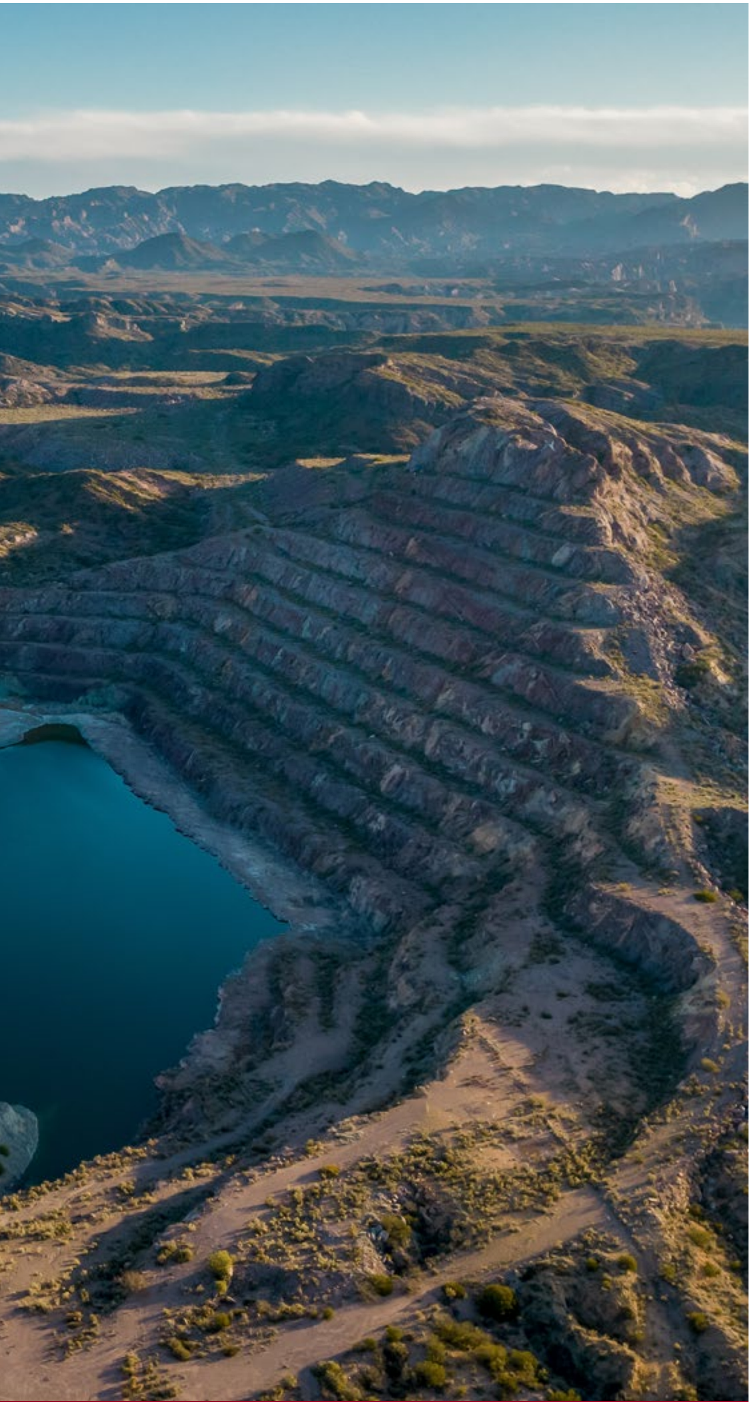
- Far Northern Resources Limited
- Infini Resources Limited
- Litchfield Minerals Limited.

Of the three newly listed companies, two related to 'clean energy' minerals, specifically lithium/uranium and copper, and one was a gold explorer.

Number of companies to lodge 5B reports from June 2013 - March 2024







As noted in previous quarters, there has been a declining trend in the number of companies lodging an Appendix 5B since June 2013. In June 2013 (when we commenced our analysis), there were 860 companies that lodged a quarterly cash flow report, with a peak over the period of 865 companies in the September 2013 quarter. This peak was followed by a consistent decline from the June 2014 quarter to the December 2016 quarter, when we observed many exploration companies either delisting or being used as listing vehicles for backdoor listings, primarily by technology and biotechnology companies.

However, between September 2020 and the end of 2021, we observed a reversal of this trend due to the surge in the number of IPOs by exploration companies on the ASX, which was supported by favourable capital market conditions coupled with strong commodity prices.

Throughout 2020, there were an average of seven explorer IPOs per quarter. In 2021, this increased to around 26 IPOs per quarter. Down from this peak, the 2022 calendar year witnessed an average number of 17 explorer IPOs per quarter. The IPO market experienced a noticeable slowdown in 2023, as reflected by an average of six IPOs per quarter during the calendar year.

The market's enthusiasm for IPOs has certainly dwindled, influenced by higher interest rates offering alternative sources of returns for investors. Uncertainty regarding future rate increases has also had an effect on the ability of explorers to raise funds, consequently impacting the appetite for IPOs of exploration companies. Despite this, we have observed successful IPOs to have originated from explorers within the prime commodities of 'energy transition' metals, such as lithium, rare earths, and other critical metals, in addition to gold, for which investor appetite remains robust.

The March 2024 quarter saw a decrease of one company lodging an Appendix 5B compared to the previous quarter. A total of four companies that reported Appendix 5Bs in the March 2024 quarter were not captured in our December 2023 quarter data for the following reasons:

- Three companies recently completed an IPO and lodged an Appendix 5B in the March 2024 quarter.
- One company lodged an Appendix 5B for the first time since the December 2022 quarter. The company had been suspended from trading since December 2022 and appointed voluntary administrators in May 2023.

This was offset by five companies that did not report Appendix 5Bs in the March 2024 quarter for the following reasons:

- Three companies were delisted as a result of being acquired or merged with another company, being:
  - 92 Energy Limited was acquired by ATHA Energy Corp., by way of a scheme arrangement.
  - Lithium Power International Limited was acquired by Corporación Nacional del Cobre de Chile, by way of a scheme of arrangement.
  - Technology Metals Australia Limited was acquired by Australian Vanadium Limited, by way of a scheme of arrangement.
- One company voluntarily delisted at the request of its security holders, pursuant to ASX Listing Rule 17.11.
- One company delisted as a result of its securities being suspended from trading for a continuous period of two years, pursuant to ASX Listing Rule 17.12.

BDO insight - Uranium goes nuclear and gold follows suit

Despite historically being considered one of the quieter quarters of the year, explorers continued to tap into equity markets to fund exploration programs and the development of emerging projects, particularly for uranium. With Australia ranking as the fourth largest global supplier of uranium, both established and emerging explorers play a significant role within the global market, particularly as industry bodies continue to lobby for the current Western Australian uranium mining ban to be lifted. Nevertheless, our data reveals that uranium explorers are revelling, fuelled by a rich flow of capital on the back of market factors that have resulted in uranium prices doubling within a year.

Contrary to gold, the uranium price growth is a story of a short-term supply gap on the back of a global mindset shift towards nuclear energy and its pivotal role as a portfolio solution in the energy transition. While Australia wrestles with a domestic debate over the adoption of nuclear energy, 22 nations, including the United States, Canada, Japan, France, the United Kingdom, and the United Arab Emirates, committed to tripling their nuclear generation capacity by 2050, from a baseline year of 2020, at the United Nations' Climate Change Conference in December 2023 (COP28). As Australia navigates its stance on nuclear energy, the interplay of global supply and demand factors paint a dynamic outlook for the industry's future.

In the coming two years, demand is expected to rise with a limited change in supply, due to the activation of several reactors across Europe and parts of Asia, which will be partially offset by the anticipated enactment of the United States' ban on enriched uranium from Russia. With reference to current optimistic long-term price forecasts and noting that Australia currently has three producing and only one near term producing mine, Australian explorers may face challenges in capitalising on current uranium prices without fast tracked approvals and support from both state and federal governments.

Maintaining its prominent feature in our explorer updates over the past decade, gold explorers reaffirmed the timeless phrase "as good as gold." As a result of ongoing geopolitical tensions brought about by the Russia-Ukraine and Israel-Hamas conflicts, coupled with inflation remaining higher than most central bank targets, the price of gold surpassed the record highs set in the previous quarter. With expectations for interest rate cuts in Australia and the United States to be likely delayed until the final quarter of 2024 or the first quarter of 2025, analysts have revised their long-term price forecasts upward, which should see the larger end of the market, being gold producing companies, taking advantage first. On the smaller end of the market, we still consider there to be an appetite for small fundraises to support drilling campaigns.

For the first time since the September 2022 quarter, lithium has slipped from its usual podium position in our Fund Finder analysis. After a turbulent twelve months for lithium explorers, analysts and industry participants have expressed short term concerns regarding project viability, particularly in light of forecast prices being subdued over the next 12 to 24 months. Despite this, most analysts are retaining an optimistic long-term outlook for the commodity. It is likely that attention may shift to low-cost emerging projects in favourable mining jurisdictions, capable of operating profitably at current prices and capitalising on future price fluctuations.

As we look forward to the rest of the year, focus is expected to intensify on emerging projects in the critical minerals sector, especially lithium, with support from The National Reconstruction Fund Corporation, allocating approximately $1 billion towards value-adding resources. Furthermore, as introduced in the 2024-25 Federal Budget, the Australian Government will establish a temporary Critical Minerals Production Tax Incentive starting 1 July 2027. This incentive provides eligible participants a refundable tax offset of ten per cent for the costs of processing critical minerals. Notably, eligibility is limited to companies engaged in the processing, rather than those digging it up. Given the incentive will be available to producers for a maximum of ten years between 1 July 2027 and 30 June 2040, it is likely that only explorers at the advanced end of the market will be able to recoup the benefit.

A declining lithium price and short-term outlook have led to deflated valuations in the sector. Coupled with a high-cost environment and an optimistic longer-term view on pricing, this makes the sector ripe for M&A activity. Moreover, the IPO market has been quiet. Indications are that whilst there may be a small revival in IPOs during 2024, particularly towards the end of the year, the number of ASX listed explorers is likely to plateau and to remain steady for the next year or more with any new IPOs likely to be balanced out by M&A activity seeing explorers disappearing.

We have recently witnessed the creation of a leading global gold company through the merger of Newmont Corporation and Newcrest Mining Limited. While the BHP Limited offer for Anglo American plc, aiming to secure its South American copper assets was unsuccessful, this wave of M&A at the top end of town will often cause ripples through the entire mining and exploration sector, as the larger players look to divest non-core assets. We certainly see this as a space to watch over the coming quarters.

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