EXPLORER QUARTERLY CASH UPDATE

QUARTER ENDED 30 JUNE 2019

RESEARCH INTO THE FINANCIAL HEALTH OF AUSTRALIAN-LISTED EXPLORERS - QUARTER ENDED 30 JUNE 2019

BDO's report on the cash position of Australian-listed explorers for the June 2019 quarter (based on quarterly Appendix 5B reports lodged with the Australian Securities Exchange ('ASX')) provides positive signals for the exploration sector with the highlights being the increase in financing inflows and exploration expenditure. Total exploration spend exceeded the two year average ($411 million) and financing inflows reverted toward the two year average ($1.37 billion) after declining to $908 million in the March 2019 quarter.

The Australian resources sector performed solidly in the June quarter, with the S&P/ASX 200 Resources Index increasing by 4.3%. The increase can partly be attributed to a continuation of high prices for commodities like iron ore and gold and monetary easing by central banks, which typically increases liquidity and can have a positive impact on capital markets. The strong rally experienced by the Australian resources sector since the start of 2019 appears to have given some explorers greater confidence to raise capital and continue to invest more in the ground.

BDO is seeing continuation of a two-speed market, where explorers like Gold Road Resources, which had favourable commodities and projects nearing production, are finding it easier to raise capital. Smaller explorers are continuing to struggle to raise capital through the share market, which is partly being overcome by some explorers seeking funding from larger mining companies in exchange for farm-in agreements A recent example was Musgrave Minerals' ('Musgrave') agreement to give Evolution Mining ('Evolution') a 75% stake in Musgrave's Cue gold project, in exchange for Evolution spending $18 million on exploration over the next five years.

A total of 666 Appendix 5B reports were lodged during the June 2019 quarter, down from 680 in the March quarter. The decline in 5B lodgements could partly be explained by continued consolidation between explorers as evidenced by Intrepid Mines Limited's ('Intrepid') acquisition of gold and base metals explorer AIC Resources Limited ('AIC Resources') in May 2019. However, the main reason for the decrease was the seven companies that were delisted and three companies that were suspended during the quarter.

The June quarter was particularly strong for gold, with the price increasing by 9% during the quarter. The gold price has been driven higher by a combination of rising share market volatility, geopolitical tensions and falling interest rates. The high price and falling Australian dollar contributed to strong share prices and profits for many Australian gold producers and encouraged corporate activity within the sector.

Gold explorers accounted for 34.1% of the total capital raised by exploration companies for the June quarter. One of the highlights was the $105.63 million capital raising by West African Resources Limited ('West African') to progress the development of the Sanbrado Gold Project in Burkina Faso. Another highlight was the Initial Public Offering ('IPO') of gold explorer Mont Royal Resources Limited ('Mont Royal Resources') on 7 May. As at the last trading day of the June quarter 2019 (Friday 28th), the company was trading 35% above the 20 cent issue price.

Despite the ongoing uncertainty posed by events like the US/China trade dispute, Brexit and instability in Hong Kong, the rising volatility has provided greater opportunities within certain sectors like gold, and BDO expects to see a solid pipeline of M&A and capital raising activity continuing within the exploration and mid-tier producer sector during the second half of 2019.

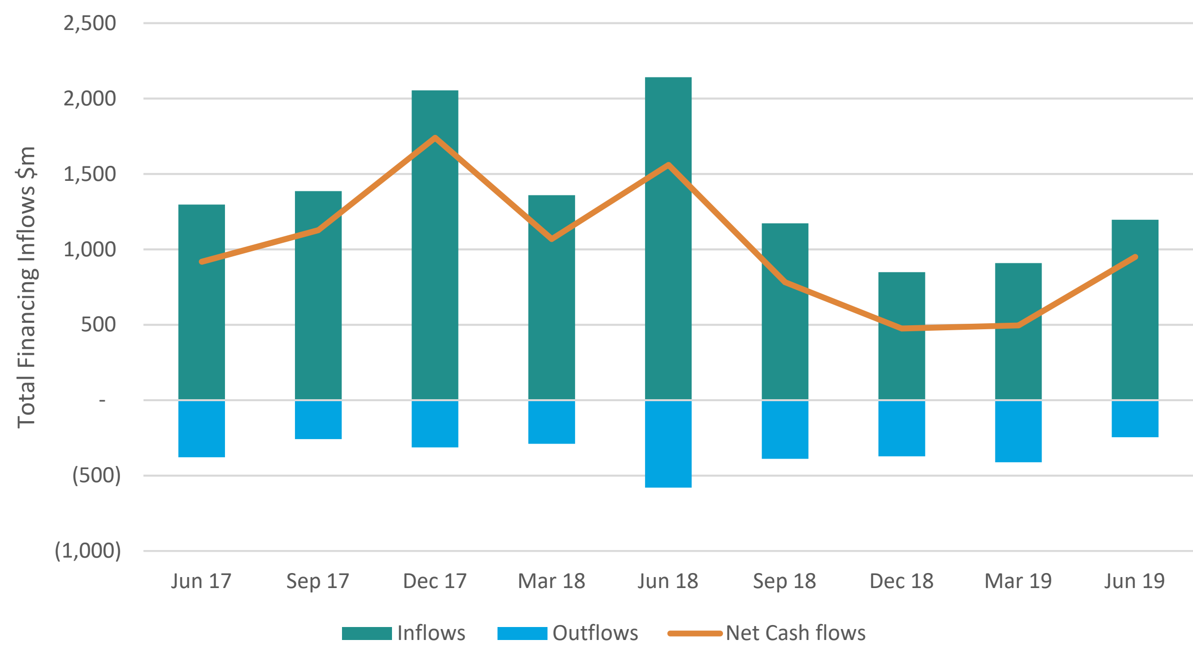
- Financing inflows increased by 32% in the June quarter to $1.2 billion; the highest level since the June quarter of 2018; and
- Exploration spend increased by 20% in the June quarter to $435 million; up from $363 million in the March quarter.

FINANCING CASH FLOWS

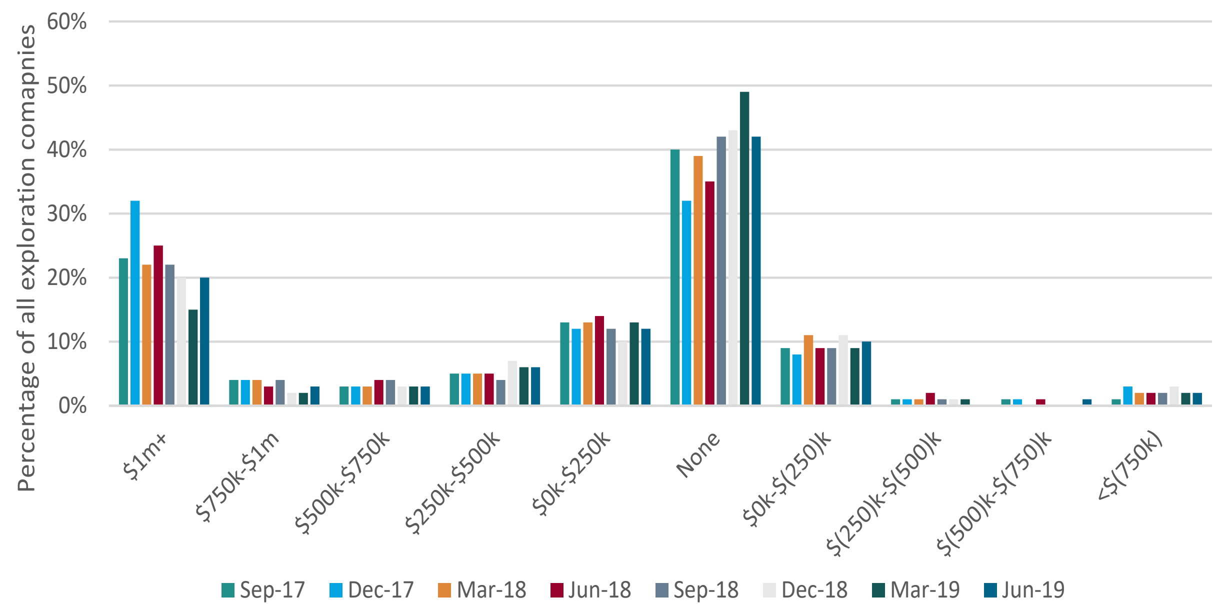
Financing cash inflows for the June 2019 quarter were $1.2 billion, representing an increase of 32% from $908 million in the March quarter. The increase in financing inflows is a positive sign and reverses the decline which was observed over the previous two quarters.

The proportion of exploration companies with net financing inflows increased for 38.5% in the March quarter to 44.7% in the June quarter of 2019, indicating that more companies were raising funds and it was not just an increase in fund raisings from the larger end of the sector. Notwithstanding, the increase in net financing inflows was mainly driven by those exploration companies raising more than $1 million. The total number of explorers raising more than $1 million increased from 103 in the March quarter to 133 in the June quarter of 2019, which reflects an increase in confidence by financiers, as well as solid valuation levels in which exploration companies are willing to go to market.

FINANCING CASH FLOWS ($M)



NET FINANCING CASH FLOWS ($M)

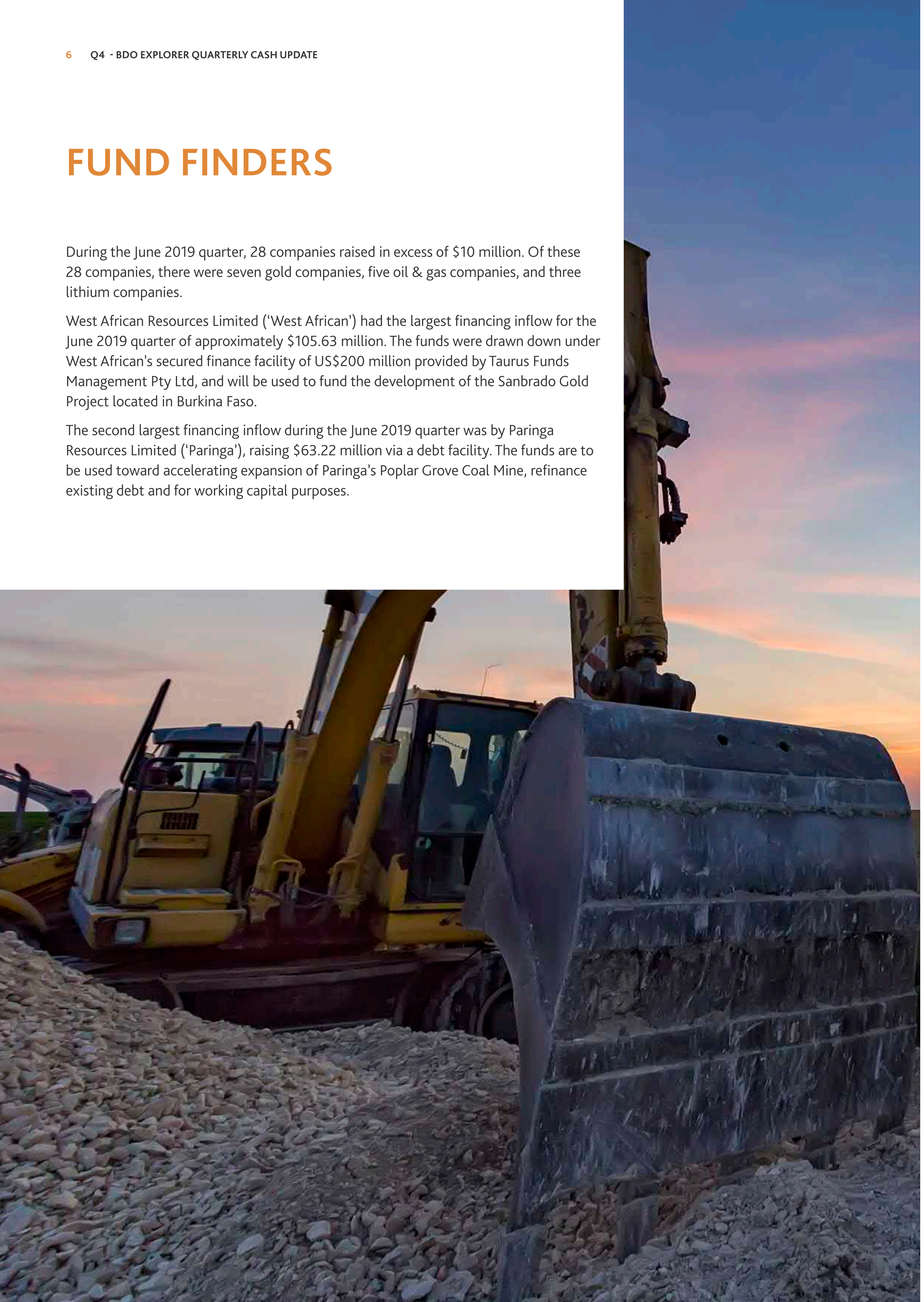


FUND FINDERS

During the June 2019 quarter, 28 companies raised in excess of $10 million. Of these 28 companies, there were seven gold companies, five oil & gas companies, and three lithium companies.

West African Resources Limited ('West African') had the largest financing inflow for the June 2019 quarter of approximately $105.63 million. The funds were drawn down under West African's secured finance facility of US$200 million provided by Taurus Funds Management Pty Ltd, and will be used to fund the development of the Sanbrado Gold Project located in Burkina Faso.

The second largest financing inflow during the June 2019 quarter was by Paringa Resources Limited ('Paringa'), raising $63.22 million via a debt facility. The funds are to be used toward accelerating expansion of Paringa's Poplar Grove Coal Mine, refinance existing debt and for working capital purposes.



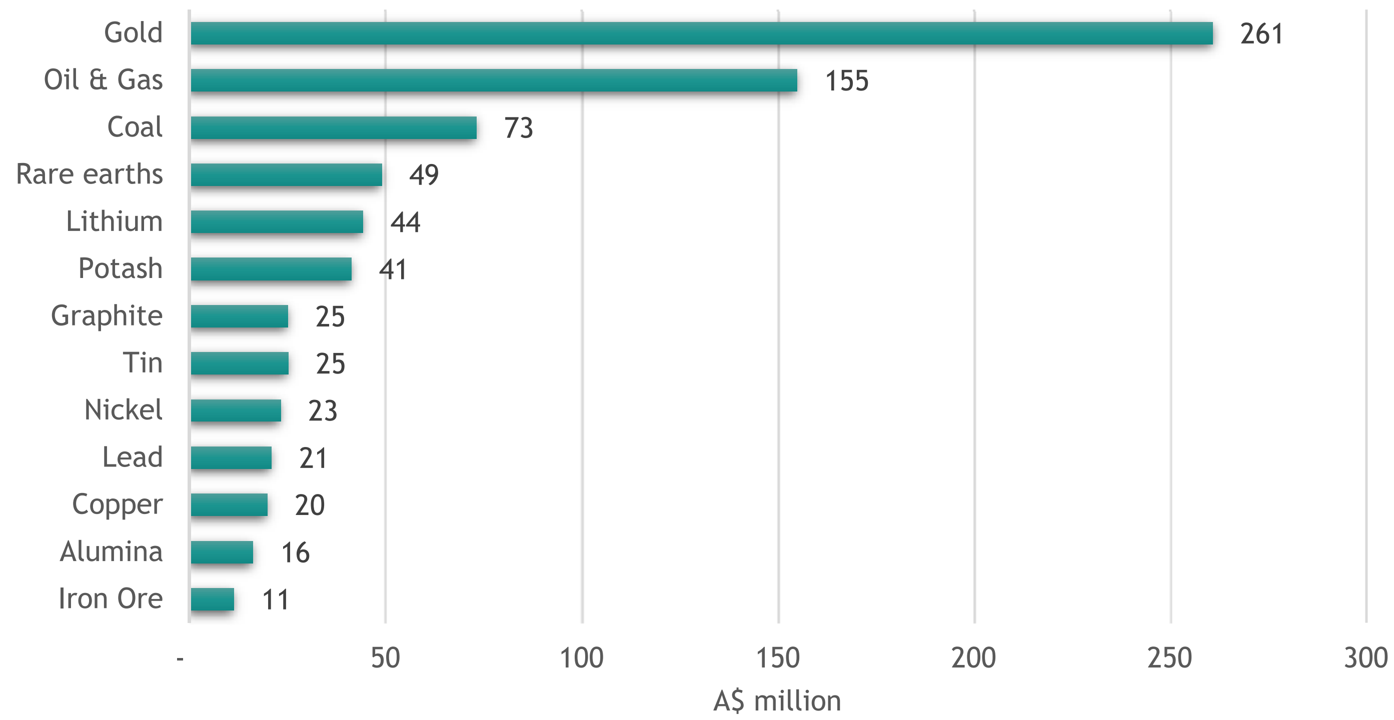
Companies that raised funds through debt and/or equity in excess of $10 million during the June quarter of 2019 are set out below:

COMPANY	COMMODITY	MECHANISM OF RAISING
Aeon Metals Limited	Copper	$8.00 million in proceeds from borrowings and $11.90 million in proceeds from exercise of options
Alita Resources Limited	Lithium	$22.50 million in proceeds from issue of shares
Altech Chemicals Limited	Alumina	$16.20 million in proceeds from issue of shares
Blackham Resources Limited	Gold	$25.81 million in proceeds from issue of shares
Bounty Mining Limited	Coal	$10.00 million in proceeds from borrowings
Capricorn Metals Limited	Gold	$10.15 million in proceeds from issue of shares
Consolidated Tin Mines Limited	Tin	$1.28 million in proceeds from borrowings and $23.95 million in proceeds from issue of shares
Echo Resources Limited	Gold	$18.22 million in proceeds from issue of shares
Far Limited	Oil & Gas	$44.92 million in proceeds from issue of shares
Gascoyne Resources Limited	Gold	$24.48 million in proceeds from issue of shares
Gold Road Resources Limited	Gold	$32.47 million in proceeds from borrowings
Hastings Technology Metals Limited	Rare earths	$22.82 million in proceeds from issue of shares
Kalium Lakes Limited	Potash	$20.81 million in proceeds from issue of shares
Lepidico Limited	Lithium	$11.06 million in proceeds from issue of shares
Mincor Resources NL	Nickel	$23.32 million in proceeds from issue of shares
Myanmar Metals Limited	Lead	$20.79 million in proceeds from issue of shares and $0.22 million in proceeds from exercise of options
Northern Minerals Limited	Rare earths	$20.41 million in proceeds from issue of shares and $5.85 million in proceeds from issue of convertible notes
Otto Energy Limited	Oil & Gas	$31.21 million in proceeds from issue of shares
Pantoro Limited	Gold	$43.04 million in proceeds from issue of shares and $0.99 million in proceeds from borrowings
Paringa Resources Limited	Coal	$63.22 million in proceeds from borrowings
Pilbara Minerals Limited	Lithium	$10.70 million in proceeds from exercise of share options
Salt Lake Potash Limited	Potash	$20.25 million in proceeds from issue of shares and $0.30 million in proceeds from exercise of options
Samson Oil & Gas Limited	Oil & Gas	$47.76 million in proceeds from borrowings
Strike Energy Limited	Oil & Gas	$11.70 million in proceeds from issue of shares and $5.00 million from an option fee
Sundance Energy Australia Limited	Oil & Gas	$14.26 million in proceeds from borrowings
Syrah Resources Limited	Graphite	$25.14 million in proceeds from issue of shares
TNG Limited	Iron Ore	$11.32 million in proceeds from issue of shares
West African Resources Ltd	Gold	$105.63 million in proceeds from borrowings

In total, the 28 companies that raised in excess of $10 million accounted for $765.7 million (64.0%) of the $1.2 billion in total financing inflows recorded during the June quarter of 2019. Of the $765.7 million raised by these 28 companies shown in the table, gold accounted for 34.1% of the total financing inflows, followed by oil & gas with 20.2%.

Gold as well as oil and gas companies attracted the most significant investor interest over the June 2019 quarter, accounting for 54.3% of the total financing inflows within the top 28 companies.

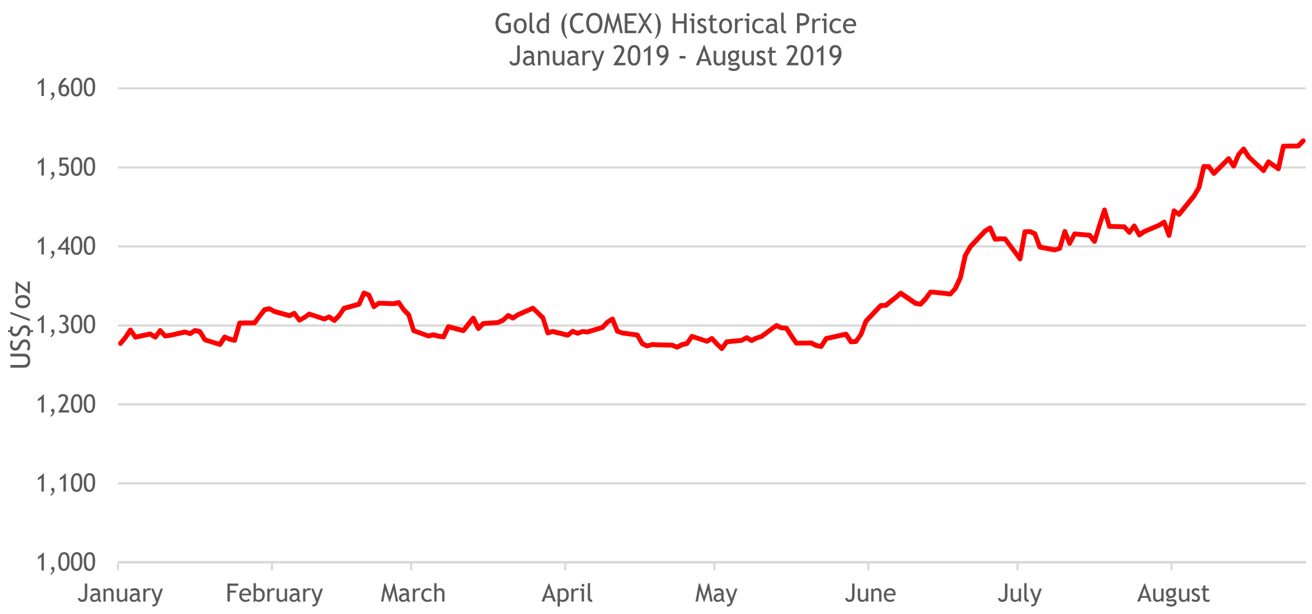
FINANCING INFLOW BY COMMODITY - TOP 28 EXPLORERS JUNE 2019 QUARTER



The June quarter of 2019 saw ongoing M&A activity for gold miners, prompted by the weak local currency driving the Australian-denominated gold price to record highs. Nord Gold SE ('Nord Gold') signed an option agreement with Western Australian based company Alicanto Minerals Limited ('Alicanto') to acquire 100% interest in the Arakaka Gold Project ('Arakaka Project') located in Guyana, South America. As consideration, Nord Gold was to fund exploration expenditure for the Arakaka Project totalling US$3.0 million within one year, and pay an additional US$5.0 million upon exercising the option. Further, major mining operator Newmont Goldcorp Corporation ('Newmont') signed an exploration farm-in and joint venture agreement (together, 'the Agreement') with Prodigy Gold NL ('Prodigy') in relation to the Tobruk Gold Project ('Tobruk Project') located in the Northern Territory. Under the Agreement, Newmont will pay $2.5 million in cash to Prodigy and will solely fund $12.0 million in exploration expenditure to earn up to a 70% interest in the Tobruk Project. Smaller explorers continued to struggle to raise capital through the share market during the June quarter, which was partly due to rising share market volatility which weakened investor confidence at the speculative end of the sector. An easier way for some explorers to obtain funding has been from larger partners who can fund their exploration in exchange for an earn-in agreement into their projects. In this way the expertise of exploration companies is continuing to be used by larger companies who recognise that sometimes the most cost and time effective way of replenishing their own assets is through an earn-in agreement.

Some of the larger companies in the sector also found conditions tough, as evidenced by Alita and Gascoyne Resources who both entered into administration, despite each raising more than $10 million during the June quarter. Gascoyne entered into administration in early June due to an expected material cash shortfall at its Dalgaranga gold operation in Western Australia, while lithium and tantalum miner Alita entered into administration after the directors decided the company was insolvent or likely to become insolvent. This was partly due to a higher than expected monthly cash burn at its Bald Hill mine in Western Australia.

The continued strength of gold is being driven by political uncertainty arising from the US trade tensions with China which has boosted the appeal of the metal. The Australian 10-year Government bond yield has fallen from over 2.65% to less than 1.30% since the end of 2017, leading to a fall in the AUD/USD exchange rate and an increase in the gold price. This contributed to the 21.36% increase of the S&P/ASX All Ordinaries Gold Index during the June quarter.



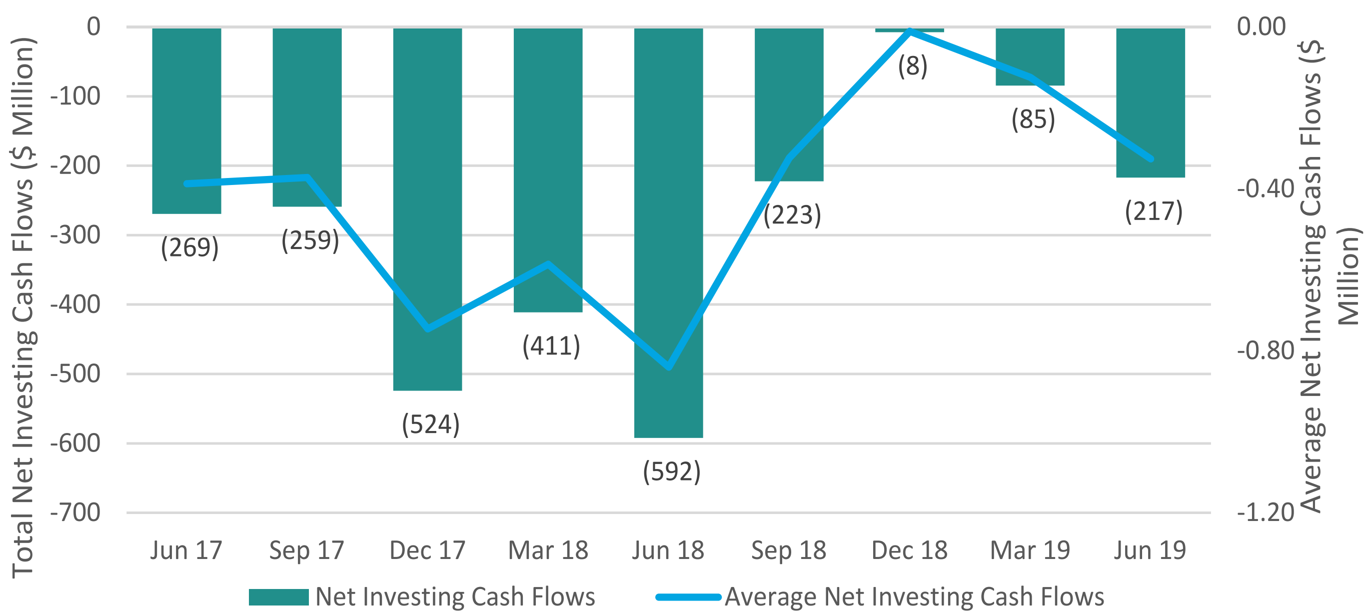
Five of the seven gold companies that raised in excess of $10 million during the June 2019 quarter opted for equity raisings, revealing the strong appetite for gold stocks among investors in the market. Evidenced by a report from the World Gold Council, Australian miners have had a significant influence on the size of the global hedge book over the past year. The record high Australian gold prices during the quarter triggered large gold miners such as Resolute Mining Limited to increase its hedge book during the quarter by adding 30koz of gold. We believe that the increase in funding available to ASX listed gold exploration companies Australia reflects the consensus amongst capital market participants, explorers and producers that share market and economic volatility is likely to continue in the near future, which will enhance the attractiveness of gold as a safe haven asset.

NET INVESTING CASH FLOWS

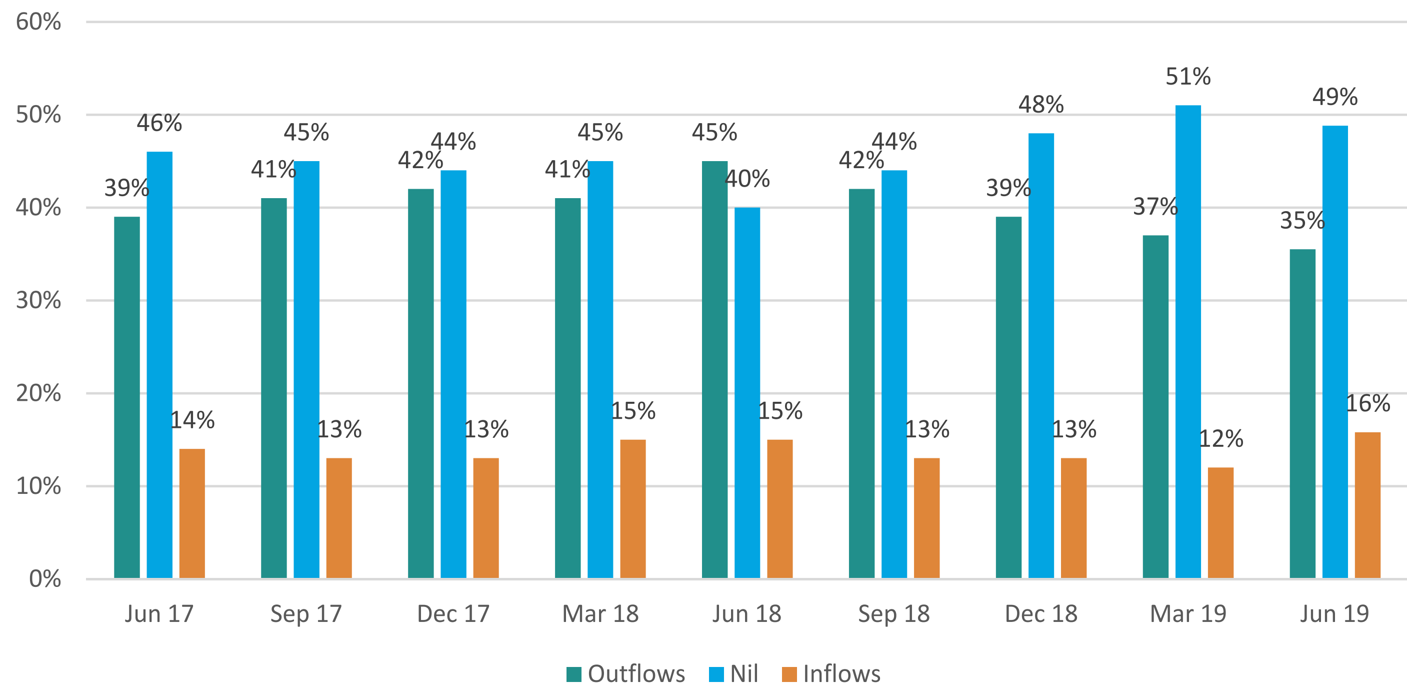
Net investing cash outflows increased from $84.7 million in the March quarter to $217.2 million in the June quarter of 2019. The June quarter result reveals the increased willingness of explorers to invest in property, plant, equipment and infrastructure and is a reflection of the availability of funding to ASX listed exploration companies. This is evidenced by the 32% increase in financing inflows in the June quarter, which provided exploration companies with the confidence required to increase their investment spend.

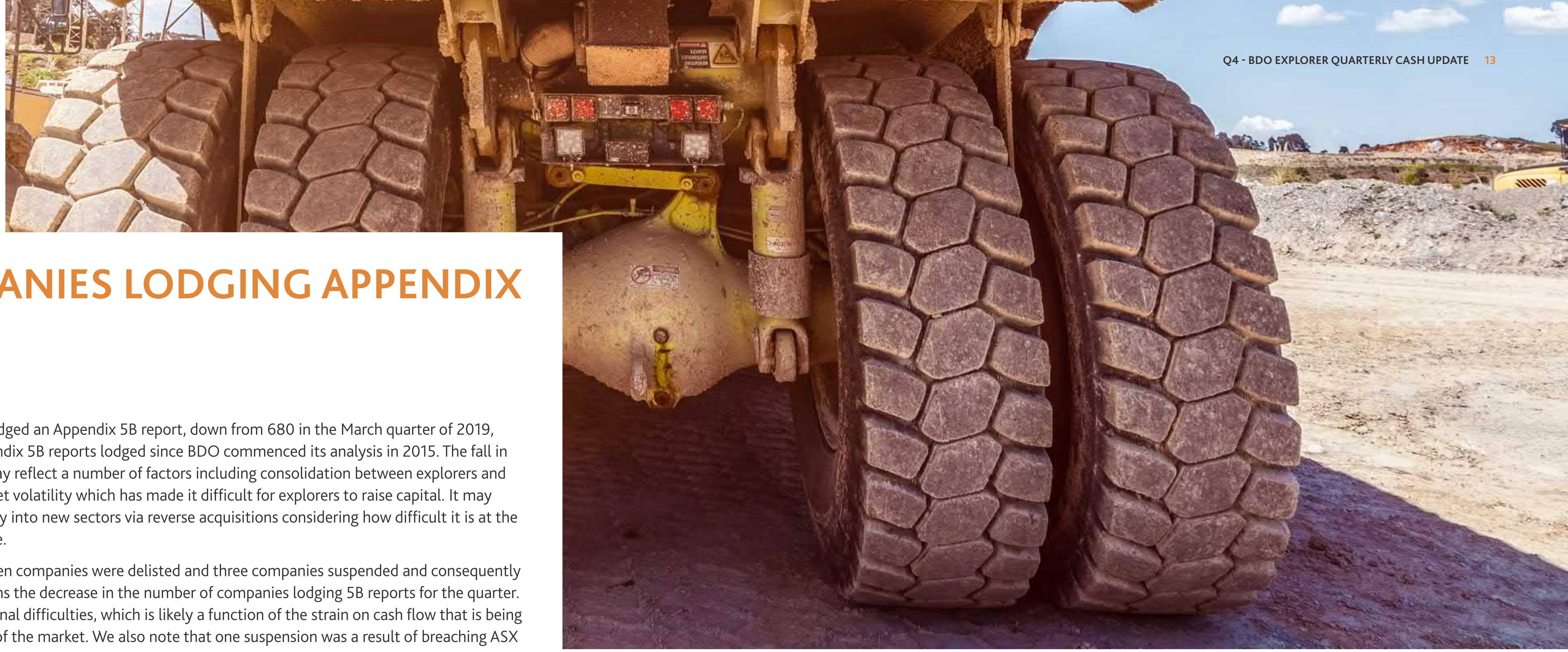
The proportion of exploration companies with net investment expenditure during the June quarter was 35%, marginally down from 37% in the March quarter 2019. The June quarter saw a decrease in the total percentage of companies with nil investing cash flows; declining to 49% from 51% in the March quarter of 2019. The June quarter 2019 also witnessed the highest percentage of exploration companies with net investment inflows (16%) over the past two years.

NET INVESTING CASH FLOWS ($M)



INVESTING CASH FLOWS (%)



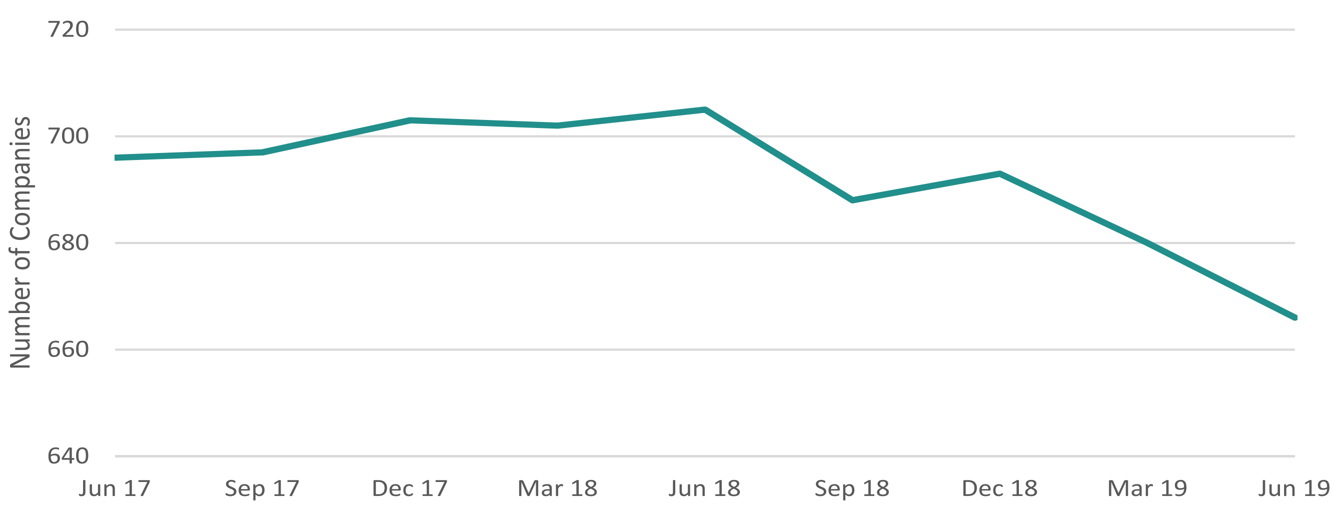


NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS

For the quarter ended 30 June 2019, 666 companies lodged an Appendix 5B report, down from 680 in the March quarter of 2019, which was previously the lowest total number of Appendix 5B reports lodged since BDO commenced its analysis in 2015. The fall in exploration companies lodging Appendix 5B reports may reflect a number of factors including consolidation between explorers and producers in the gold sector and continued share market volatility which has made it difficult for explorers to raise capital. It may also be a result of dormant explorers looking to diversify into new sectors via reverse acquisitions considering how difficult it is at the smaller end of the sector to raise capital and stay viable.

For the June 2019 quarter, our analysis reveals that seven companies were delisted and three companies suspended and consequently did not issue Appendix 5B reports, which largely explains the decrease in the number of companies lodging 5B reports for the quarter. Two suspensions were a result of financial and operational difficulties, which is likely a function of the strain on cash flow that is being felt amongst explorers, particularly at the smaller end of the market. We also note that one suspension was a result of breaching ASX listing rules. Our analysis of the cash flows of exploration companies over several years tells us that when times are tough and share prices decline, M&A opportunities increase.

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



The net decrease of 14 companies to lodge an Appendix 5B report from the March 2019 quarter to the June 2019 quarter was a result of the following:

- Kairiki Energy Limited and Navigator Resources Limited were both subjects of reverse acquisitions involving RPM Automotive Group and AF Legal Group respectively and are no longer required to lodge Appendix 5B reports;
- Intrepid Mines Limited (now AIC Mines Limited) acquired AIC Resources Limited;
- 7 companies were delisted from the ASX during the June 2019 quarter;
- 3 companies were suspended during the June 2019 quarter;
- 4 companies were late to lodge Appendix 5B's in the June 2019 quarter (and were therefore excluded from our analysis);

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

- Mont Royal Resources Limited's ('Mont Royal') IPO during the June quarter;
- Lanka Graphite Limited lodged its June 2019 report and its preceding three quarterly reports on 31 July 2019, therefore it was not included in our previous quarters' dataset. Lanka Graphite Limited is currently the subject of a reverse acquisition with MSY Group, a consumer electronics retailer. Therefore, it is unlikely that it will be a reporting exploration company in coming quarters; and
- The suspension of Oakajee Corporation Limited was lifted.

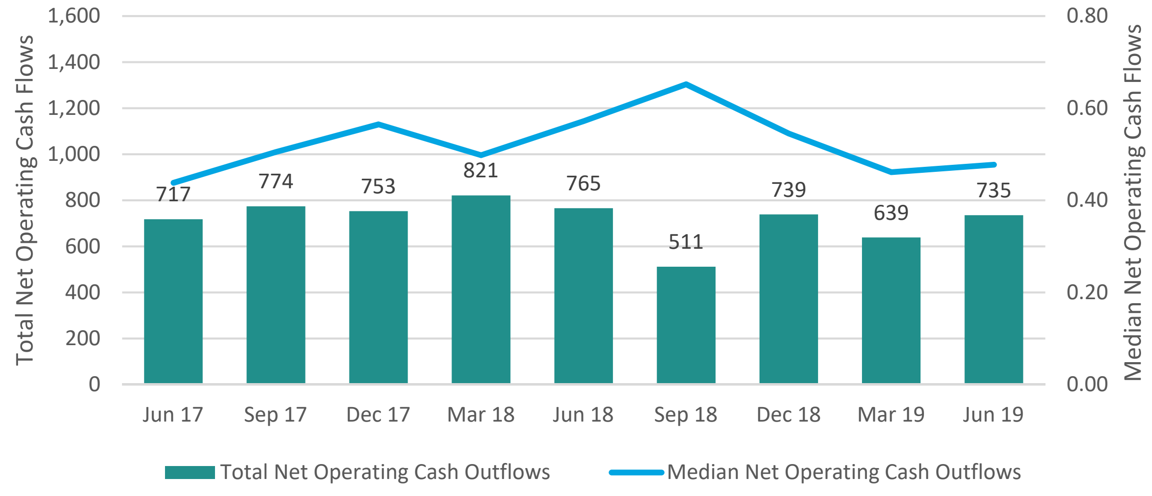
BDO acted as Investigating Accountant and auditor for the only IPO of an exploration company for the quarter, which was Mont Royal, which raised $5 million. This IPO has been a success with Mont Royal's share price closing 35% above the issue price on the last trading day of the June quarter 2019 (Friday 28 June).

NET OPERATING CASH OUTFLOWS

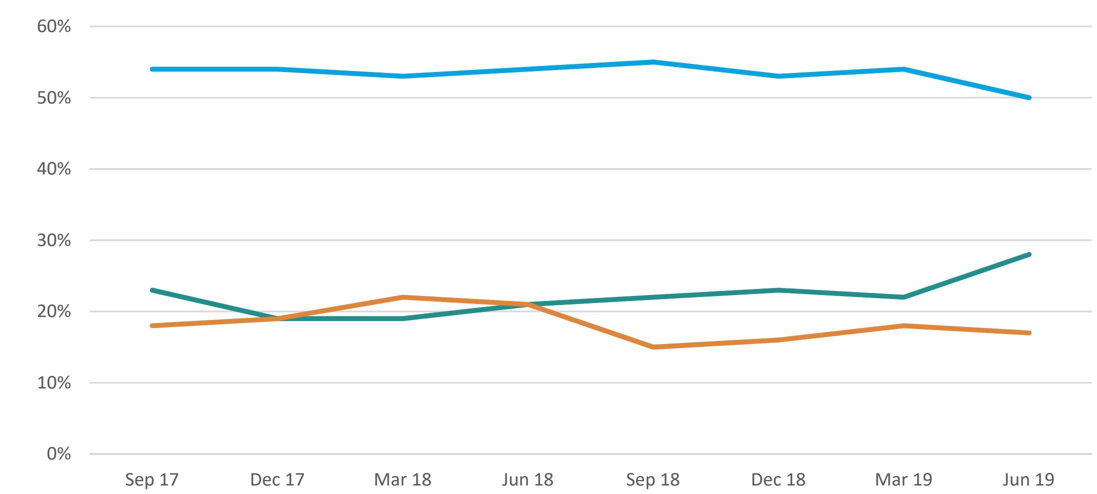
Total net operating cash outflows increased by 15% between the March and June quarters, with the median net operating cash outflow increasing from $0.46 million in the March quarter to $0.48 million in the June quarter. The mean net operating cash flows for the quarter increased by 18% compared to a 4% increase in the median, suggesting that the increase in total net operating cash flows was largely a result of increased expenditure from the larger end of the sector.

Based on current operating expenditure, the proportion of companies that will burn through their cash reserves in one quarter or less, increased from 22% in the March quarter to 28% in the June quarter of 2019. This increase was likely caused by the declining cash reserves of smaller explorers, which leads BDO to believe that insolvencies and M&A activity within the sector will increase in the coming quarters. The number of companies that will burn through their cash reserves between one quarter and two years decreased from 54% to 50%, while the number for more than two years decreased from 18% to 17%, over the same period.

NET OPERATING CASH OUTFLOWS ($M)



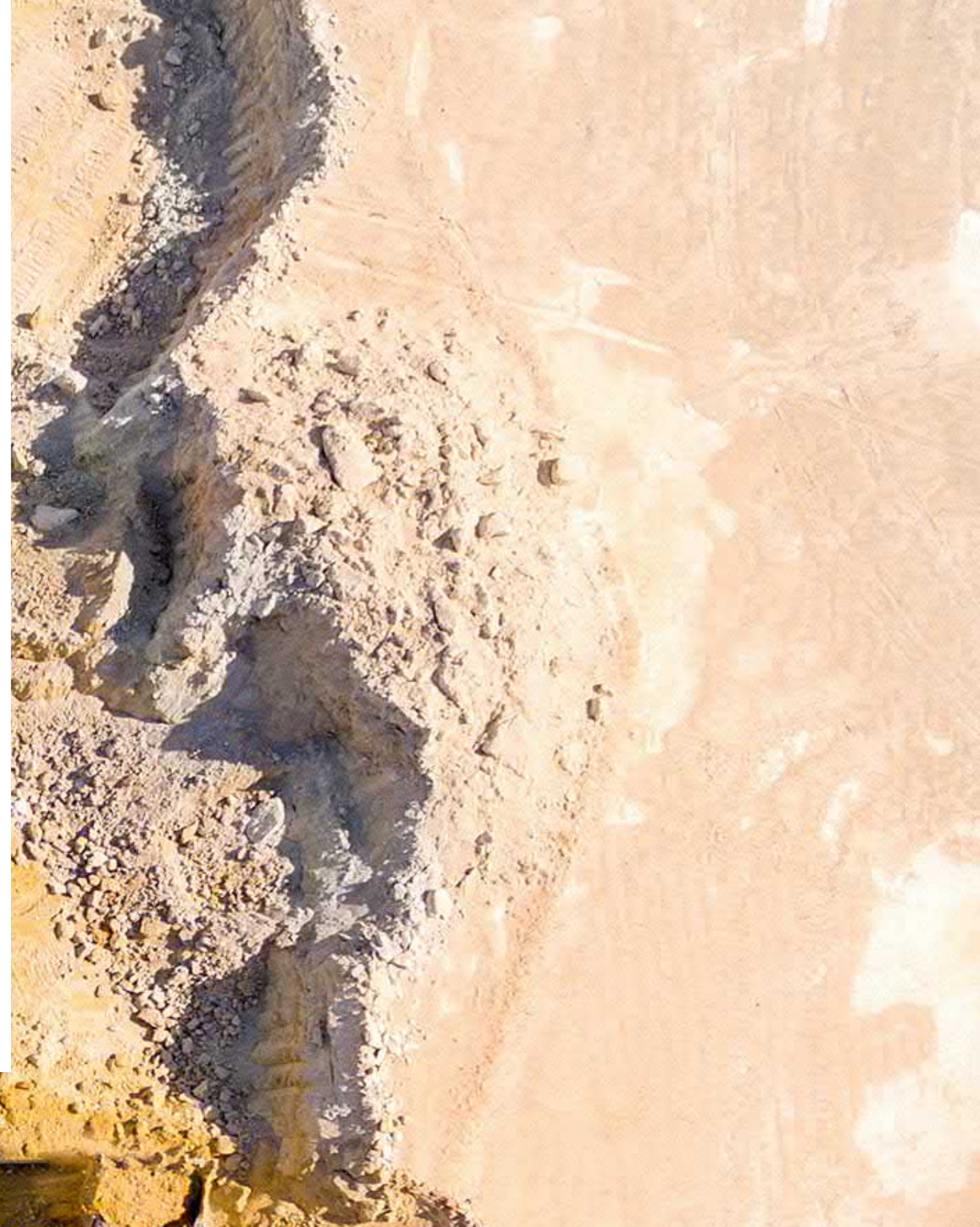
OPERATING EXPENSES - CASH BURN RATE



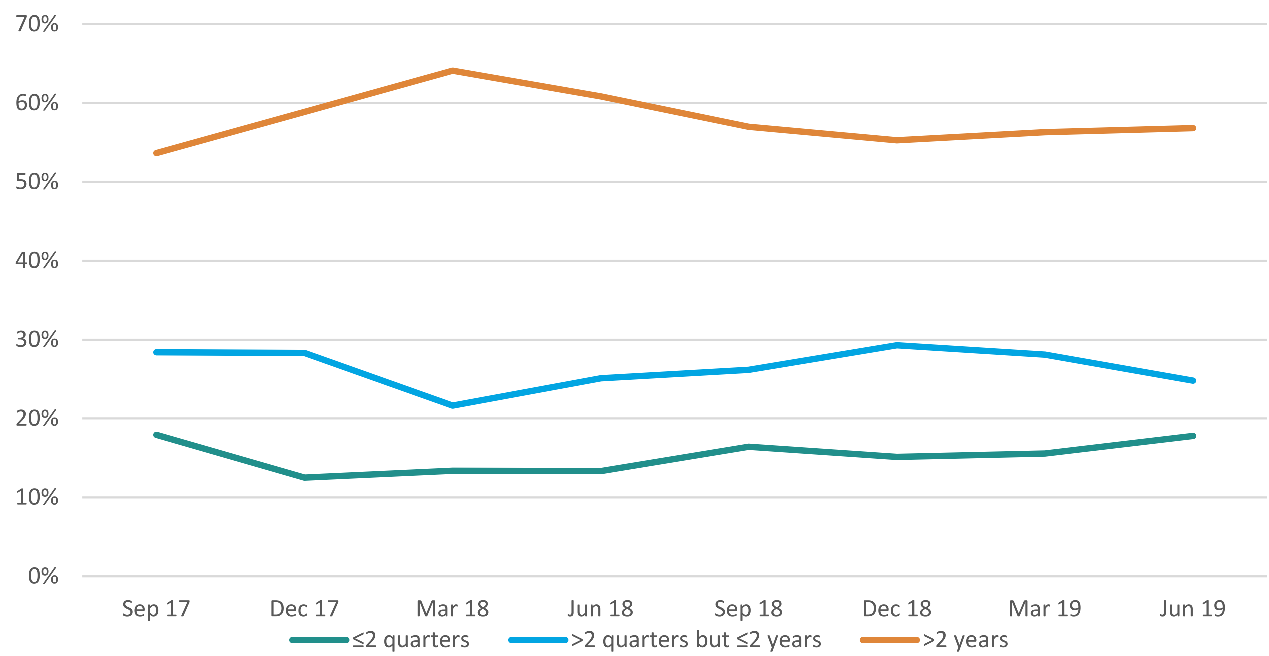
ADMINISTRATION EXPENDITURE

Total administration expenditure declined from $178.7 million in the March quarter to $159.4 million in the June quarter of 2019, representing an 11% decease. The median administration expense incurred by exploration companies was consistent at $0.15 million over these two quarters.

In recent years we have observed a declining trend in administration expenditure, as explorers strived to streamline operations by reducing the administrative function as much as possible. This has been evidenced by the average administration spend during the March and June quarters of 2019 declining to $169 million from $217 million for the same period in 2018. Based on administration expenses for the June quarter in 2019, the proportion of companies with cash sufficient to sustain these expenses for greater than two years remained steady at 56%. The proportion of companies with more than two quarters and less than two years declined from 28% to 26% over the same period. It will be interesting to see whether the improvement in financing inflows and investment activity witnessed in the June quarter will result in higher administration spend in the coming quarters.



ADMINISTRATION EXPENSES - CASH BURN RATE



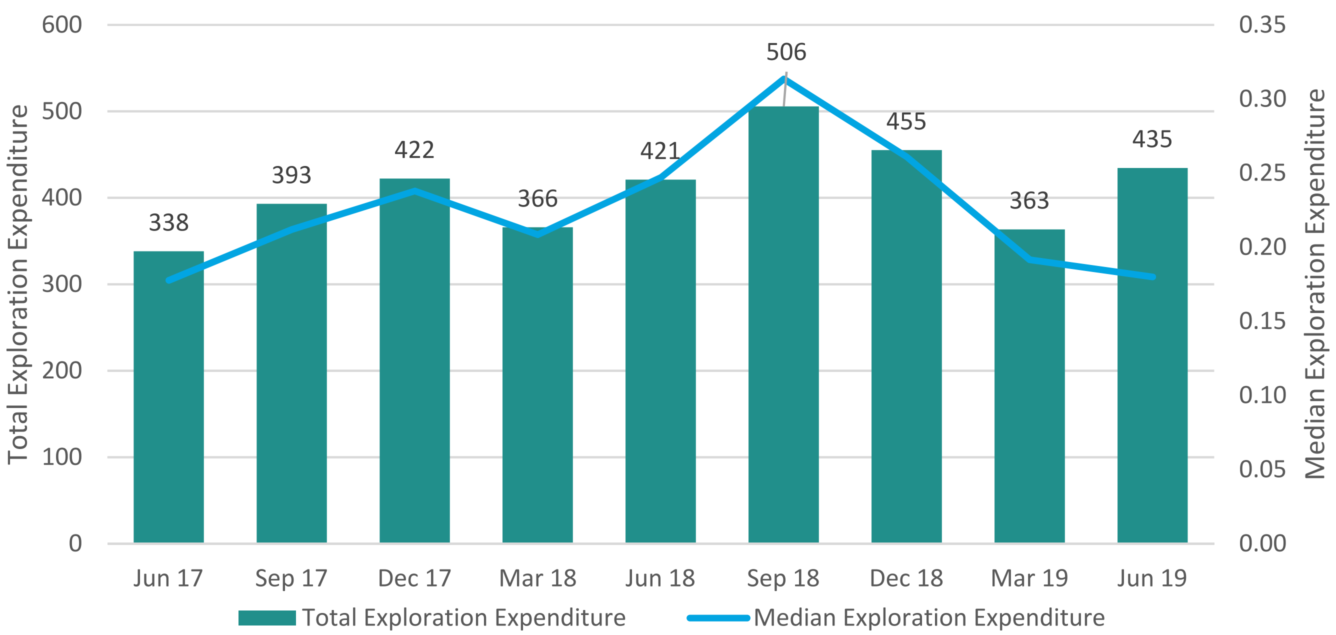
EXPLORATION EXPENDITURE

Median exploration expenditure was $0.18 million for the June 2019 quarter, a decrease from $0.19 million for the March 2019 quarter, with total exploration expenditure for the quarter increasing by 20%. The mean level of exploration expenditure increased by 20% suggesting that the increased exploration activity came from the larger end of the market. The June result was positive considering the March quarter witnessed the lowest total spend on exploration since the June quarter of 2017 and represented a significant turnaround from the 20% decline in total exploration spend experienced in the previous quarter.

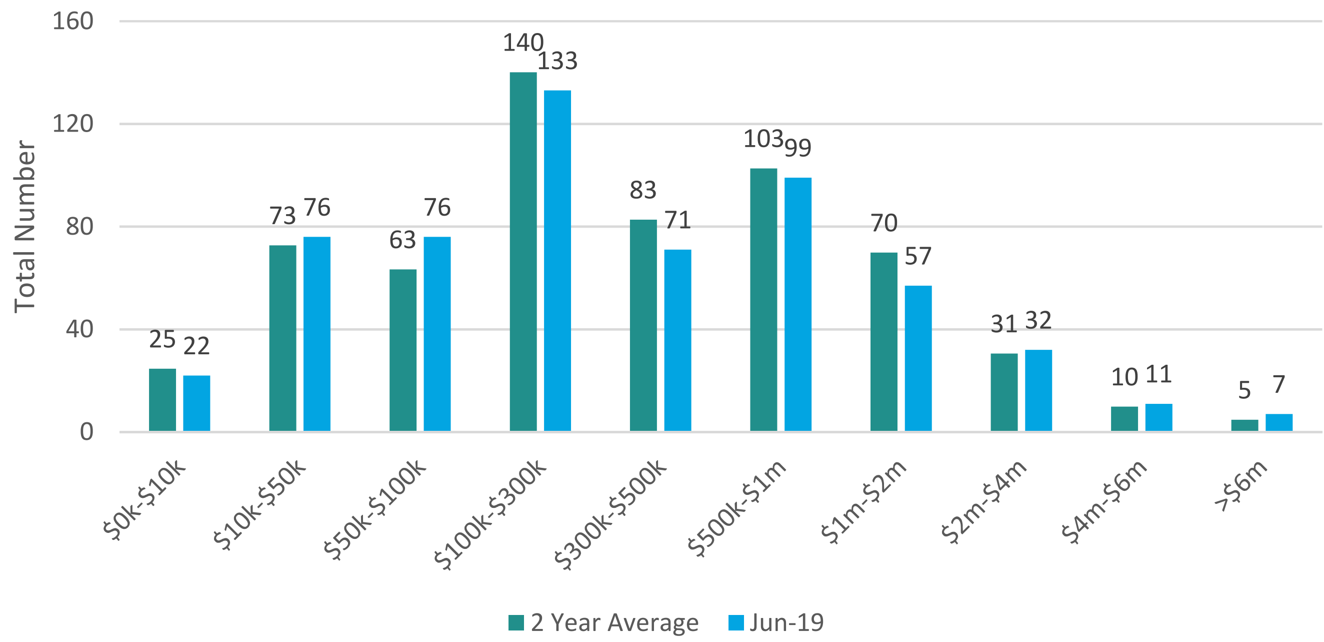
As shown in the graph below, exploration expenditure was strong at the top end of the market, with the total number of companies spending more than $2 million exceeding the two year average. The increase in larger exploration spending is likely the key reason behind the 20% increase in total exploration expenditure for the June quarter compared to March.

Despite the positive exploration expenditure recorded during the June quarter, the estimated next quarter outflows by explorers is more subdued at $2 billion for the September quarter, compared to the $2.4 billion forecast for the June quarter. It will be interesting to see if this prediction holds true in our September quarter edition, especially if geopolitical issues like the US and China trade dispute and Brexit don't develop to be as bad as many are expecting.

EXPLORATION EXPENDITURE ($M)



NUMBER OF COMPANIES BY EXPLORATION EXPENDITURE



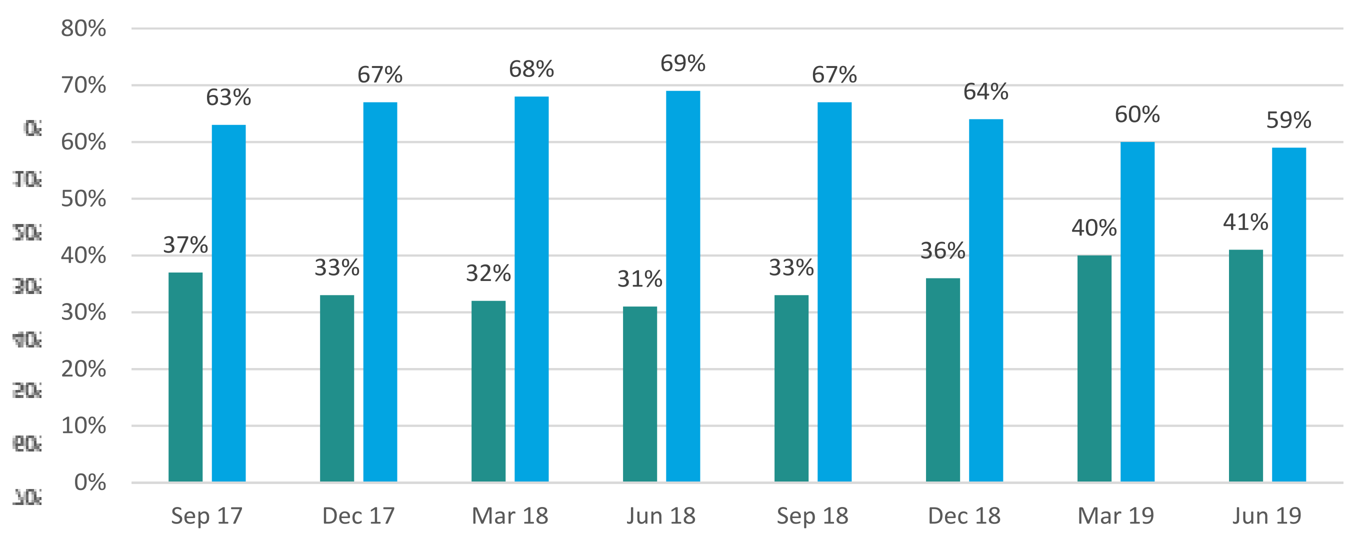
JUNE 2019 QUARTER CASH POSITION

The average cash balance for exploration companies declined from $5.62 million in the March quarter to $5.39 million at the end of June 2019.

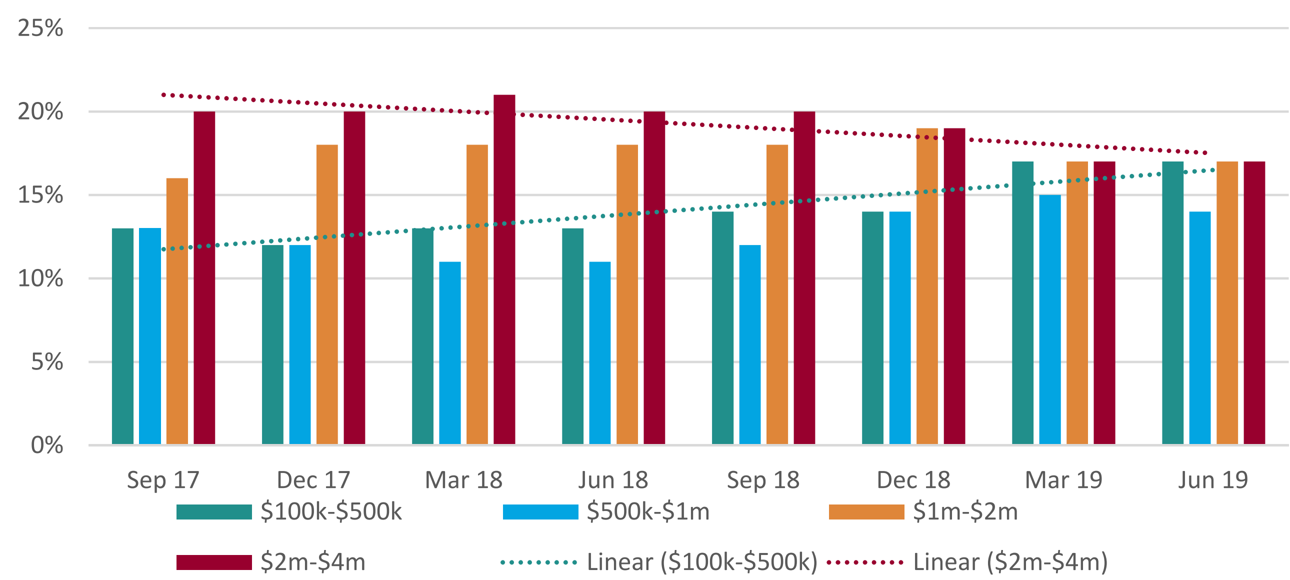
Companies with a cash balance between $100,000 and $4 million accounted for 65% of companies that lodged an Appendix 5B for the June 2019 quarter, from 67% in the March quarter.

We still expect exploration companies to continue to run lean administrative functions going forward, with 41% of companies having less than $1 million in cash. This may provide the catalyst for future merger and acquisition activity with exploration companies seeking consolidation to achieve economies of scale and spread administration costs across a more diverse asset base.

ASX EXPLORERS' CASH BALANCE (%)



ASX EXPLORERS' CASH BALANCE (%)



BDO INSIGHT

The June quarter in 2019 witnessed improved market conditions for ASX-listed exploration companies. It is not a surprise that gold was the star performer during the quarter and was boosted by rising share market volatility and a higher gold price in Australian dollar terms. The strength of gold was reflected by the 21.36% increase in the S&P/ASX All Ordinaries Gold Index during the June quarter. The initial success of Mont Royal's IPO may be an indication that gold will continue to be a favoured commodity moving forward. Based on BDO's pipeline of work, we expect consolidation of small to mid-tier mining companies to continue as well as a likely ramp up in capital raisings across the broader exploration sector commencing in the second half of 2019 and building into 2020.

Explorers are experiencing a distinct difference between commodities (gold and the rest) and development stage (smaller more speculative companies compared to more advanced lower risk ones). Our survey shows increased amounts of funds being raised being spent on exploration. However, it also shows that these are at the larger end of the market. Smaller exploration companies are struggling to raise funds and for many of them this is the worst capital-raising environment that they have experienced for many years. For those with great exploration prospects an appealing option is to partner with a 'big brother', whose expertise is in building and operating mines rather than in exploration, and who will be able to fund exploration.

BDO GLOBAL

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Our firms across the network cooperate closely and comply with consistent operating principles and quality standards. That means local resources who understand your business, your local and international markets and the specifics of your industry: all backed by a truly global network.

The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was US$9 billion as of 30 June 2019.

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*Statistics as of 30 June 2019

1,591 OFFICES WORLDWIDE

80,087 PEOPLE

US$9.0b TOTAL REVENUES

162 TERRITORIES

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