EXPLORER QUARTERLY CASH UPDATE

Quarter Ended December 2021

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BDO

RESEARCH INTO THE FINANCIAL HEALTH OF AUSTRALIAN-LISTED EXPLORERS

QUARTER ENDED 31 DECEMBER 2021

Explorers close off a strong 2021 calendar year with record levels of IPO activity, capital raisings, exploration and investment spending

- **Net investing outflows finally showed the uptick we anticipated, increasing by 263% from the September 2021 quarter, reaching $1.00 billion;**
- **Total exploration spending hit $973 million, the highest we have observed since the start of our analysis in June 2013;**
- **740 companies lodged Appendix 5Bs in the quarter, which was 36 more than the September 2021 quarter. The growth in number of companies continued to be underpinned by persistent growth in IPO activity; and**
- **Explorers sourced $3.75 billion of funds in the December quarter, 47% higher than already record levels witnessed in the last two quarters. Battery minerals continue to be a key investor focus.**

BDO's report on the financial health and cash position of Australian-listed explorers for the December quarter of 2021 (based on quarterly Appendix 5B reports lodged with the Australian Securities Exchange (**'ASX'**)) continued to provide positive signals for the exploration sector, with growing investment and exploration spending still well-supported by a steady access to funding.

A key observation from the December 2021 quarter was the stark 263% increase in net investing cash outflows, reflecting the growth in investment expenditure that we had anticipated in last quarter's issue. Larger investment spends were observed to be undertaken by lithium exploration and development companies primarily in relation to the acquisition of new exploration assets, infrastructure and plant and equipment.

Growth in exploration spending also persisted in the December 2021 quarter to reach an eight-year high of $973 million. This was driven by an increased number of new entrants through initial public offerings (**'IPO'**) and an increase in the average exploration spend per company.

Despite the spike in cash outflows, the cash position of the sector continued to remain the strongest it has been since the commencement of our analysis in June 2013. 88% of exploration companies reported cash balances of $1 million or more and further analysis showed that the number of cash balances greater than $4 million has been growing over the last eight consecutive quarters. This was supported by a $3.75 billion financing inflow into the sector through equity and debt raisings.

71 companies (which we have termed **'Fund Finders'**) raised funds of $10 million or more and made up 79% of the total funds raised, with lithium companies once again leading the pack in most funds raised for the second consecutive quarter. Fund Finder data for the 2021 calendar year as a whole further demonstrates the success of lithium and other battery mineral companies in their ability to source funds.

740 companies lodged Appendix 5Bs in the December 2021 quarter, which is 36 more than the 704 companies in the September 2021 quarter. An interesting observation related to this analysis was the number of company name changes enacted during the quarter, which whilst in line with the timing of most annual general meetings (**'AGMs'**), also reflects the repositioning of several companies within the sector towards more relevant commodities and new flagship assets.

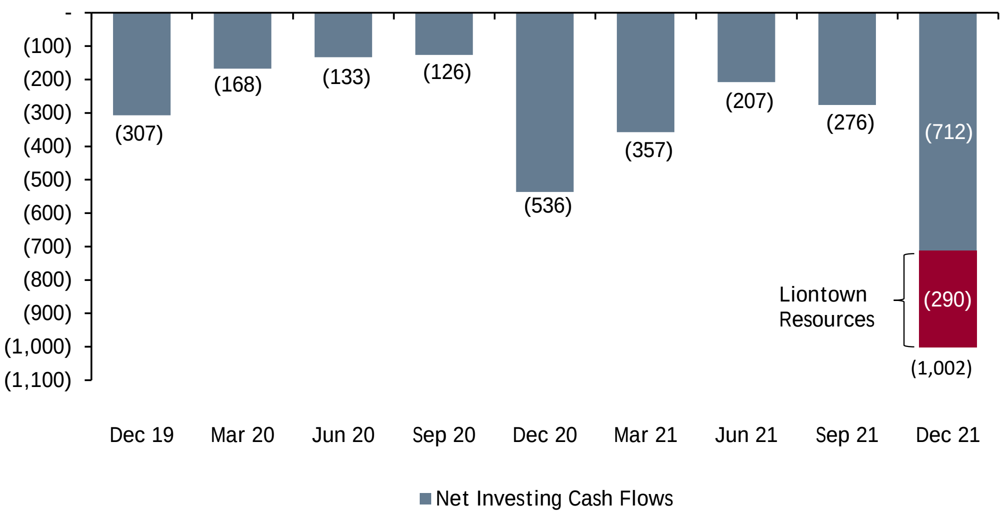
It is not surprising to note that battery minerals continued to be a consistent theme throughout the December 2021 quarter as well as the 2021 calendar year. As noted in previous quarters, the rise of battery minerals is linked to the global trends of rising electric vehicle (**'EV'**) adoption and lower carbon emission targets, which further ties into the central theme of Environmental, Social and Governance (**'ESG'**). ESG continues to be a key topic in this quarter's report, but more than just a conversational piece, BDO believes that the sector must move towards the concrete implementation and integration of ESG into the way it does business (read BDO Insight for more on page 19).

NET INVESTING CASH FLOWS

Investment spending in the December 2021 quarter finally reflected the uptick we had been anticipating, with net investing cash outflows increasing by 263% to $1.00 billion.

For consistency across all quarters, we note that our analysis of net investing cash flows for the December 2021 quarter excludes exploration and evaluation expenditure that is capitalised. We have instead included this under exploration expenditure.

NET INVESTING CASH FLOWS ($M)



Unsurprisingly, the three largest investment outflows for the December 2021 quarter were undertaken by lithium companies, which reaffirms the influx of investment activity within the battery mineral sector in anticipation for a global uptick in demand.

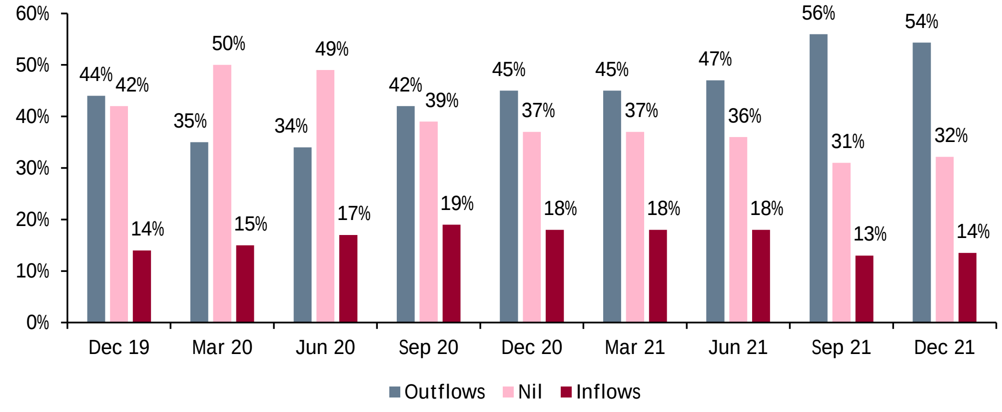
Liontown Resources Limited (**'Liontown'**) recorded the largest investment outflow of $290 million, which related to the transfer of recently raised capital funds (see Fund Finder section on page 11) into term deposits. Although this is an investment in a term deposit rather than in productive mining assets, Liontown has stated that its intention is to use it in combination with future debt and offtake arrangements to fund the development of the Kathleen Valley Lithium Project (**'Kathleen Valley Project'**). Therefore, we expect to see these funds applied in investment outflows from Liontown in the coming quarters.

Sayona Mining Limited (**'Sayona'**) and Vulcan Energy Resources Limited (**'Vulcan Energy'**) recorded the second and third largest investment spends, respectively, relating to the acquisition of new lithium assets, supporting infrastructure and plant and equipment.

We noted last quarter that the seemingly dampened level of net investment outflows of $276 million during the September 2021 quarter was due to the large offsetting effect of two significant investing inflows totalling $375 million, which is a scale that has rarely been observed in prior quarters. This formed the basis of our view that investment spending was actually increasing and that subsequent quarters would exhibit this trend more distinctly. This has proven to be the case with the significant increase in net investing outflows this quarter.

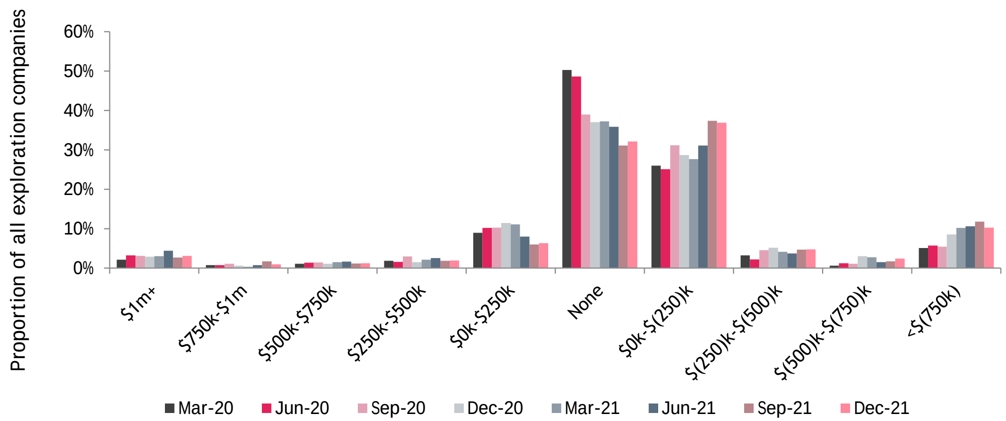
The proportion of companies that recorded net investment outflows decreased slightly from 56% in the September 2021 quarter to 54% in the December 2021 quarter, but this still remained higher than historical quarters as shown in the chart to the right.

INVESTING CASH FLOWS (%)



Furthermore, the proportion of companies within each tranche of net investing cash flows remained relatively similar to that of the September 2021 quarter. Therefore, the sharp 263% increase in net investing outflows was likely attributable to the lower level of offsetting investment inflows in the December 2021 quarter as well as to larger investment spends greater than $750,000.

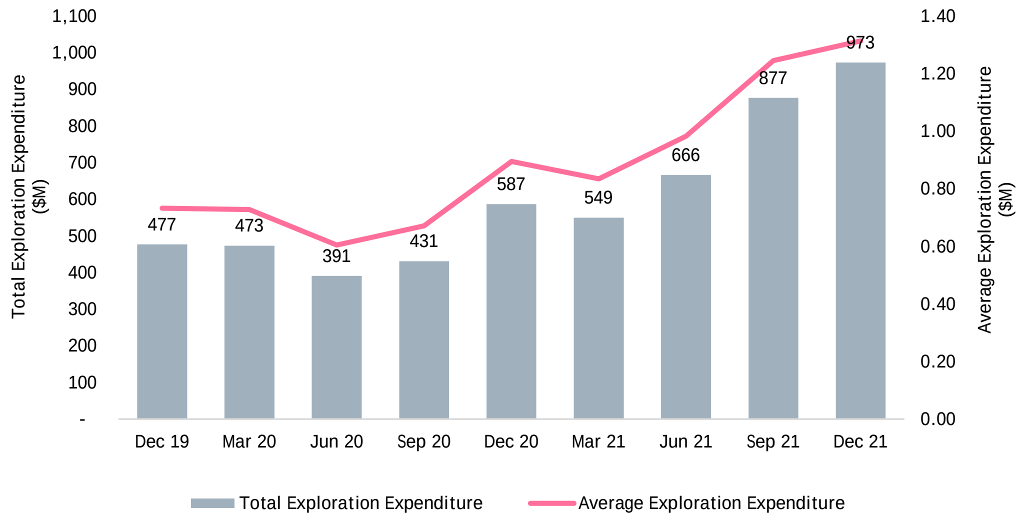
NET INVESTING CASH FLOWS (%)



EXPLORATION EXPENDITURE

Total exploration spending continued to grow through the December 2021 quarter reaching $973 million, which is 11% higher than the September 2021 quarter and 66% higher than the December quarter of 2020.

TOTAL EXPLORATION EXPENDITURE - LAST TWO YEARS ($M)

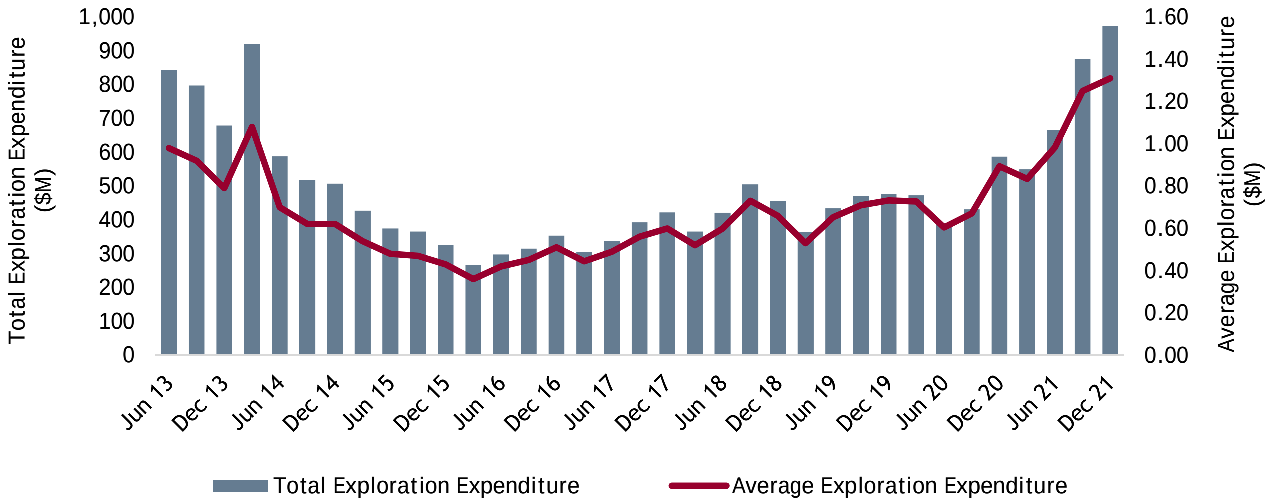


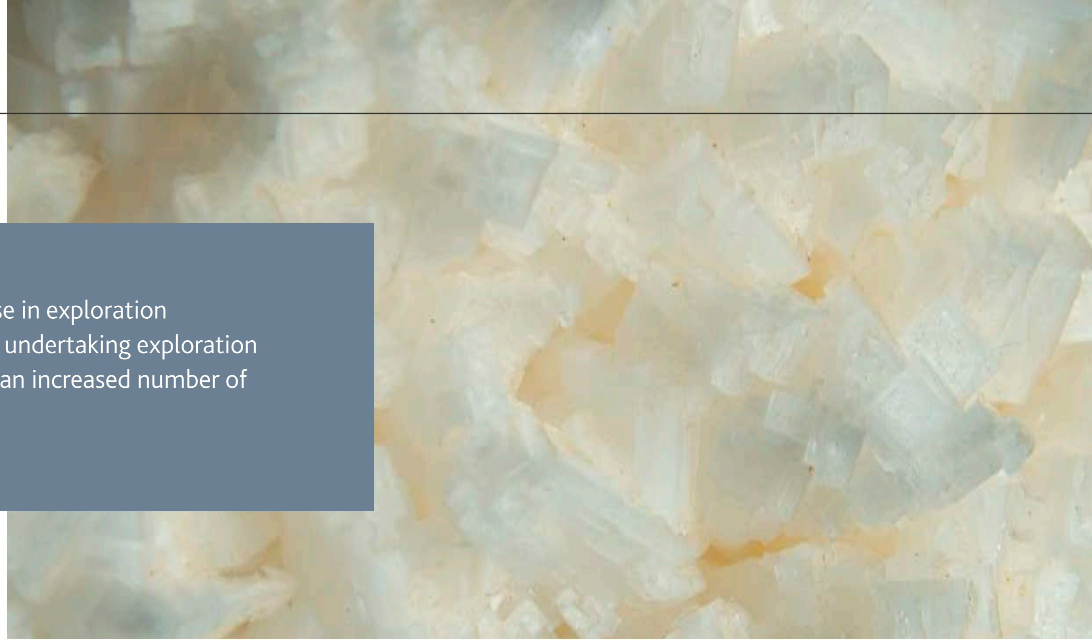
This level of expenditure surpassed the $921 million spent in the March 2014 quarter to become the highest recorded exploration spend by the sector since the commencement of our analysis in June 2013 (see long-term graph on the next page). This is particularly impressive when considering that the sector comprised approximately 860 companies in the quarters of 2013 and 2014, as compared to the 740 companies that reported in the December 2021 quarter.

There has been an increasing trend in exploration spending since the lowest point in the March 2016 quarter, when explorers recorded a total exploration spend of $267 million. This trend has been particularly prominent over the last three quarters as the explorers that have taken advantage of the favourable capital raising conditions since late 2020 are now investing this capital into the ground as confidence in the sector's outlook remains buoyant.

We consider the sharp increase in exploration expenditure to be a continuation of both the increased level of exploration activity within the sector as well as the rising costs for drilling, labour mobilisation and equipment hire. As noted in previous quarters, the demand for drilling services and equipment largely outweighed the available supply, leading to service providers being more selective with their contracts and raising the costs for their services.

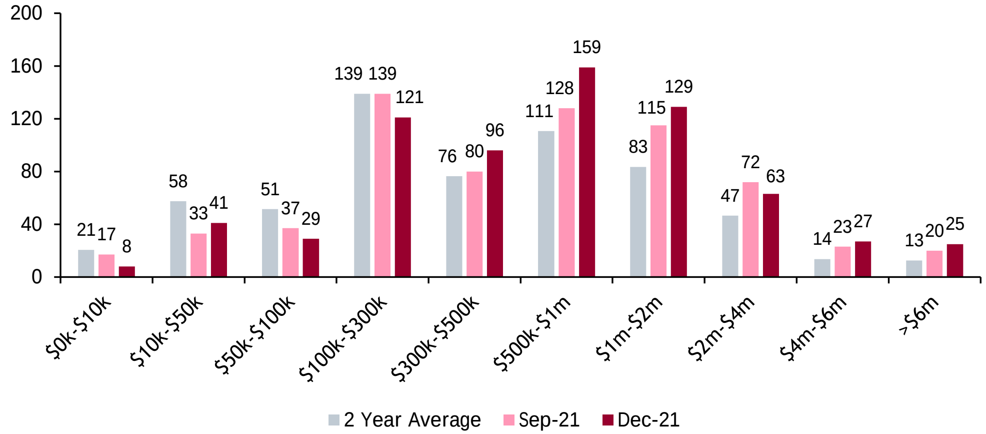
TOTAL EXPLORATION EXPENDITURE - SINCE START OF BDO ANALYSIS ($M)





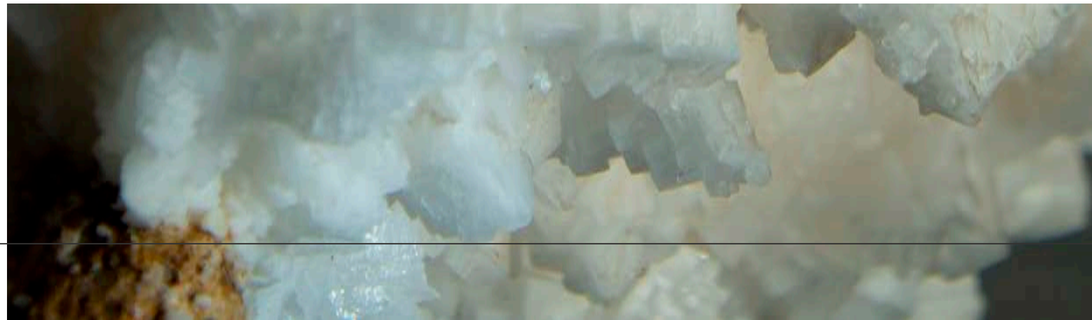
The graph below shows that the main driver of the increase in exploration expenditure was the increase in the number of companies undertaking exploration spends ranging from $0.3 million to $2 million, as well as an increased number of companies spending over $4 million.

NUMBER OF COMPANIES BY EXPLORATION EXPENDITURE



Consistent with the trends observed in previous quarters, the top four largest exploration spends in the December 2021 quarter related to gold companies, mainly large-size development companies or reporting early-stage producers. The remaining six companies comprised five oil and gas companies and one nickel-copper explorer.

We expect that the growth in exploration activity will continue in light of strong cash positions and the higher number of listed exploration companies, but note that this growth may continue to be constrained by the availability of resources, travel restrictions and a shortage of skilled labour.

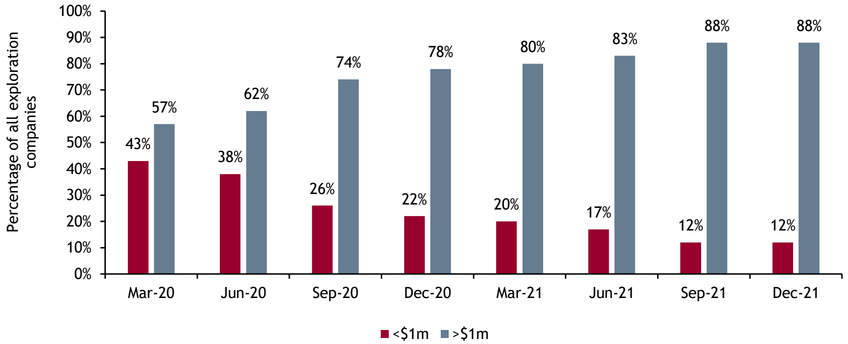


DECEMBER 2021 QUARTER CASH POSITION

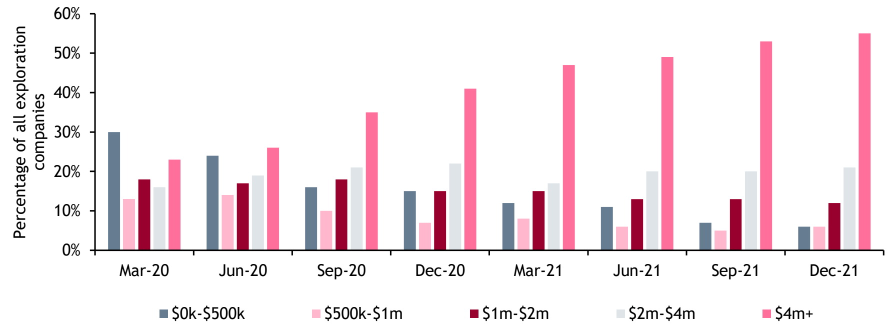
The cash position of explorers remained strong over the December 2021 quarter, despite rising exploration and investment spending. As can be seen from the chart below, 88% of exploration companies reported a cash balance of over $1 million as at 31 December 2021 consistent with the September quarter prior.

Further analysis into these cash balances show a steady increase in the proportion of explorers with cash balances in excess of $4 million since March 2020, attributable to the strong access to capital and steady financing cash inflows.

ASX EXPLORERS' CASH BALANCE (%)



ASX EXPLORERS' CASH BALANCE (%)



The long term graph below further demonstrates that the cash position of the exploration sector is the strongest it has ever been since we commenced our analysis in June 2013.

ASX EXPLORERS' CASH BALANCE (%)

The average cash balance of exploration companies was $11.88 million at the end of the December quarter, compared with $11.40 million for the September 2021 quarter. We note that this has also steadily increased with each quarter since March 2020.

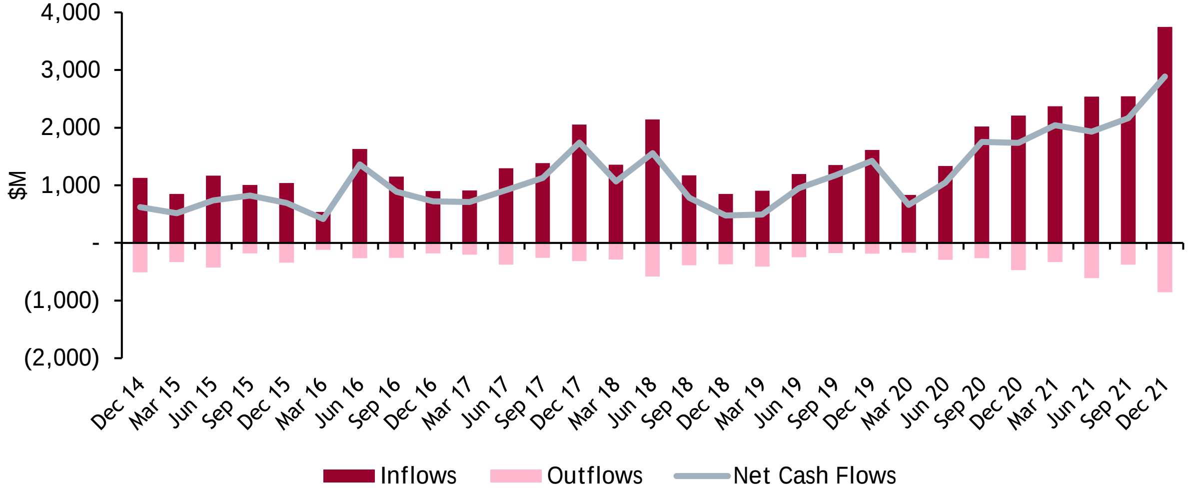
Of the 740 companies that lodged an Appendix 5B, 82% of them reported having sufficient cash balances (including unused financing facilities) to support more than two quarters of operating expenses (based on total relevant outgoings in the current quarter). In addition, 93% of the companies that reported less than two quarters of funding expected to undertake a capital raising in the next quarter to sustain future operations, which continues to affirm the positive outlook of exploration companies towards access to funding.

FINANCING CASH FLOWS

Financing cash inflows for the December 2021 quarter of $3.75 billion represented a 47% increase from the $2.55 billion raised in the September 2021 quarter, which translates to an average financing inflow of $5.06 million per company.

Net financing cash flows increased by 33% from the September 2021 quarter despite a 127% increase in financing cash outflows to $858 million.

FINANCING CASH FLOWS ($M)

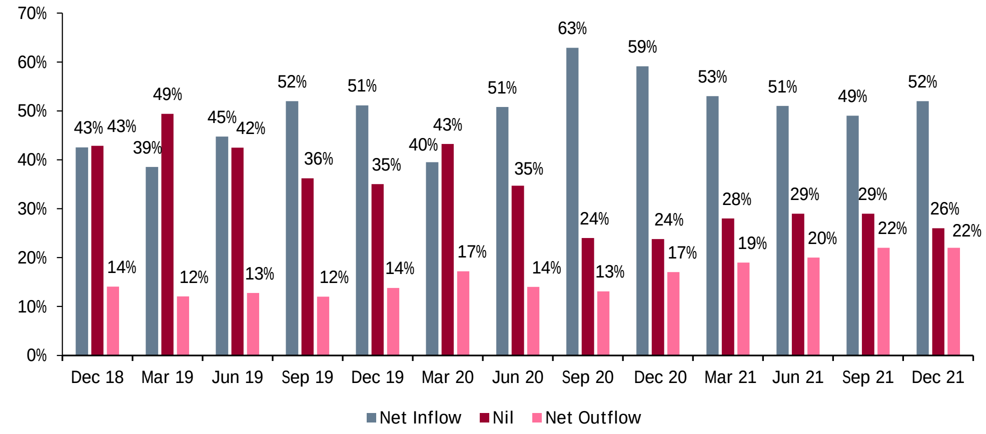


A total of 71 companies that recorded debt and equity raises of $10 million or more contributed to 79% of total financing cash inflows (see Fund Finder section on page 11). This once again comprised of several substantial fund raisings relating to the development of advanced exploration projects, IPOs on the ASX, and acquisitions of new mineral assets and infrastructure.

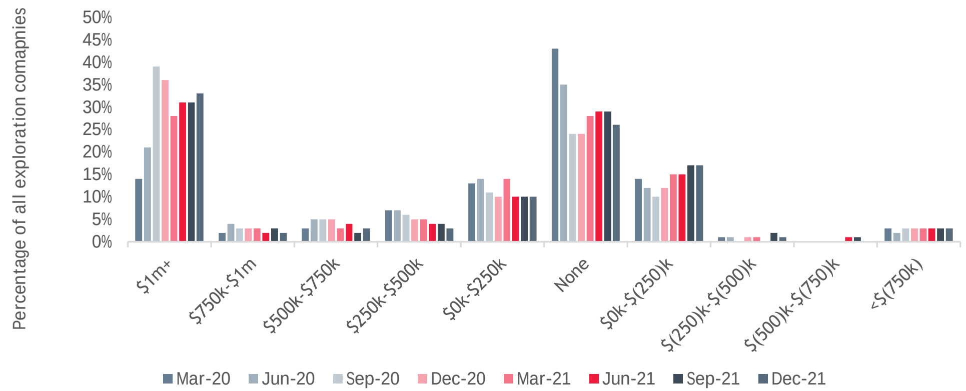
The number of companies reporting net financing inflows increased slightly from 49% in the September 2021 quarter to 52% in the December 2021 quarter. With the sector's cash position having remained largely similar between the December and September quarters of 2021, we consider this increase in net financing inflows an indication of a "top up" of funds since the increase in exploration and investment spending throughout the sector, particularly in the last two quarters since June 2021.

The chart to the right further outlines that access to financing and strong financial markets have largely persisted with the graph below showing that 33% of exploration companies managed to generate net financing cash flows of over $1 million in the December 2021 quarter.

NET FINANCING CASH FLOWS (%)



NET FINANCING CASH FLOWS ($M)



FUND FINDERS

In the December 2021 quarter, a record 71 companies managed to raise $10 million or more, 26 more than the 45 companies in the September 2021 quarter. Of the 71 companies, there were 22 gold companies, 12 lithium companies, four nickel companies, four uranium companies and the remaining 29 companies were across 19 different commodities.

Liontown conducted the largest capital raise in the December 2021 quarter through a fully underwritten institutional placement that raised $450 million before costs. Funds raised from the placement provide Liontown with a war chest, giving them flexibility around the remaining debt and offtake discussions in relation to the development of the Kathleen Valley Project. The scale of the placement also gives certainty of funding for Stage 1 capital costs at its Kathleen Valley Project. The raise also exceeded the highest capital raise from the prior quarter, (Jervois Global Limited) by c. $184 million.

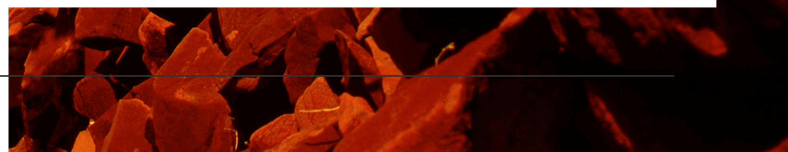
Firefinch Limited (**'Firefinch'**) recorded the second largest amount of capital raised in the December 2021 quarter, comprising a $100 million institutional placement, a $51.36 million share purchase plan and a further $3.04 million from the exercise of options. The funds are intended to be used to fast track the production growth at the Morila Gold Project, to 100,000 ounces of gold in 2022 and to eventually double production by 2024. In addition, funds have also been allocated to facilitate the proposed demerger of the Goulamina Lithium Project into a separate ASX-listed company.

The top 10 largest fund raises of the December 2021 quarter are set out in the table to the right.

COMPANY NAME	COMMODITY	MECHANISM OF RAISING
Liontown Resources Limited	Lithium	$450.00 million in proceeds from the issue of equity securities
Firefinch Limited	Gold	$151.37 million in proceeds from the issue of equity securities and $3.04 million in proceeds from the exercise of options
Adriatic Metals Plc	Silver	$138.42* million in proceeds from the issue of equity securities and $0.25* million in proceeds from the exercise of options and warrants
West African Resources Limited	Gold	$136.25 million in proceeds from the issue of equity securities and $0.34 million in proceeds from borrowings
New Century Resources Limited	Zinc	$116.73 million in proceeds from the issue of equity securities and $11.74 million from other means
Sayona Mining Limited	Lithium	$126.03 million in proceeds from the issue of equity securities and $0.25 million in proceeds from the exercise of options
De Grey Mining Limited	Gold	$125.00 million in proceeds from the issue of equity securities and $0.13 million in proceeds from the exercise of options
Ioneer Limited	Lithium	$95.58 million in proceeds from the issue of equity securities
Jervois Global Limited	Cobalt	$76.59 million in proceeds from borrowings and $0.31 million in proceeds from the exercise of options
AVZ Minerals Limited	Lithium	$75.00 million in proceeds from the issue of equity securities

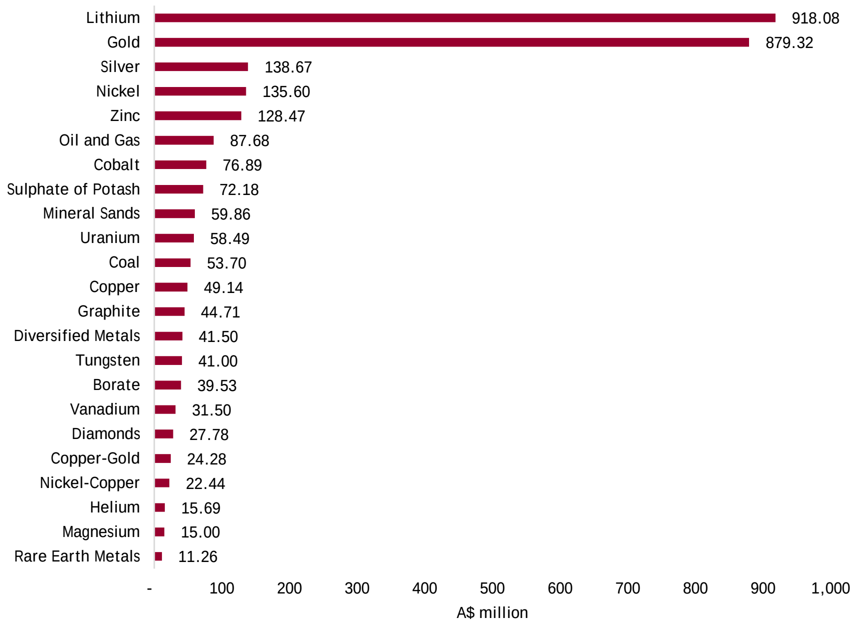
**Foreign-currency denominated inflows converted using the relevant exchange rate as at 31 December 2021*

Equity continued to be the preferred source of investment, accounting for 88% of Fund Finder funds raised in the December 2021 quarter.

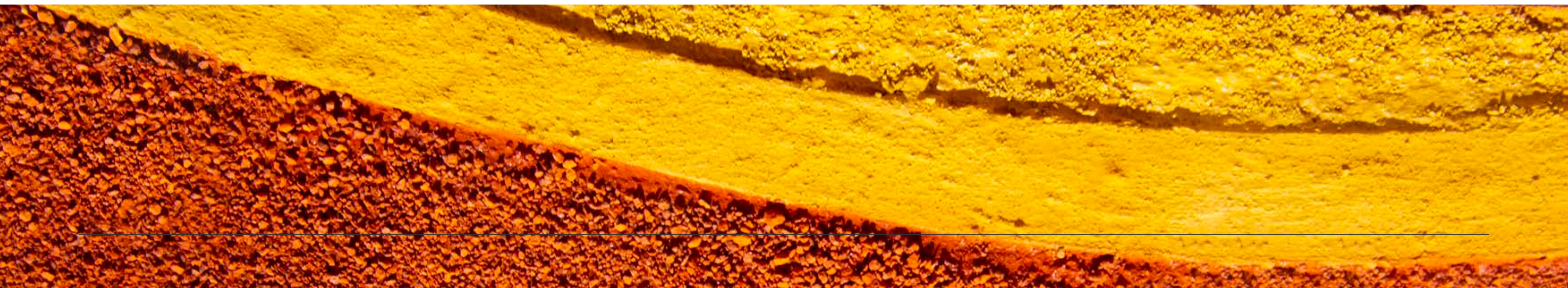


FINANCING INFLOW BY COMMODITY – FUND FINDERS – DECEMBER QUARTER 2021

FINANCING INFLOW BY COMMODITY - TOP 71 EXPLORERS - DECEMBER QUARTER 2021



Lithium Fund Finders managed to raise the largest amount of funds for the second consecutive quarter, which is a continued reflection of the strong market appetite for battery mineral investments. Closely following this was the $879 million going into gold companies, which was made up of both large equity raisings for project development as well as substantial IPOs and fund raisings for exploration activities.



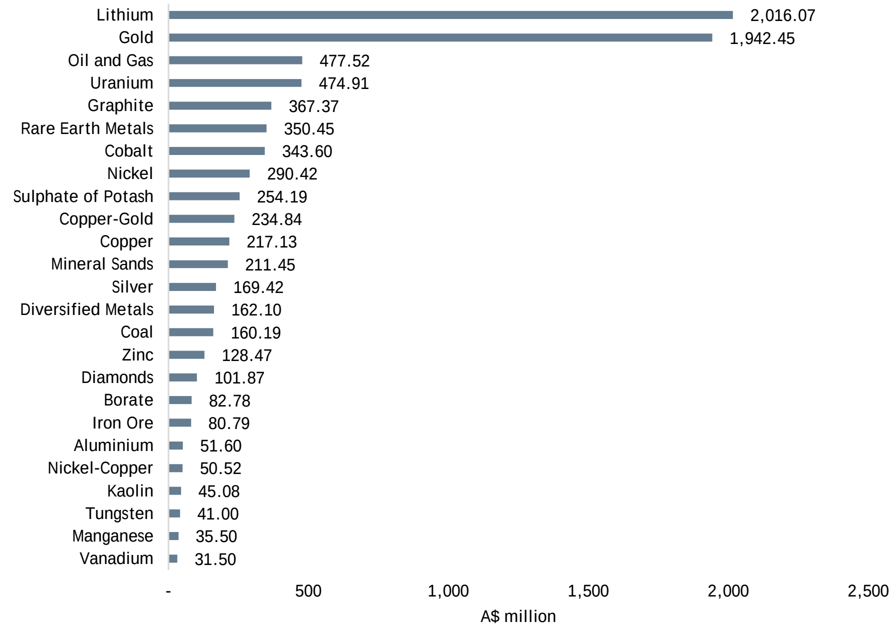
Having led the sector (within our Fund Finder analysis) in fund raising for three out of the four quarters of 2021, lithium companies finished the year as the commodity that sourced the most amount of funds. This is in line with our expectations after witnessing several significant fund raises throughout the year from companies like Vulcan Energy Resources Limited (**'Vulcan Energy'**), Piedmont Lithium Limited (**'Piedmont'**), Core Lithium Limited (**'Core Lithium'**) and Ioneer Limited (**'Ioneer'**). Many of these fund raisings were backed by institutional investors and often oversubscribed, which reflects the appetite for lithium exposure.

Gold, which has historically been a dominant commodity in our Fund Finder analysis, managed to raise a similar level of funds in both 2020 ($1.83 billion) and 2021 ($1.94 billion) in light of strong spot prices, which averaged US$1,770/oz and US$1,800 for 2020 and 2021, respectively. Key drivers of the gold price include ongoing geopolitical risk and economic uncertainty pertaining to supply chains, inflation and interest rates.

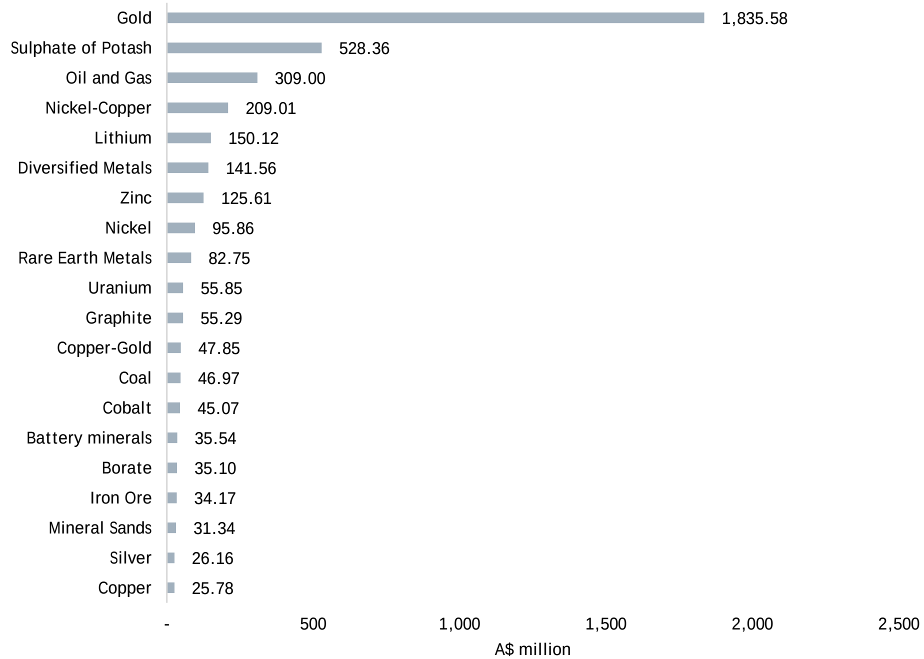
Sulphate of potash (**'SOP'**), which was the second largest commodity in our 2020 Fund Finder analysis, appeared to be less prominent in the 2021 year. Throughout 2020 and into the first two quarters of 2021, SOP companies attracted a lot of investor interest with several key industry players vying to become the first SOP producer in Australia. Salt Lake Potash Limited (**'Salt Lake Potash'**) for example, managed to raise a significant amount of funds in both debt and equity for the development and commissioning of its Lake Way Project. However, after encountering several operational issues, Salt Lake Potash went into administration in October 2021. Kalium Lakes Limited (**'Kalium Lakes'**), now poised to be the next commercial producer of SOP, has also reported certain late-stage commissioning issues with its Beyondie SOP Project for the December 2021 quarter, including a variability in harvested potassium salt feed grades and process control.

Whilst there is no clear indication on whether these events have affected the SOP sector's ability to raise funds, we see some indication from the Fund Finder data of 2021 that more funds went into commodities like uranium, graphite, rare earth metals, cobalt and nickel which are either EV-related or instrumental to the renewable energy sector.

FINANCING INFLOW BY COMMODITY - CALENDAR YEAR 2021



FINANCING INFLOW BY COMMODITY - CALENDAR YEAR 2020



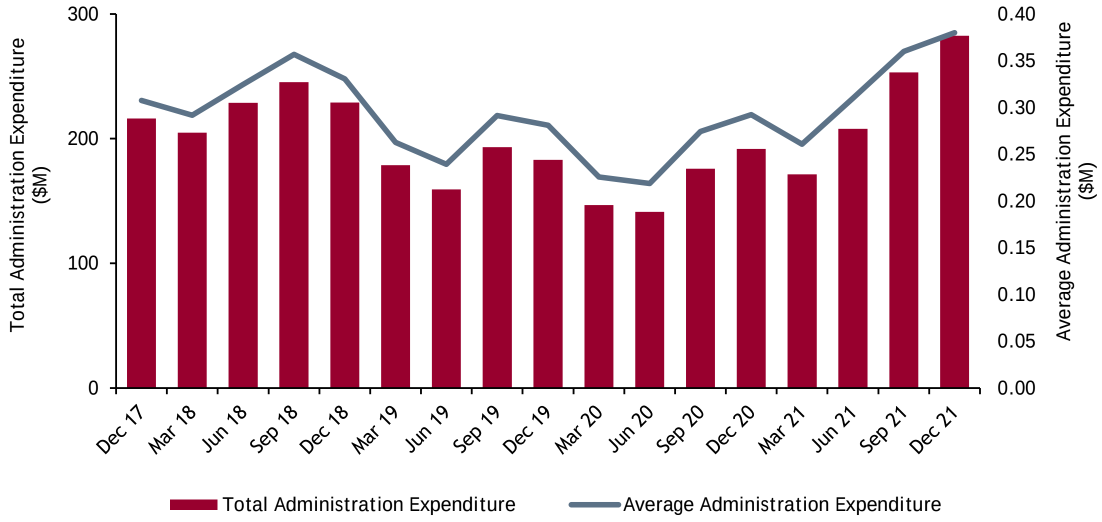
ADMINISTRATION EXPENDITURE

Total administration expenditure (comprising mainly of listing fees, professional fees, director fees and other corporate costs) recorded a 12% increase in the December 2021 quarter to $283 million, which is 45% higher than the two-year average of $195 million since the quarter of December 2019. The average administration expense incurred by exploration companies also increased from $0.36 million to $0.38 million from the September to December quarters of 2021.

This trend is in line with the cyclical nature of administration spending observed over the last four years, for which administration expenditure tends to be lower in the March and June quarters and higher in the September and December quarters. The increase is also linked to the increased level of exploration activity, capital raises, and listings, which have placed upward pressure on corporate expenses.

Furthermore, it may also be a result of the corporate skilled labour shortages resulting in companies being required to increase remuneration of corporate staff for retention purposes as well as an increase in the fees that are being paid to external advisers.

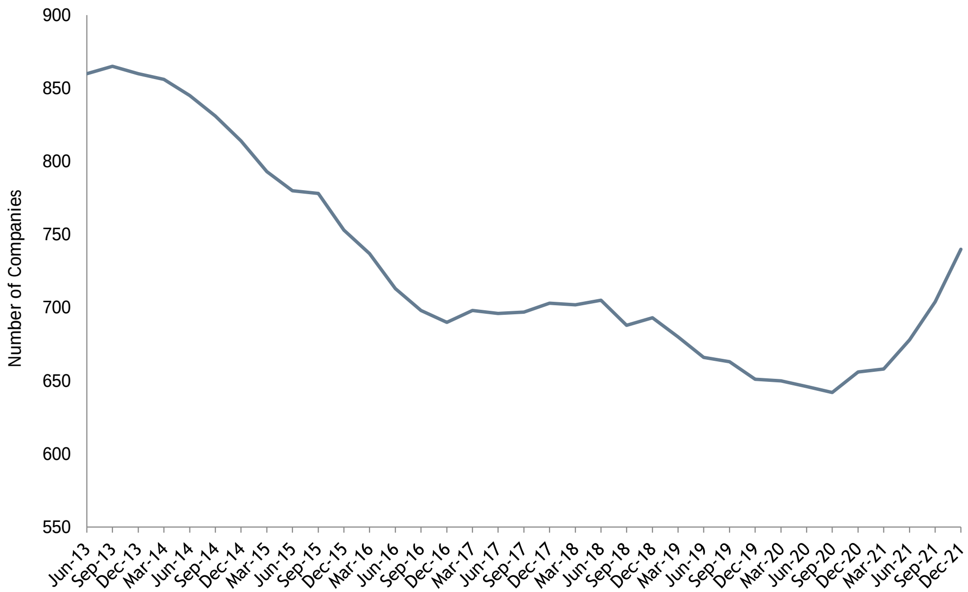
ADMINISTRATION EXPENDITURE ($M)



NUMBER OF COMPANIES LODGING APPENDIX 5B REPORTS: JUNE 2013 – DECEMBER 2021

The number of ASX-listed exploration companies continued to grow exponentially in the December 2021 quarter with 740 companies lodging an Appendix 5B. This represents an increase of **36** companies from the 704 in the previous September 2021 quarter, which is the highest increment between quarters that we have observed since commencing our analysis in June 2013.

NUMBER OF COMPANIES TO LODGE 5B REPORTS FROM JUNE 2013 - DECEMBER 2021



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 quarterly cash flow reports, with a peak over the period of 865 companies in September 2013. This was before the sharp decline from the June 2014 quarter to the December 2016 quarter, when we observed many exploration companies either being delisted or being used as listing vehicles for backdoor listings, primarily by technology and biotechnology companies.

However, since the September 2020 quarter, we have 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 financial conditions coupled with strong commodity prices.

Historically, the December quarter has been a quiet quarter for IPO's, which makes the **40** exploration companies that recently completed IPOs and lodged an Appendix 5B for the first time in the December 2021 even more impressive. These companies which lodged for the first time during the December 2021 quarter include:

- Alvo Minerals Limited
- American West Metals Limited
- Armada Metals Limited
- Aurum Resources Limited
- Besra Gold Inc.
- Black Mountain Energy Limited
- C29 Metals Limited
- Cooper Metals Limited
- Cosmos Exploration Limited
- Diablo Resources Limited
- DMC Mining Limited
- Dundas Minerals Limited
- E79 Gold Mines Limited
- Equinox Resources Limited
- Evolution Energy Minerals Limited
- Falcon Metals Limited
- Forrestania Resources Limited
- Green Technology Metals Limited
- Greentech Metals Limited
- Hamelin Gold Limited
- Haranga Resources Limited
- Heavy Minerals Limited
- Infinity Mining Limited
- iTech Minerals Limited
- Kalgoorlie Gold Mining Limited
- Larvotto Resources Limited
- Lycaon Resources Limited
- Lykos Metals Limited
- Minerals 260 Limited
- NickelSearch Limited
- Nimy Resources Limited
- Orange Minerals NL
- Panther Metals Limited
- Parabellum Resources Limited
- Recharge Metals Limited
- Ronin Resources Limited
- Rubix Resources Limited
- Star Minerals Limited
- West Cobar Metals Limited
- Winsome Resources Limited

We attribute the unprecedented number of newly listed explorers in December 2021 quarter to the sector-wide "rush" to complete their IPOs by the end of year Christmas break. We expect, based on BDO's current pipeline of IPOs, that the strong stream of explorer IPOs will continue through to the next quarter, understanding from many of our clients that the IPO process timetables have extended significantly due to a bottleneck in getting these approved by ASX, as well as companies having difficulty finding reputable audit firms with capacity to perform the back audits required for an IPO.

A total of 42 companies that reported Appendix 5Bs in the December 2021 quarter were not captured in our September 2021 quarter data for the following reasons:

- 40 aforementioned companies that recently completed an IPO and lodged an Appendix 5B for the first time in the December 2021 quarter;
- One producing company that elected to lodge an Appendix 5B in the December 2021 quarter; and
- One company that lodged its September 2021 quarter Appendix 5B late and hence was not captured in our September 2021 quarter data.

This increase was offset by six companies that did not report Appendix 5Bs in the December 2021 quarter for the following reasons:

- Two gold companies that were subject to M&A activity, namely Apollo Consolidated Limited (**'Apollo'**) and Firefly Resources Limited (**'Firefly'**);
- One company currently under suspension pursuant to ASX Listing Rule 17.15; and
- Three producing companies that were not required to lodge Appendix 5Bs in the December 2021 quarter.

Another interesting observation arising from this analysis was that 24 companies had completed name changes in the December 2021 quarter, up from nine companies in the September quarter. This was a similar observation in the December quarter of 2020, whereby 19 explorers recorded a change in company name. This is partly due to the fact that most companies held their AGM within the December quarter (mostly in November), for which the approval for a change of company name was sought.

We observed that for many of these companies, the change of name represented a transition in operations either to reflect the focus on a newly acquired asset or new commodity. In particular, several exploration companies have repositioned themselves towards the battery minerals space such as Jadar Resources Limited (**'Jadar'**) which changed its name to EV Resources Limited (**'EVR'**) after acquiring several battery mineral exploration assets in the second half of 2021.

BDO INSIGHT

M&A ACTIVITY, FUNDING OUTLOOK AND STILL MOST IMPORTANTLY, ESG

The trends in investment spending to date

At the height of the initial COVID-19 outbreak in early-2020, all forms of spending, whether on operations, investment or administration were curbed, as ASX-listed explorers aimed to preserve their remaining cash balance in hopes of weathering the sharp dip in global financial markets. As capital markets picked up in mid-2020 and financing inflows within the sector grew, spending still remained relatively subdued as cautious explorers held tightly to their newly raised cash in light of residual economic uncertainty. However, confidence within the sector soon improved, and with it, came the growth in spending on exploration in late 2020 to early 2021. Investment spending, however, lagged behind, hindered not only by general sector confidence and capital expenditure decision delays, but also by the inability to travel.

We understand from several of our clients that COVID-19 travel restrictions had limited the sector's ability to inspect and conduct their due diligence on new projects, exploration assets and plant and equipment, located both interstate and overseas. However, as the world gradually shifted towards the "new normal" and border restrictions loosened in tandem with growing vaccination rates, the capacity of exploration companies to commit funds towards investment grew, with the results of the December 2021 quarter confirming this distinct shift.

Anecdotally, we have also observed evidence of this trend based on our growing pipeline of Independent Expert's Reports (**'IERs'**), the requirement for which was less prevalent in 2021 as compared to prior years. IERs are most typically required for control transactions, however with funding being so readily available from equity capital markets, companies seemed to be opting for placements and rights issues rather than consolidation through mergers and acquisitions. With our pipeline of IERs growing, the IPO rush may be beginning to slow, with investors potentially being more discerning with the IPO's that they are subscribing for. However, this is not imminent as we anticipate a healthy level of exploration IPOs at least for the March 2022 quarter. Perhaps, as a result, we will begin to see more consolidation within the exploration and junior miner space.

Historically, this was often most evident within the gold sector through consolidation activity whereby the narrative of large gold producers acquiring smaller exploration or pre-development companies was common. We witnessed examples of this in the December 2021 quarter from the acquisition of Apollo and Firefly, by Ramelius Resources Limited (**'Ramelius'**) and Gascoyne Resources Limited (**'Gascoyne'**), respectively.

However, in recent quarters, we have observed this even more distinctly from the lithium sector, with a common theme being the acquisition of strategic assets, which includes both mineral tenements as well as the plant and infrastructure that form part of the wider supply chain of EV batteries. By doing so, these companies have positioned themselves to become more than just a lithium mining company, but also a provider of battery products and components that feed into the EV and renewables industries.

BDO INSIGHT

M&A ACTIVITY, FUNDING OUTLOOK AND STILL MOST IMPORTANTLY, ESG

Outlook on sector funding

This uptick in investment activity has been sustained by continued access to funding, which (based on the Fund Finder results of 2021) lithium and gold companies have clearly benefitted from in recent quarters. Whether this continues into 2022, however, remains unclear.

We note from attending the recent RIU Explorers Conference that many remain optimistic on the financial outlook of the exploration sector, but one cannot ignore the potential downward pressures on this peak in light of recent geopolitical events, the spread of Omicron and inflation uncertainty. Furthermore, with alternative forms of investment such as cryptocurrency growing in popularity and interest rate increases anticipated in the 2022 calendar year, it is hard to say whether explorers will continue to benefit from the same steady str eam of funds.

The critical role of ESG

With this in mind, it is of utmost importance that exploration companies continue to adapt and position themselves well amidst an ever-changing market. BDO believes that a significant part of this transition is in the tangible actions taken by companies towards integrating ESG throughout their operations.

ESG is more than just a box ticking exercise, but a full transformation of the way companies do business and implement strategy. The parameters of exploration operations are starting to change significantly with ESG considerations playing a bigger role in regulatory framework and company disclosure requirements. Even now, a company's ESG position can have a significant impact on its ability to raise funds, undertake drilling programmes, retain staff and attract M&A investment.

All exploration companies can take steps toward ESG implementation, no matter their size or commodity, but the challenge is that each company's ESG goals may differ based on a variety of factors. In other words, there is no "one size fits all" when it comes to ESG and this is a t ime of transition where new business models, new technologies and new collaborations should be explored.

One trend that we are seeing is an increase in the number of companies revising their remuneration plans and frameworks to now incorporate ESG key performance indicators ('**KPIs**') in order to align their board and management towards their sustainability goals. Whilst this is a positive initiative in principle, as is being explored by BDO's own remuneration team, the reality is that ESG-linked remuneration can be complex and hard to implement, and broad brushed goals or peer benchmarking may not necessarily achieve the desired outcomes.

Recognising the complexities in establishing a robust ESG strategy, BDO's Sustainability Team is always here to support those within the exploration sector. You can find out more or get in touch with us here.

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