

Ten-year
Anniversary
Special

EXPLORER QUARTERLY CASH UPDATE

Exploration data for companies operating in Africa
June 2013 to June 2023

IDEAS | PEOPLE | TRUST



FOREWORD

Every quarter since June 2013, BDO has analysed the financial health of the Australian exploration sector based on cash flow data from Appendix 5B reports lodged with the Australian Securities Exchange (ASX) by listed exploration companies. The June quarter of 2023 marks the 10th year anniversary for our analysis of this data.

In view of the 21st Africa Down Under (ADU) conference to be held in Perth on 6-8 September 2023, I am pleased to provide this special edition of our ten-year analysis, which focuses on ASX-listed exploration companies with operations in Africa.

This ADU special edition contains extracts of our explorer dataset specifically pertaining to the exploration spending, cash balances and financing of African Explorers over the last ten years.

In addition, we investigate how African explorers have performed relative to the wider exploration sector, and whether there have been any key differences in their trends over the last ten years. The short answer is: Not as different as you might expect!

One of the most valuable parts of BDO having compiled such cash flow data over the last decade is the ability to extract these bespoke pieces of analyses, which allow us to share new insights with the wider industry. I hope you enjoy this special feature of our explorer update and continue looking out for more of such pieces over the coming months!



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NUMBER OF COMPANIES

African Explorers have made up approximately 15.5% of the exploration sector over the last five years.

1 The proportion of ASX-listed explorers with operations in Africa started from 10.9% in June 2013 and progressively grew to being 15.3% of the total sector in June 2023.

There were on average 100 African explorers in the sector over the last ten years, and relative to the wider sector, the number of companies has remained relatively stable.

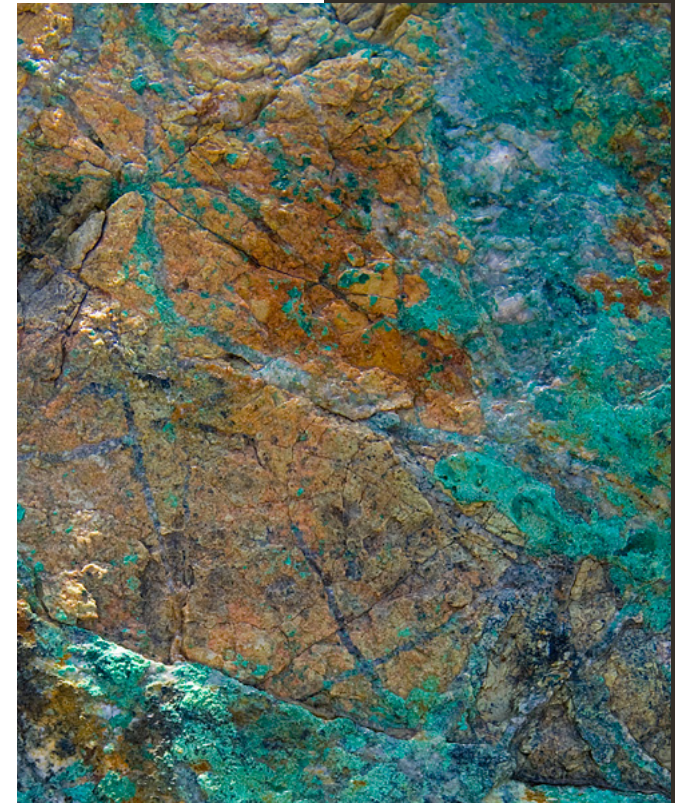
In general, African focussed explorers appear to have stayed the distance more than most.

2 There was a sharp uptick in the number of exploration companies operating in Africa in the December 2017 and June 2018 quarters, driven by an increase in IPOs (e.g. Tietto Minerals Limited) and several companies undergoing operational changes from non-African assets to African assets.

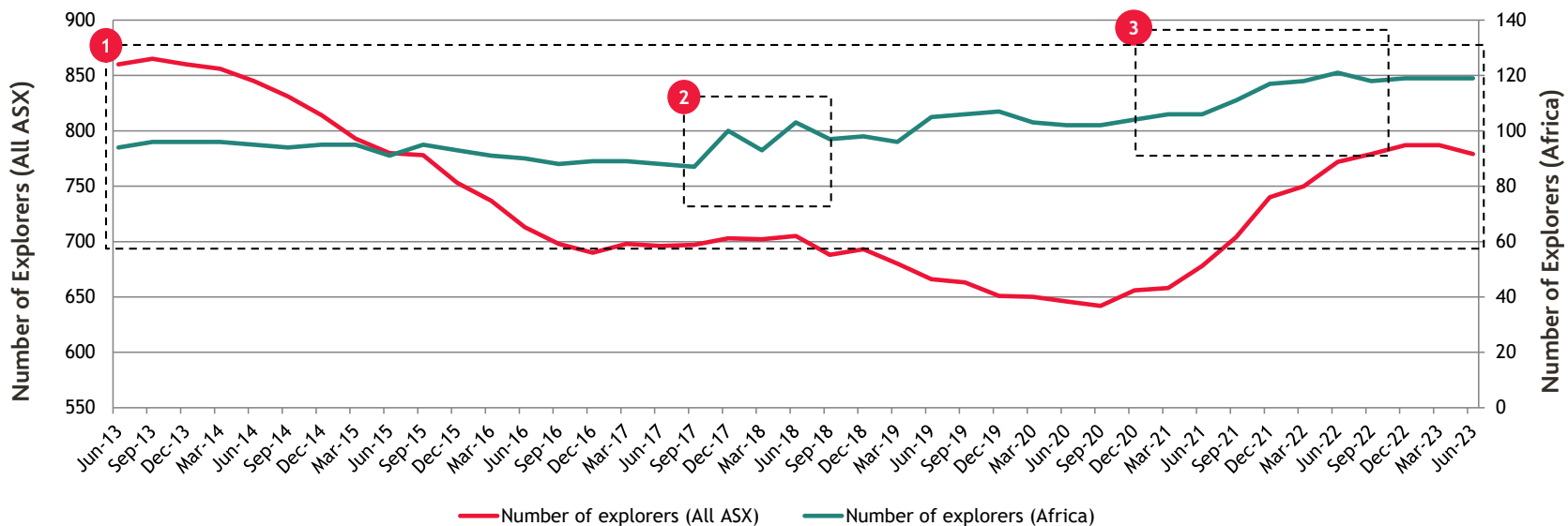
At the same time the overall number of exploration companies was experiencing a plateau in numbers following an extended period of decline.

3 The number of African Explorers increased post-COVID in line with the surge of IPOs observed in the wider sector.

The number of African focussed ASX explorers grew from 104 companies in the September 2020 quarter to 119 companies in June 2023.



NUMBER OF COMPANIES TO LODGE 5B REPORTS FROM JUNE 2013 - JUNE 2023

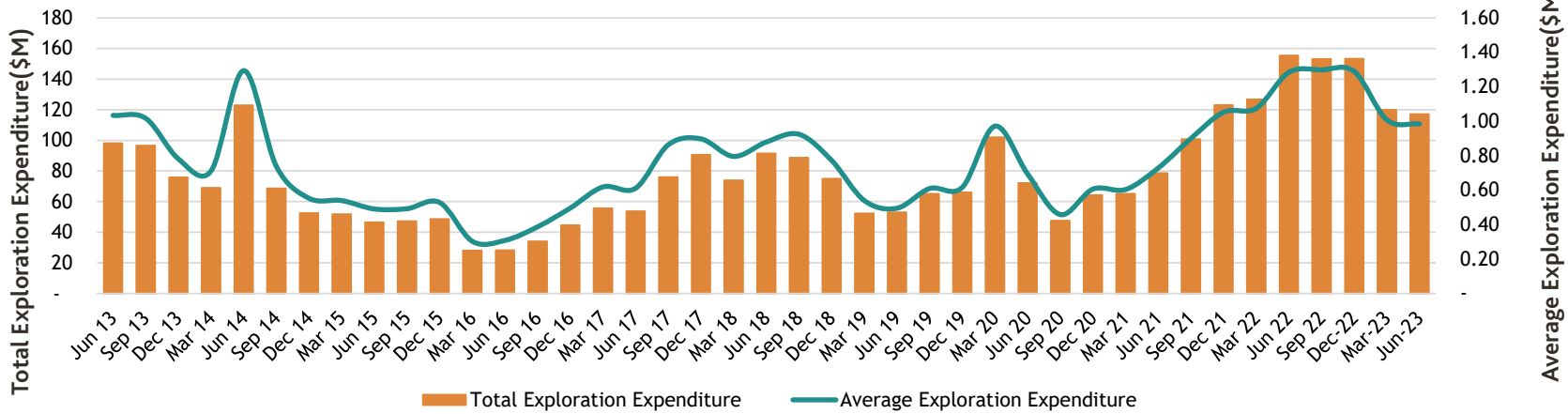


EXPLORATION EXPENDITURE TRENDS

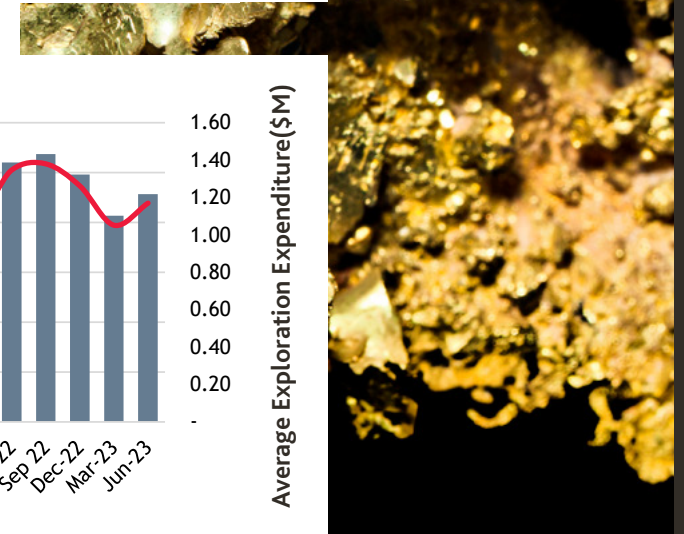
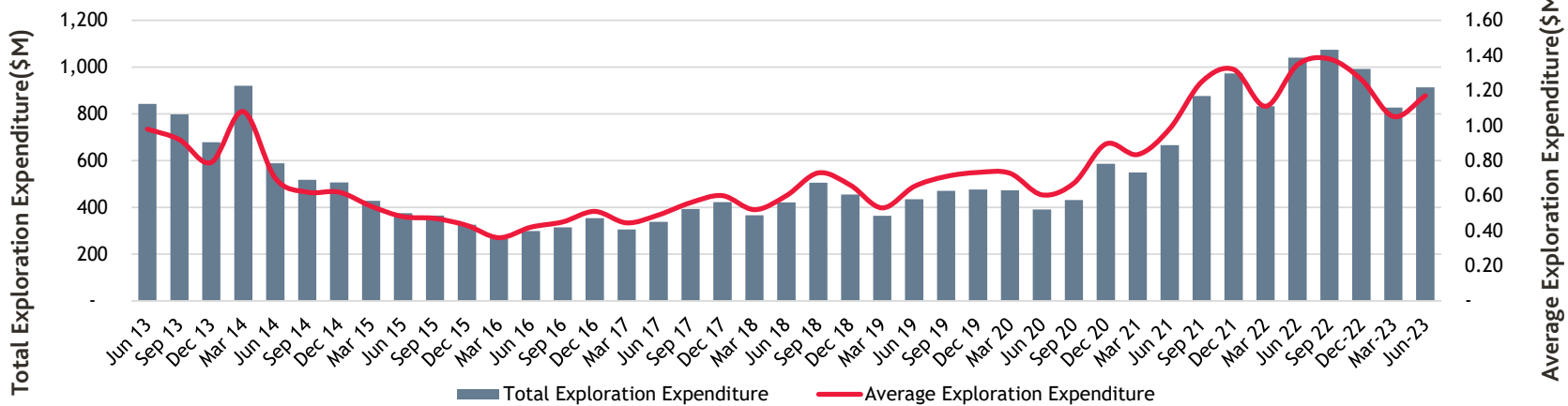
Exploration spending has been at an all-time high in the June, September and December 2022 quarters both for African Explorers and the wider exploration sector. Historical trends for exploration in Africa have broadly followed the rest of the market.



AFRICAN EXPLORERS' TOTAL EXPLORATION EXPENDITURE (\$M)



ASX EXPLORERS' TOTAL EXPLORATION EXPENDITURE (\$M)



EXPLORATION EXPENDITURE COMPARISON

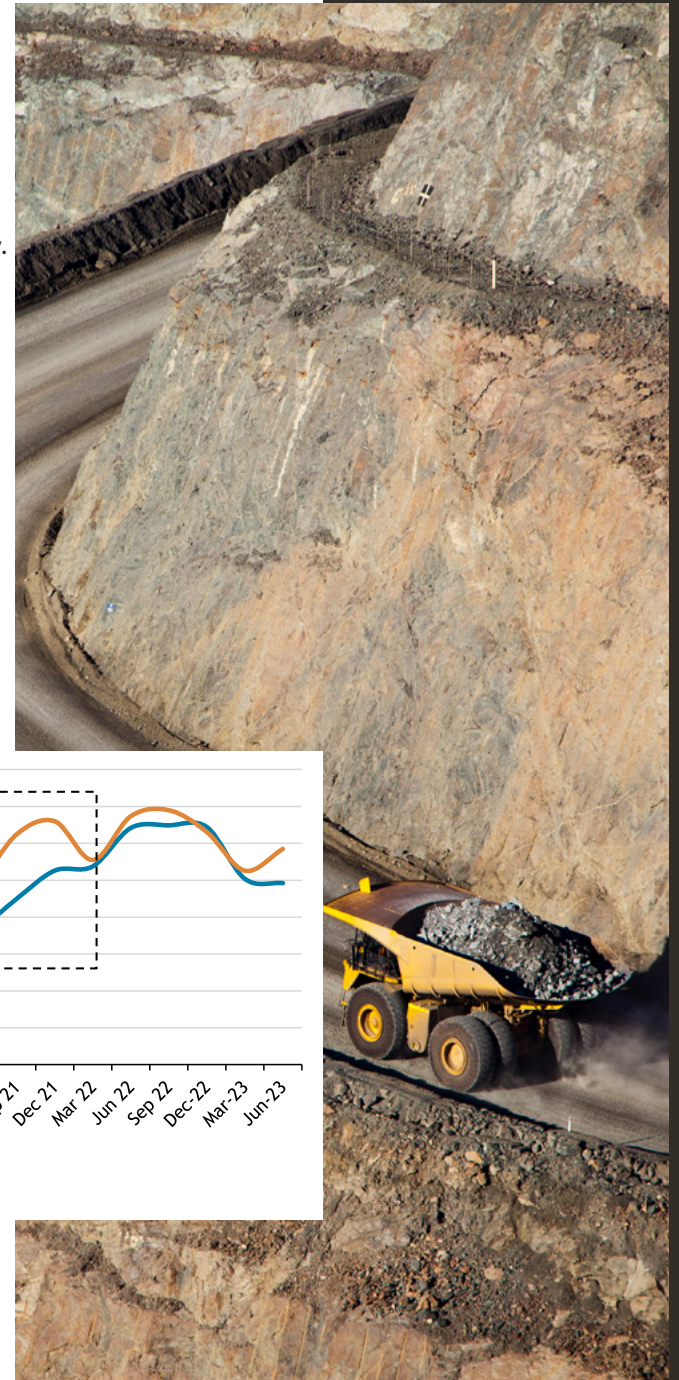
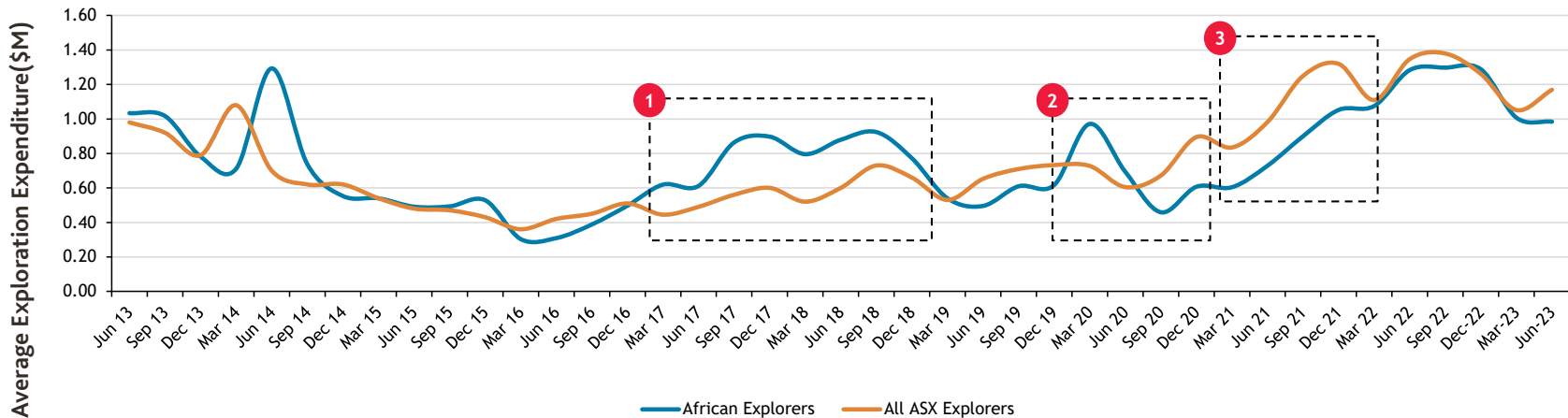
Average exploration spending has also closely followed the wider sector, with a few interesting exceptions outlined below.

1 Over 2017 to 2018 more companies came onto the ASX focussing on Africa. As such there was an increased level of exploration expenditure while the overall number of ASX listed explorers plateaued during this period.

2 The drop in exploration due to COVID-19 was much sharper than the wider sector due to travel restrictions and the inability for companies to continue operations. Many African explorers ceased exploration activities for a time, and industry bodies like AAMEG looked to lobby the ASX and ASIC for temporary waivers on annual charges.

3 The post-COVID recovery of exploration activity was slower for African focussed explorers than for the wider exploration sector, until March 2022 when travel returned to normal.

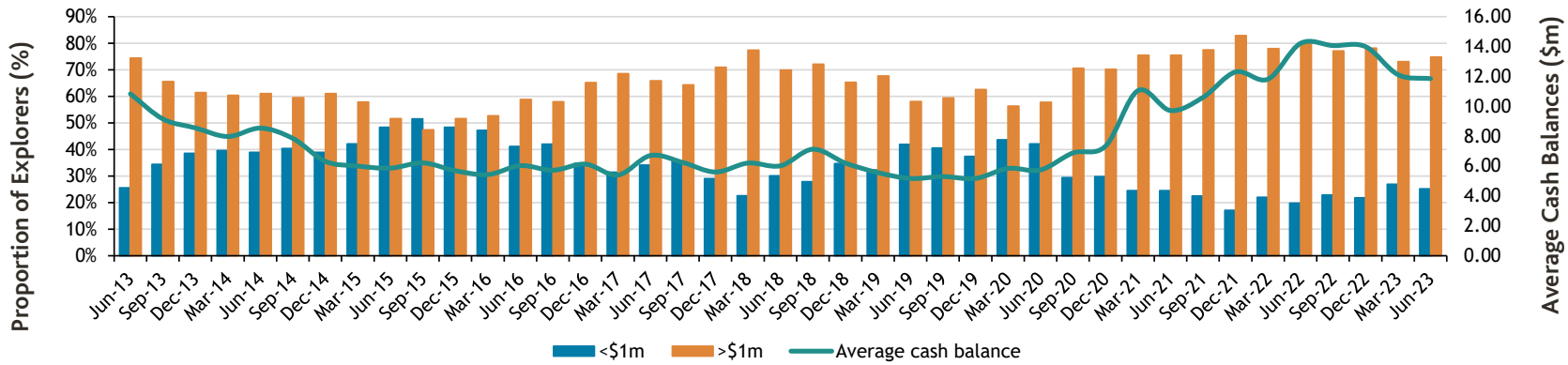
AVERAGE EXPLORATION EXPENDITURE (\$M)



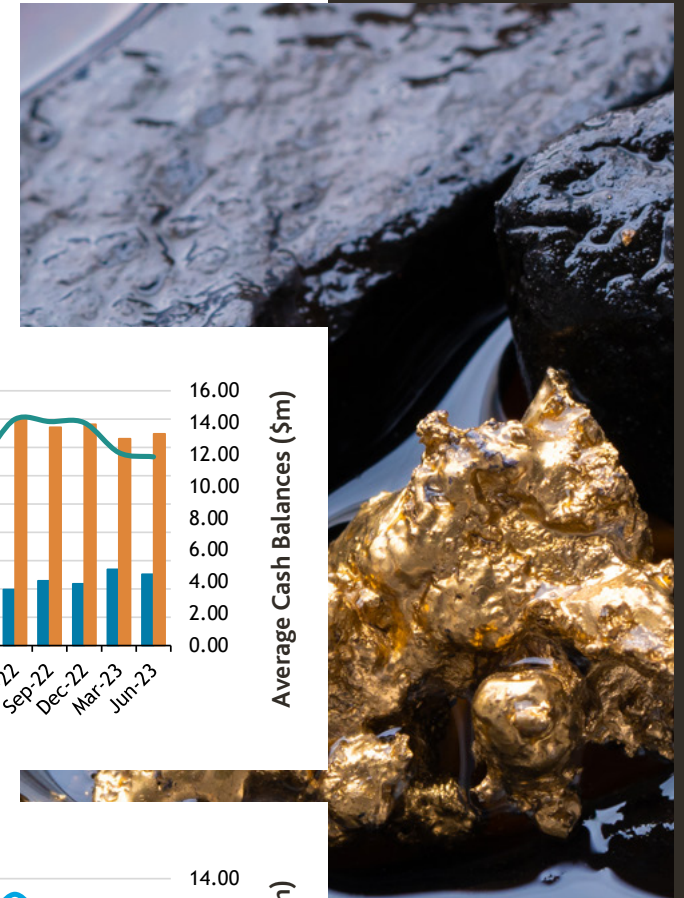
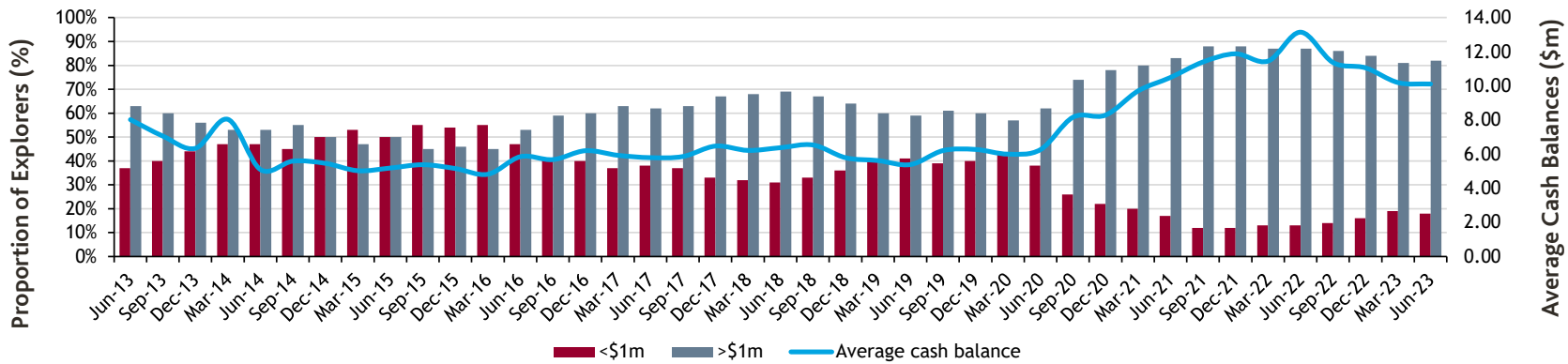
CASH BALANCE TRENDS

Like the wider sector, African explorers are 'cashed-up' like never before, albeit to a slightly lesser extent with 75% of African explorers having cash balances >\$1m in June 2023 (All ASX: 82%).

AFRICAN EXPLORERS' CASH POSITIONS



ASX EXPLORERS' CASH POSITIONS



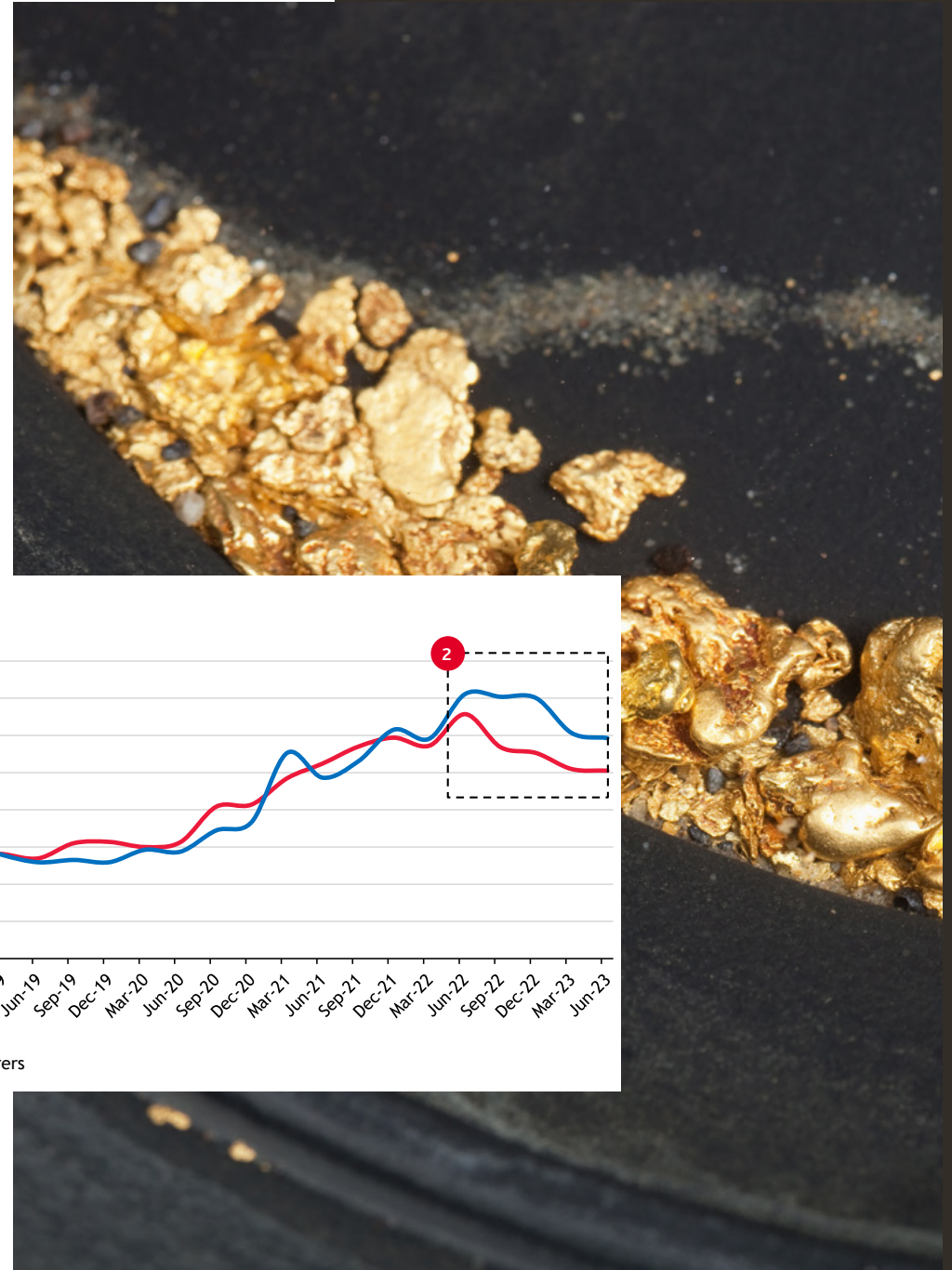
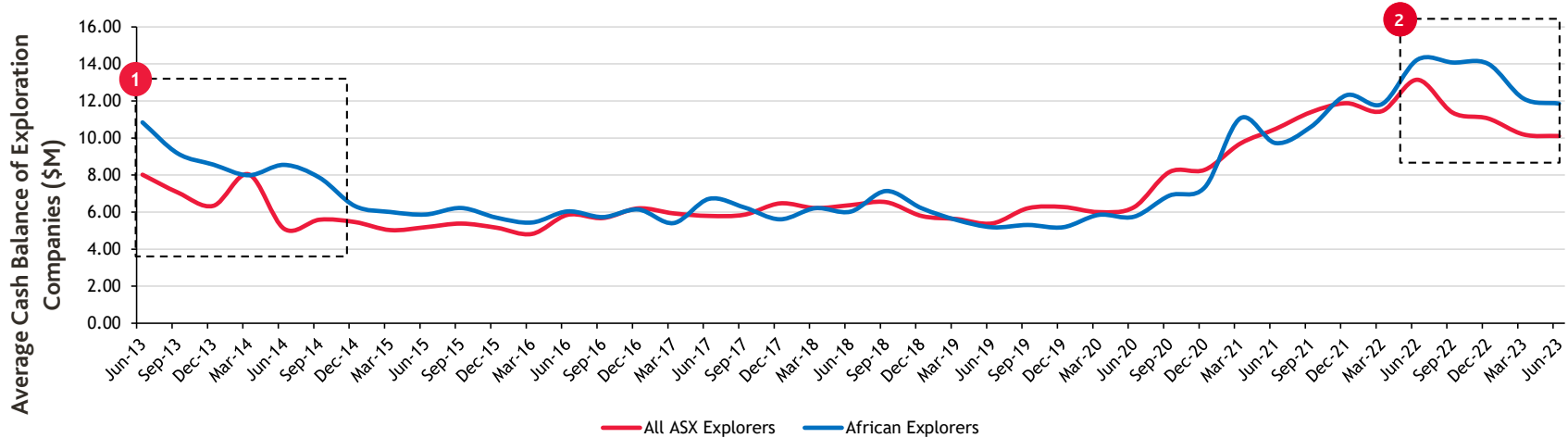
CASH BALANCE COMPARISONS

Average cash balances have largely followed the wider market. Interestingly, during peak periods (2013-14, 2022-23) when the sector was larger in size, average cash balances of African explorers were higher than the wider sector.

1 Over 2013 and 2014 African focussed explorers had higher cash balances on average than the wider sector with the two largest cash balances that contributed to the higher averages being Intrepid Mines and Jupiter Mines.

2 Since June 2022, African explorers have had higher cash balances than the average for ASX explorers as a whole. The two largest cash balances that currently contribute to the higher average are Paladin Energy (June 2023: \$190M) and West African Resources (June 2023: \$167M).

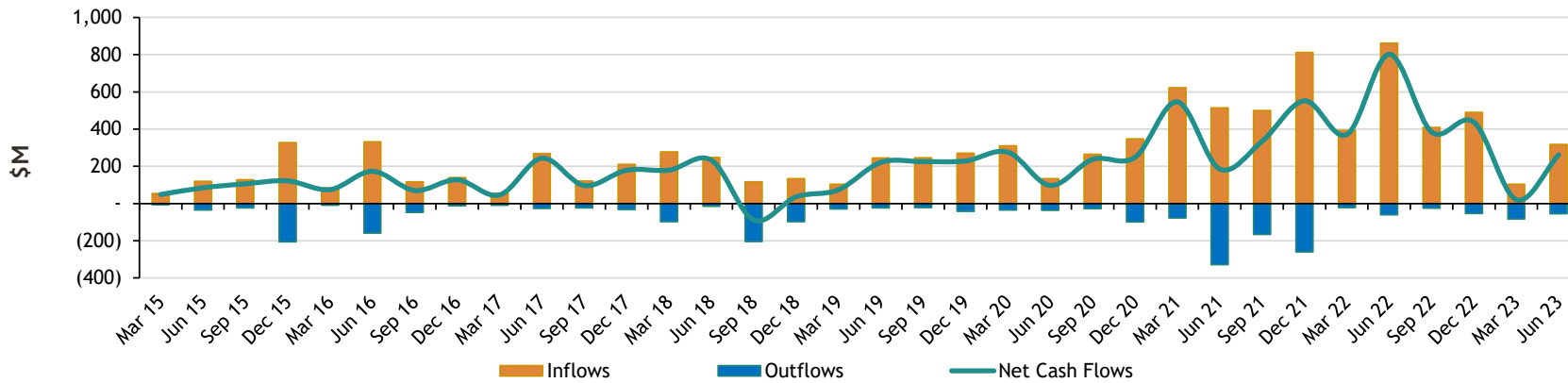
AVERAGE CASH BALANCES (\$M)



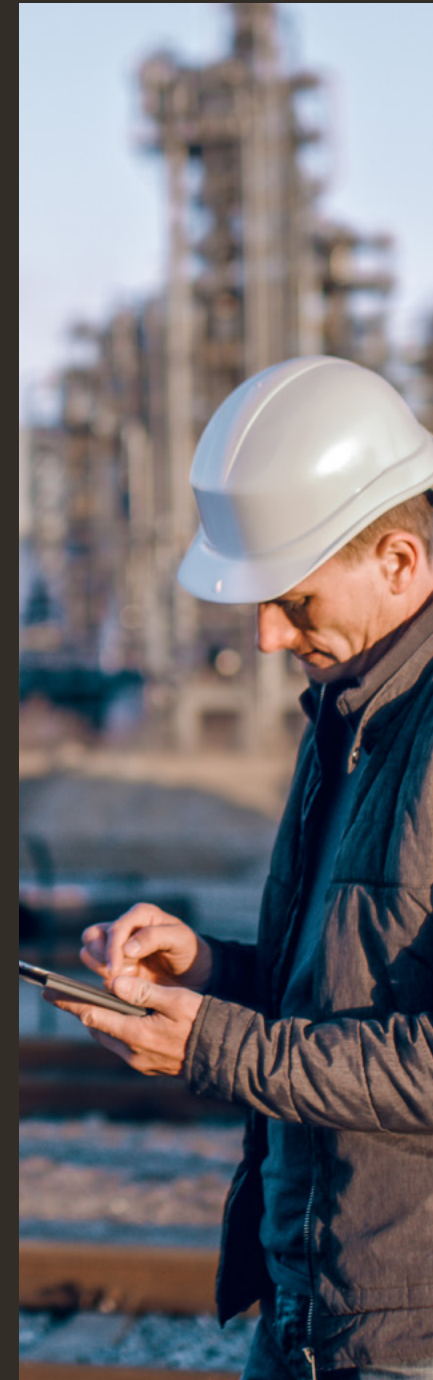
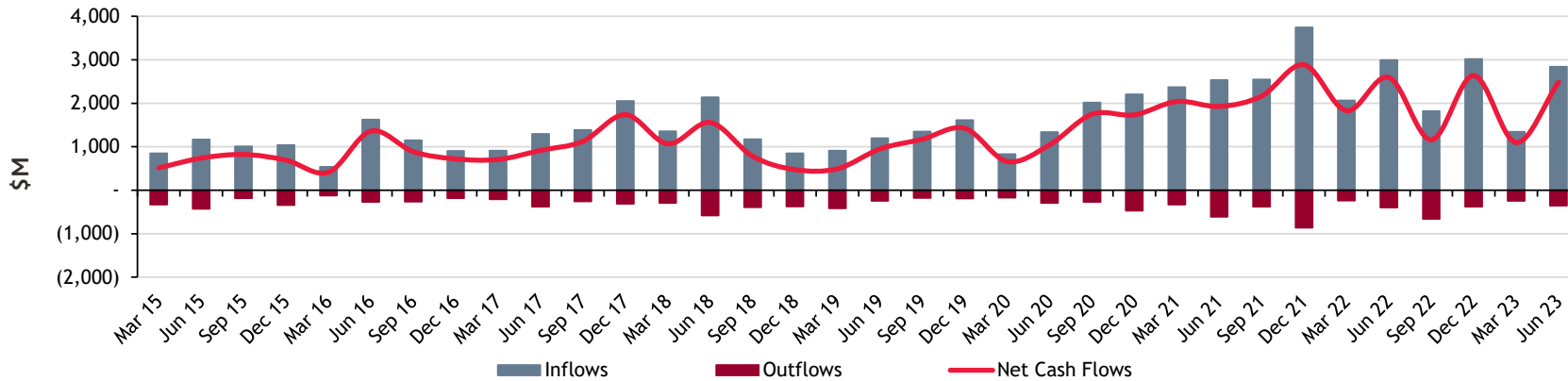
FINANCING TRENDS

Trends in financing inflows and net cash flows have appeared more volatile among African explorers. The higher number of large financing outflows is indicative that African explorers typically take on debt funding, which typically arises during the development stage.

AFRICAN EXPLORERS' FINANCING CASH FLOWS (\$M)



ASX EXPLORERS' FINANCING CASH FLOWS (\$M)



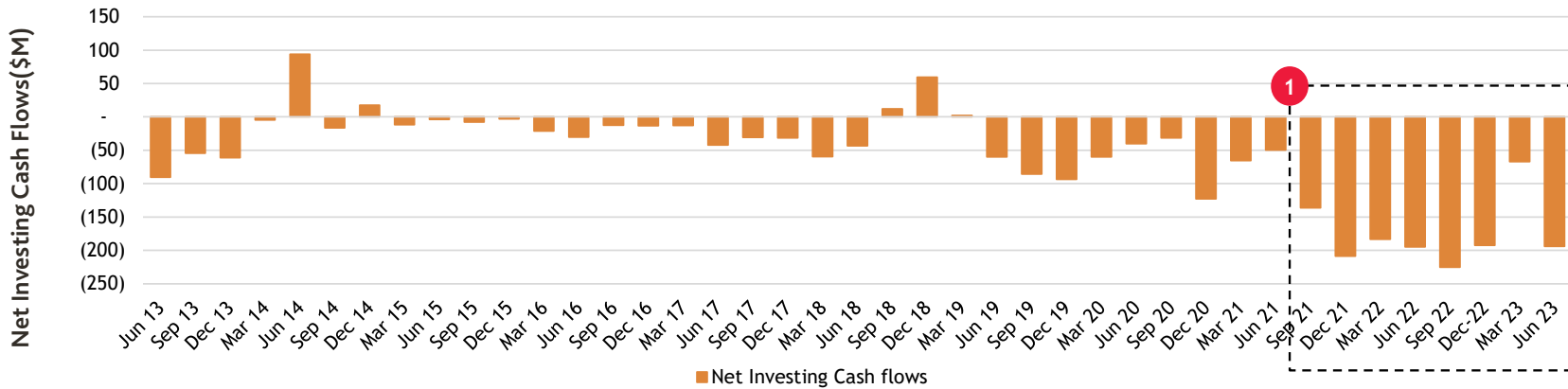
NET INVESTING CASH FLOWS TRENDS

Since the June 2019 quarter, African explorers have reported consecutive net investing outflows, with record levels experienced in mid-2021 to 2023.

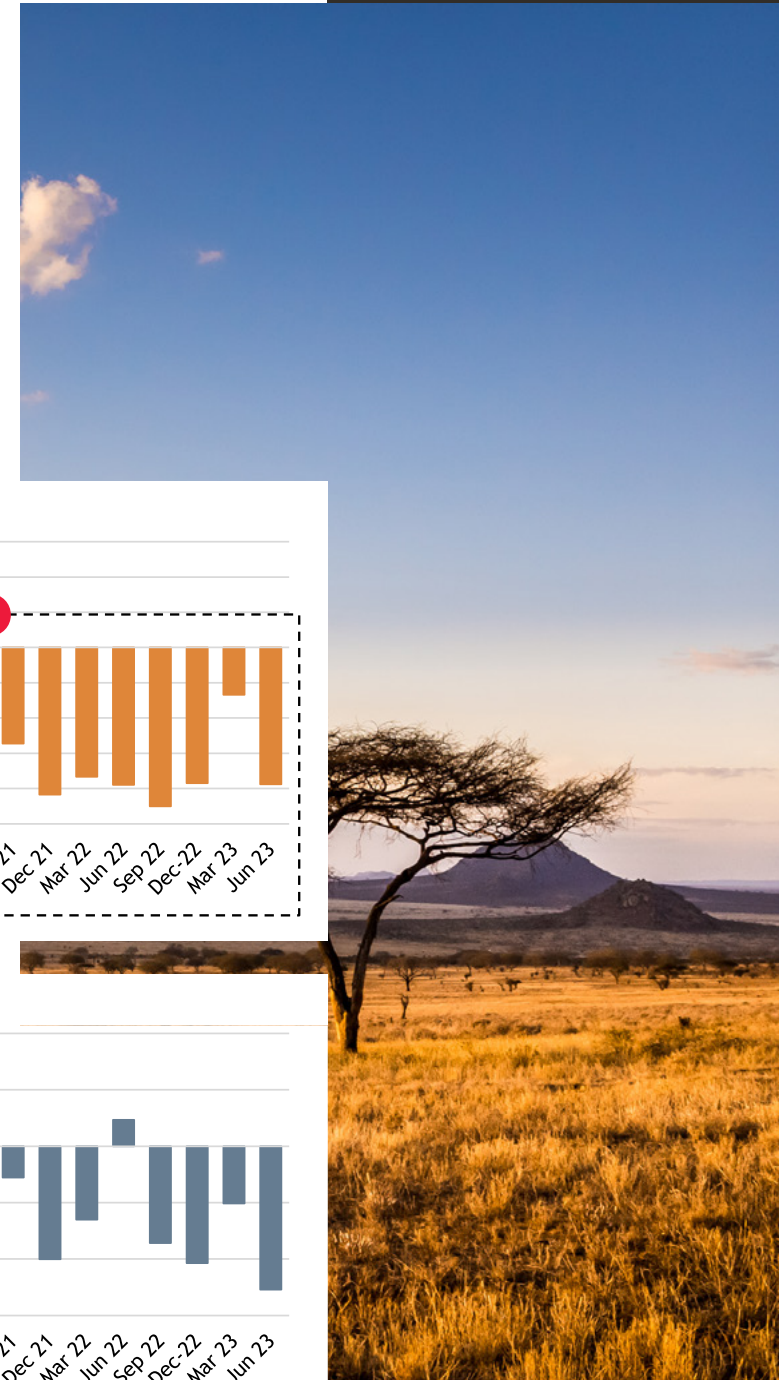
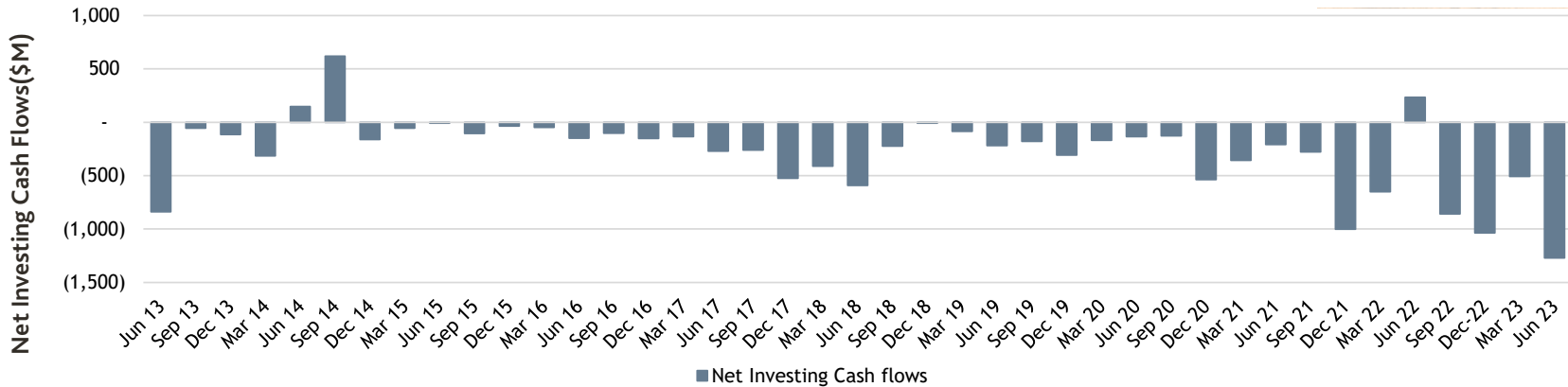
1 Recent large outflows have been driven by West African gold developers (and new producers) Tietto Minerals and West African Resources.

Prior to 2021 African explorers showed generally consistent net investing cash flows to the overall ASX exploration sector.

AFRICAN EXPLORERS' NET INVESTING CASH FLOWS (\$M)



ASX EXPLORERS' NET INVESTING CASH FLOWS (\$M)

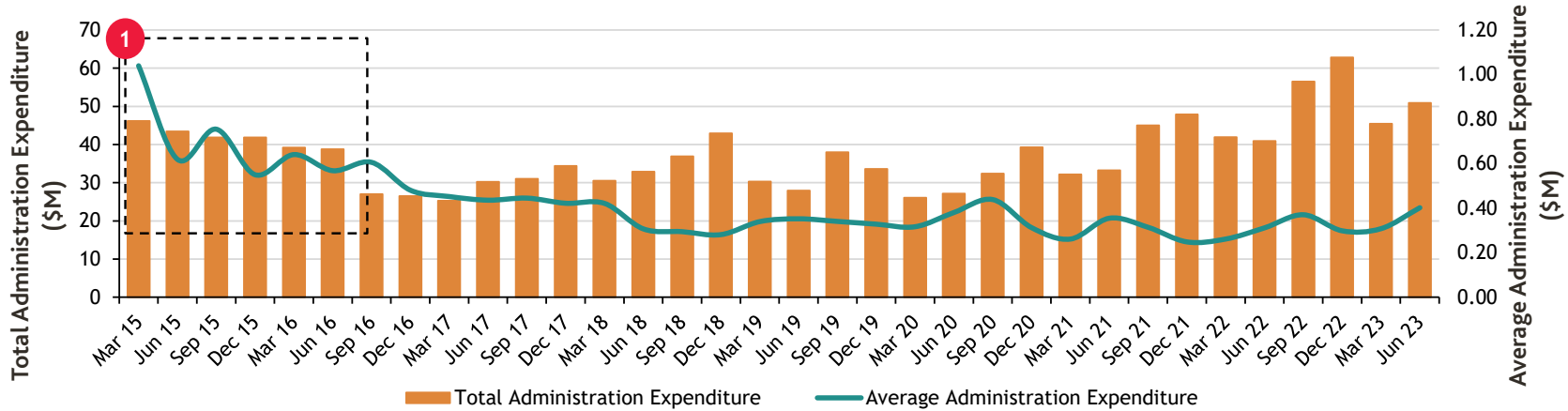


ADMINISTRATION EXPENDITURE TRENDS

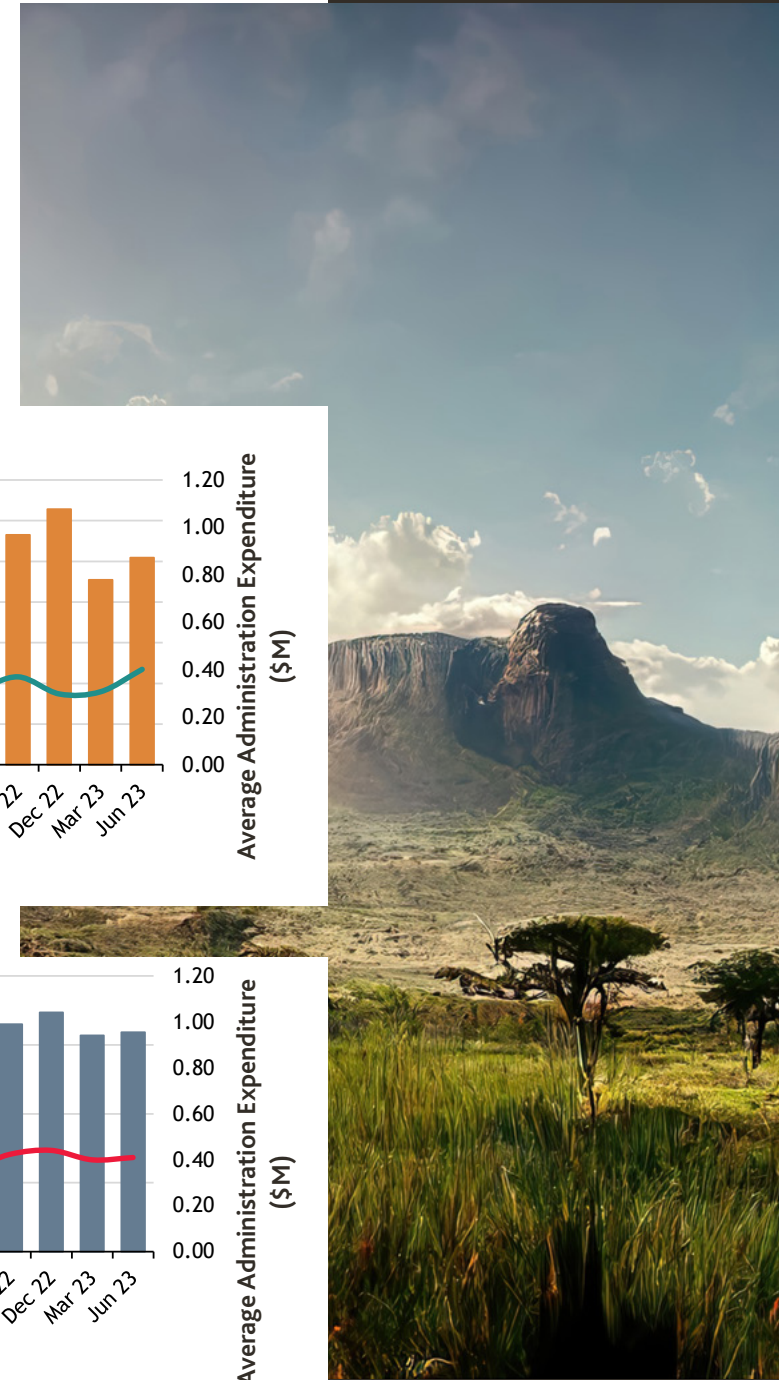
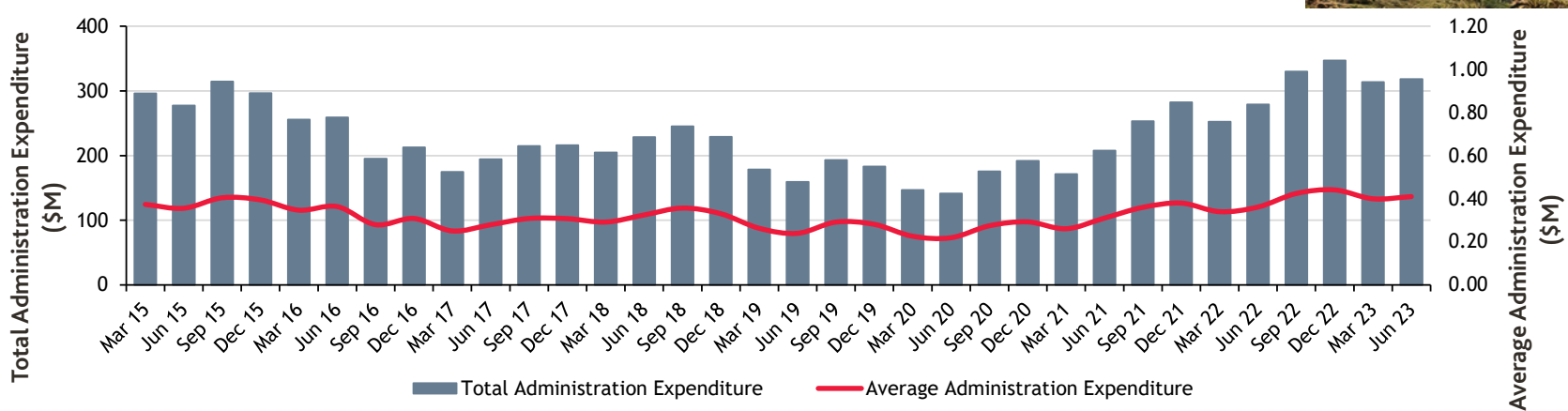
Total administration expenditure by African explorers has mirrored the trends in the sector, but average administration expenditure has significantly reduced from ten years ago.

1 Large administration spends by companies like Tribune Resources, Sundance Resources and Jupiter Mines.

AFRICAN EXPLORERS' ADMINISTRATION EXPENDITURE (\$M)



ASX EXPLORERS' ADMINISTRATION EXPENDITURE (\$M)



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