

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Dark Horse Resources Limited

ABN

79 068 958 752

Quarter ended ("current quarter")

31 December 2019

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | - | - |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation | (305) | (808) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) staff costs | - | - |
| | (e) administration and corporate costs | (152) | (201) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | (11) | (11) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Research and development refunds | - | - |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (468) | (1,020) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|------------------------------------|---------------------------------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 169 | 832 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (48) | (55) |
| 3.5 | Proceeds from borrowings | 37 | 137 |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 158 | 914 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | (310) | (106) |
| 4.1 | Cash and cash equivalents at beginning of period | 434 | 230 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (468) | (1,020) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 158 | 914 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 124 | 124 |
| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
| 5.1 | Bank balances | 124 | 434 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 124 | 434 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter \$A'000 | |
|----------------------------|----|
| | 17 |
| | - |

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter \$A'000 | |
|----------------------------|---|
| | - |
| | - |

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (Converting loan)

| Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|
| - | - |
| - | - |
| 560 | 560 |

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The principal terms of the Converting Loan are as follows:

Amount: \$560,000

Interest Rate: 12% per annum

Interest Payments: Interest payable quarterly in arrears

Maturity Date: 12 months

Repayment Terms: The Company may repay the loan either via shares or cash. If the Company elects to repay the loan via the issue of shares, the issue price of the shares will be the higher of A\$0.01 or 10% discount to the 30 day VWAP ending on the business day prior to the date of payment.

Security: Unsecured

| 9. | Estimated cash outflows for next quarter | \$A'000 |
|------------|---|----------------|
| 9.1 | Exploration and evaluation | 250 |
| 9.2 | Development | - |
| 9.3 | Production | - |
| 9.4 | Staff costs | - |
| 9.5 | Administration and corporate costs | 150 |
| 9.6 | Other (provide details if material) | - |
| 9.7 | Total estimated cash outflows | 400 |

As announced on 30 January 2020, Dark Horse has engaged North American firm Red Cloud Financial Services Inc as a financial advisor for the purposes of soliciting interest, structuring and providing financial advice to the Company. Specifically, Red Cloud will support the development of Dark Horse's Argentine Gold Projects through various capital raising transactions including equity and debt fund raising, Joint Venture opportunities and/or alternative financing facilities. The Company's Board and management have also undertaken to accrue remuneration payable to preserve the Company's treasury, and to consider conversion to equity as part of the next tranche of capital raised or (in the case of Directors) pursuant to the Company's Director Fee Plan. In addition, Dark Horse Managing Director David Mason and former Director Neil Stuart have indicated their willingness to provide short-term funding for the Company if required.

| 10. | Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|------------|---|---|---------------------------|---|-----------------------------------|
| 10.1 | Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | Refer Appendix A in quarterly activity statement. | - | - | - |
| 10.2 | Interests in mining tenements and petroleum tenements acquired or increased | Refer Appendix A in quarterly activity statement. | - | - | - |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

Date: 31 January 2020

Print name: Karl Schlobohm – Company Secretary

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.