

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Dark Horse Resources Limited

ABN

79 068 958 752

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(93)	(294)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(17)	(28)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(110)	(322)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(55)	(863)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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	(55)	(863)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	832
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(55)
3.5	Proceeds from borrowings	59	196
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	59	973

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

4.	Net increase / (decrease) in cash and cash equivalents for the period	(106)	(212)
4.1	Cash and cash equivalents at beginning of period	124	230
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(110)	(322)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(55)	(863)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	59	973
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	18	18

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	18	124
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)	18	124

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

-

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	-	
7.2	Credit standby arrangements	-	-
7.3	Other (Converting note)	560	560
7.4	Total financing facilities	560	560
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(110)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(55)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(165)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	18
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	18
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No, the Company has implemented a range of measures in response to the current unprecedented global situation caused by the COVID-19 pandemic to ensure that the Company is well positioned now, and into the future, by reducing corporate overhead costs and remuneration of Directors and senior management by 20%. DGR Global, which provides corporate administration services to DHR, Directors and some senior management have been accruing and / or taking their fees in shares for some time and will continue to do so, subject to any necessary shareholder and regulatory approvals. These cost reductions are anticipated to remain in place for a six-month period and will be reviewed as required.

Rationalisation of the Company's current project portfolio has been undertaken, as announced on 30 January 2020, after continued stagnation of the Company's Argentine Lithium assets without the expected near-term success the Board of Dark Horse decided to dispose of its Lithium assets and refocus its business principally on precious metals.

Project related expenditures have been temporarily minimised, and all ancillary activities put on hold whilst the Company works together with Red Cloud (refer below) on project and corporate finance matters.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, 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 believes these plans are reasonable likely to be successful.

Furthermore, as previously announced, the Company continues to look for new project opportunities to create value and to support future capital raising initiatives.

The Company also holds a substantial shareholding position in Lakes Oil NL, and is aware of Lakes' efforts to raise fresh capital and have its shares requoted on the ASX. Dark Horse will consider the potential sale of some of its Lakes Oil shareholding in due course.

The Company has recently received \$200,000 via the sale of a modest parcel of Lakes Oil shares to Mr Neil Stuart and Mr David Mason (refer ASX release of 29 April 2020).

Based on its track record, and that of its Directors, the Company is confident that its capital raising initiatives will be successful.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, for the reasons outlined in Questions 1 and 2, the Company expects to raise further capital to continue to fund its operations and meet its business objectives. In the interim, Dark Horse Managing Director David Mason and former Director Neil Stuart have indicated their willingness to provide short-term funding for the Company for any necessary expenditures. In addition, the Company has a conditional letter of financial support from DGR Global if required..

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.

Date: 30 April 2020

Authorised by: *The Board of Directors*

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.