ARROWHEAD
RESOURCES LTD

ABN 31 004 766 376

DECEMBER 2015 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Release Date: 29January 2016

The Directors of Arrowhead Resources Limited (**Arrowhead** or the **Company**), provide the following Activities and Cash Flow Report for the December 2015 quarter.

1 COMMENTARY

The final phase of restructuring and recapitalising the Company was completed in the December 2015 quarter. Arrowhead enters 2016 with total issued capital of 219,479,257 shares and cash of $1.24 million and is actively pursuing a new project or investment opportunity. Corporate expenditure and executive time has been further reduced reflecting the lower level of activity since the completion of the recapitalisation process. The current dire equity market situation for commodity or resource stocks, particularly junior explorers, has led the Board to widen its investment search to include non-mining opportunities also.

2 CORPORATE

During the December quarter the Company completed the second phase of its debt and capital restructuring which saw it finish the year with:

- Cash at bank of $1,241,000;
- 219,479,257 shares on issue. There are no other securities (such as options or performance securities) of any kind on issue;
- No debt, other than minor trade accounts;
- A new shareholder base and Board;
- New corporate strategy and name; and
- A very lean corporate cost structure.

2.1 Debt Restructure and Recapitalisation

At a General Meeting of Shareholders on 29 September 2015, shareholders passed resolutions approving the consolidation of capital, change of company name and the settlement of certain debts by the issue of shares.

- *Consolidation*: The share consolidation of 100 old shares for 1 new share was effective on 1 October and the total shares on issue became 20,406,229. On the 19 October, 2015 the ASX enabled the change of name from Gippsland Limited to Arrowhead Resources Limited with the ASX code of AR1.
- *Rights Issue:* A Prospectus for a renounceable entitlements issue of seven new shares for every one share previously held at an issue price of $0.01 per new share to raise $1,428,450 was lodged on the 29 October 2015. CPS Capital Group agreed to underwrite the Offer and act as Lead Manager.

  The total number of shares applied for by shareholders was 14,228,227. At the discretion of the Underwriter, applications from existing shareholders for shortfall shares to the extent of a further

2,827,112 shares were accepted. The balance of the Rights Issue, being 125,789,748 shares to raise $1,257,897, was placed by the Underwriter under the terms of the Underwriting Agreement. The total cash raised by the Company pursuant to the Rights Issue was $1,428,450 (before expenses).

- *Placement:* As the Underwriter received substantial interest in the shortfall, the Directors agreed to issue qualified clients of CPS a further 28,627,729 shares at $0.01 to raise $286,277 (before expenses), being the Company's entire available 15% placement capacity.
- *Debt Settlement:* Two debt for equity agreements had previously been reached by the Company with:

  a. Gandel Metals Pty Limited, whereby Gandel Metals would be issued 18,000,000 shares in full satisfaction of an amount outstanding of $180,000 and in addition would forgive all other amounts owing, which totalled $3.5 million; and

  b. Ventureworks JDK Pty Ltd, an entity associated with Mr John Kenny, a non-executive director of the Company, whereby Ventureworks would be issued 9,600,000 ordinary shares in full satisfaction of an amount outstanding of $96,000 and would forgive all other amounts owing, which totalled $46,000.

  Both these agreements were subject to (a) shareholder approval and (b) the raising of not less than $1.2 million in new equity. Both these conditions were satisfied and 27,600,000 shares were issued to these two parties, accordingly.

The Company currently has a total of 219,479,257 shares on issue as presented in Table 1 below.

Table 1. Updated Arrowhead Capital Structure

Opening shares on issue	**20,406,441**	Post consolidation
Rights Offer shares	**142,845,087**	7 for 1 Rights Issue
Shares applied for under the Rights Issue	14,228,227	Refer Prospectus lodged 28 October 2015 for an underwritten 7 for 1 renounceable Rights Offer
Shortfall Applications from Existing Shareholders Accepted by the Underwriter	2,827,112	Accepted at the discretion of the Underwriter
Underwritten Shortfall shares	125,789,748	Underwritten by CPS Securities Group Pty Ltd.
15% Placement shares	**28,627,729**	Under the Company's 15% Placement capacity
Debt for Equity Settlement Shares	**27,600,000**	As approved by shareholders in general meeting on 29 September 2015.
Total current issued shares	**219,479,257**	

2.2 Financial Position

With an opening cash position at the start of the December quarter of $41k, the Company raised a total of $1,715k through the Rights Issue and Placement, before costs. The closing cash position as at 31 December is $1,241k after expenditure that comprised:

- ✓ Repayment of Celtic Loan and interest: $104k
- ✓ Fundraising Fees and costs: $158k
- ✓ Evaluation of new projects $21k
- ✓ Administration, Year-end audit, legal fees

and other compliance costs: $233k

Including:

- Gandel Metals legal costs: $16k
- Directors and management fees (Includes fees for the Sept quarter): $92k

Expenditure for the March 2016 quarter is forecast to be $125k reflecting the lower activity level and executive time required.

Please refer to attached Appendix 5B for further detail.

2.3 Other Corporate Matters

On 17 December, 2015, Mr Jason Peterson joined the Board replacing Mr Rowan Caren, who remains as Company Secretary and CFO. The Board welcomes Mr Peterson and expresses its sincere appreciation for Mr Caren's significant contribution through a very difficult rebuilding period for the Company.

The Board has agreed to make further adjustments to corporate roles and logistics including, Mr Mike Rosenstreich to move to effectively a non-executive role, recognising the reduced time commitments with the completion of the debt restructuring and recapitalisation process. Mr Rosenstreich will continue to lead the Company's review of new project opportunities and the legal process for its expropriation claim against the Government of Egypt. Mr Caren has also agreed to a reduction in fees commensurate with a lower level of activity in the near future.

3 PROJECT GENERATION

The Company and its consultants have reviewed in detail several advanced mineral exploration opportunities during the December quarter. However, despite often very strong technical attributes the Board has not committed to any transactions at this stage. Indeed, in considering the very strong negative market sentiment around commodity prices and resource company valuations, the Board has decided to include non-mining opportunities in its "universe of opportunities to explore".

4 EXPLORATION

During the quarter the Company commenced discussions with litigation funding groups seeking financial support to pursue its legal claims for compensation against the Government of Egypt for expropriation, or measures tantamount to expropriation, of its interests in the large scale Abu Dabbab Tantalum-Tin-Feldspar Project, on which it has spent in excess of US$30 million.

The Company's chairman, Mr Rosenstreich has previously stated "that nobody should underestimate our resolve to gain appropriate compensation for the actions of our Egyptian partner. However, from an Arrowhead shareholder perspective, we need to take a commercial view, move on, and look for new opportunities. The situation in Egypt can't drive Arrowhead's future; that is something we intend to retain control of. Along the way, obviously, we also hope that the Government of Egypt understands the implications of increasing sovereign risk and the ramifications of failing to do so will have on attracting international investment into Egypt. Time will tell."

The subsidiary companies and assets in Eritrea continued to be wound up through the December quarter. This process should be complete in early 2016.

Michael Rosenstreich
Chairman

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Arrowhead Resources Limited

ABN	Quarter ended ("current quarter")
31 004 766 376	31 December 2015

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		-	-
1.2	Payments for	(a) exploration & evaluation	(21)	(21)
		(b) development	-	-
		(c) production*	-	-
		(d) administration	(233)	(297)
1.3	Dividends received			
1.4	Interest and other items of a similar nature received		1	1
1.5	Interest and other costs of finance paid		(4)	(4)
1.6	Income taxes paid			
1.7	Other		-	-
	Net Operating Cash Flows		(257)	(321)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects		
		(b) equity investments		
		(c) other fixed assets	-	-
1.9	Proceeds from sale of:	(a) prospects		
		(b) equity investments		
		(c) other fixed assets	-	15
1.10	Loans to other entities			
1.11	Loans repaid by other entities			
1.12	Other (provide details if material)			
	Net investing cash flows		-	15
1.13	Total operating and investing cash flows		(257)	(306)
	Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		1,715	1,715
1.15	Proceeds from sale of forfeited shares		-	-
1.16	Proceeds from borrowings		-	81
1.17	Repayment of borrowings		(100)	(100)
1.18	Dividends paid		-	-
1.19	Other		(158)	(158)
	Net financing cash flows (carried forward)		1,457	1,538

	Net financing cash flows (brought forward)	1,457	1,538
	Net increase (decrease) in cash held	1,200	1,232
1.20	Cash at beginning of quarter/year to date	41	9
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	1,241	1,241

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	92
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments of consulting fees and office contribution to directors and director related entities.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Creditors owed a total of $3,831k were issued 27,600,000 ordinary shares in the Company in satisfaction of all amounts owing.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	10
4.2	Development	-
4.3	Production	-
4.4	Administration	115
	Total	**125**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,241	41
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,241	41

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements and petroleum tenements acquired or increased				

Issued and quoted securities at end of current quarter

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	219,479,257	219,479,257		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs – Consolidation on 100:1 basis	 142,845,087 27,600,000 28,627,729 (2,020,216,425)	 142,845,087 27,600,000 28,627,729 (2,020.216,425)		
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options**	-	-	*Exercise price*	*Expiry date*
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Secretary: R Caren
Date: 29 January 2016

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 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.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.