



ABN 31 004 766 376

SEPTEMBER 2016 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Release Date: 25 October, 2016

The Directors of Arrowhead Resources Limited (**Arrowhead** or the **Company**), provide the following Activities and Cash Flow Report for the September 2016 quarter.

1 COMMENTARY

The Company's key objective is to secure a new project opportunity that adds value for shareholders. We have recently focused our efforts on a specific opportunity, but after a detailed due diligence process we elected not to proceed with a transaction. Whilst the Board is "impatient" to secure a new project, that enthusiasm is being tempered by a prudent and detailed assessment of new opportunities which is driven by the perceived value generation for Arrowhead shareholders arising from our due diligence findings.

The Company has been working since mid-2015 on advancing its legal case against the Government of Egypt for the expropriation of (and other unlawful measures taken against) the Company's 50% interest in the large scale Abu Dabbab Tantalum-Tin-Feldspar project. Recent work includes ongoing collection of evidence and further progress towards securing litigation funding for the case.

2 CORPORATE

During the quarter the Company continued to maintain a tight cost structure to preserve cash whilst undertaking an active process of identifying and assessing new project and business opportunities.

Total operating expenditure for the September quarter was \$150k (June Quarter \$105k) comprising a mix of exploration/evaluation and administration expenses. The closing cash position was \$813k. Please refer to the attached Appendix 5B for further detail.

The Company commenced a rationalisation of its share register by offering shareholders with a holding equating to less than a marketable parcel an opportunity to sell their shares without brokerage costs. This process has resulted in a significant reduction in the number of shareholders (from 1050 down to 350) with follow-on savings for the Company in terms of postage and printing costs.

The Company's Annual General Meeting is to be held in Perth on 30 November 2016.

3 PROJECT GENERATION

The Company and its consultants have continued to review potential project investments during the quarter. This included detailed due diligence of one specific opportunity which included site visits and technical, financial and legal review but was ultimately rejected. Whilst it is disappointing to have spent significant time focussed on this one opportunity which is not being followed up – that is the purpose of due diligence. The Company is continuing its review of mining and non-mining business opportunities and several assessments are in progress, however the Board has not yet identified any projects that meet its criteria and has not committed to any transactions.

4 EXPLORATION PROJECTS

The Company is confident that it has legal claims for compensation against the Government of Egypt for expropriation, or measures tantamount to expropriation, of its interests in the Abu Dabbab Tantalum-Tin-Feldspar Project, on which it has spent in excess of US\$30 million up to early 2015. The Company is also confident that it has other legal claims against the Government of Egypt, including claims for violation of Egypt's obligations of good faith, transparency and non-discrimination.

During the September quarter the Company, working with Clifford Chance, has continued to build up the legal case and is working to secure an arbitration funding agreement in the current quarter. This is a follow-up to earlier discussions with funding groups which included receipt of an indicative informal offer. The Company needs to secure such a facility to continue its compensation claims. Whilst there is a strong sense of optimism within the Company that this funding process will be successful, there is no certainty of a positive outcome.

Michael Rosenstreich

Chairman

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Arrowhead Resources Limited

ABN

31 004 766 376

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(66)	(66)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(89)	(89)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid		
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	(150)	(150)
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		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..3...months) \$A'000
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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
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		
3.5	Proceeds from borrowings		
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	963	963
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(150)	(150)
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)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	813	813

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	163	213
5.2	Call deposits	650	750
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)	813	963

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**

53

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

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**

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	50
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	60
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	110

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				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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:
(~~Director~~/Company secretary)

Date: 25 October 2016

Print name: Rowan Caren

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.