



ANNUAL REPORT 2016

CORPORATE DIRECTORY

DIRECTORS	Michael Rosenstreich –Executive Chairman and Managing Director Jason Peterson – Non-Executive Director John Kenny – Non-Executive Director	
COMPANY SECRETARY	Rowan Caren	
REGISTERED OFFICE	Suite 2, 28 Southside Drive Hillarys WA 6025 Australia	
POSTAL ADDRESS	PO Box 2277 Marmion WA 6020 Australia	
TELEPHONE	+61 8 6102 2609	
EMAIL	info@arrowheadresources.com.au	
WEBSITE	www.arrowheadresources.com.au	
AUDITORS	HLB Mann Judd Level 4 130 Stirling Street Perth WA 6000 Australia	
SOLICITORS	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000 Australia	
SHARE REGISTRY	Automic Registry Services Pty Ltd Level 1, 7 Ventnor Avenue West Perth WA 6005 Australia	PO Box 223 West Perth WA 6872 Australia
WEBSITE	www.automic.com.au	
PHONE NUMBER	+61 8 9324 2099	
AUSTRALIAN STOCK EXCHANGE	The Company's securities are quoted on the official list of the ASX Ltd (ASX), the home exchange being: The ASX (Perth) Ltd 2 The Esplanade Perth WA 6000 Australia	
ASX CODE	AR1	
FRANKFURT STOCK EXCHANGE (DEUTSCHE BÖRSE)	The Company's securities are quoted on the Frankfurt Stock Exchange Börsenplatz 4 60313 Frankfurt / Main Germany	
FSE CODE	GIX	

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CHAIRMAN'S LETTER

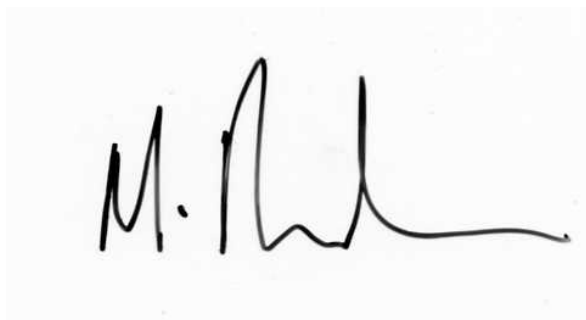
Arrowhead Resources is actively seeking and evaluating new mineral project and business investment opportunities. The market sentiment appears more open, or is "risk-on" to investing in mining and exploration opportunities and also other start-up and emerging enterprises, but on a very selective basis.

Our team has reviewed over 30 opportunities mainly in the mining, technology and agri-business areas. We employ prudent and detailed assessment criteria which includes issues such as technical risk, ability to fund and ultimately the most important, capacity to generate shareholder value. This is the main corporate focus and objective and at the time of writing remains a "work-in-progress". It is critical that we get this right!

On August 17, 2015 the Board of Arrowhead reported that it was unlikely that the Company would regain access to its 50% interest in the Abu Dabbab tantalum-tin-feldspar project in Egypt after an apparent expropriation event by the Egyptian Government. This was a devastating outcome for all stakeholders particularly as the Company had just completed a study on a robust, lower-cost and lower-risk development strategy which was supported by a financing offer. Indeed, given that this was the closest that the Project had ever come to being developed and that commissioning would have been within 12 months from commencement, this outcome was even tougher to accept for management, directors, shareholders, employees and no doubt the people of Egypt. The Company is well supported by international legal experts and with their advice we are building a detailed case against the Government of Egypt and trying to put together a funding structure with litigation funding groups. By its very nature this is slow and exacting work which we continue to undertake in the background.

With a lean corporate structure and very low cost base your Company is well positioned to rebuild value through maintaining its momentum on project generation activities. We will also continue to pursue our rights in Egypt whilst maintaining the current tight control on costs.

I extend my sincere thanks to my fellow directors, management team, shareholders and other stakeholders for their ongoing support and interest.

A handwritten signature in black ink, appearing to read 'M. Rosenstreich', with a long horizontal flourish extending to the right.

Mike Rosenstreich

Chairman

REVIEW OF OPERATIONS 2016

The Directors of Arrowhead Resources Limited (Arrowhead or the Company), provide the following review of operations for the financial year ending 30 June 2016.

1. Corporate Strategy

During the first six months of the period the Board focused on a debt and capital restructuring process as the enabling step toward recapitalising the Company. The Company also commenced a search for a new project or business opportunity whilst establishing its case against entities related to the Government of Egypt for the expropriation of the Company's 50% share in the Abu Dabbab Tantalum-Tin project.

1.1 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 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 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 to 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 were finalised 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 \$3,495,390; 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 \$46,666.

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.

- *Ratification of Placement:* On 31 March, 2016 Arrowhead shareholders ratified the issue of 28.63 million shares via a placement on 11 December, 2015. On that date the Company also issued 3.88 million shares as the final settlement of unresolved matters arising from the restructure of the Company and its Board through 2015.

- **Board Changes:** During the course of these events several Board changes ensued including, the resignation of Mr Jon Starink as an Executive Director of the Company on 31 July 2015 and on 17 December 2015, Mr Jason Peterson joined the Board replacing Mr Rowan Caren, who remains as Company Secretary and CFO. Mr Rosenstreich remains as Chairman.
- As well, the Company appointed a new auditor, HLB Mann Judd, engaged a new share registry, Automic Registry Services and relocated its registered office to smaller shared premises in line with its significant corporate cost reduction initiatives.
- Finally, a new website was also created to reflect the change of name to Arrowhead Resources Limited. The details are;

W: www.arrowheadresources.com.au

E: info@arrowheadresources.com.au

1.2 Project Generation

Following the loss of its core project, the Abu Dabbab tantalum-Tin Project the Board recognised that the future of the Company could not be reliant on a legal process for compensation from a foreign government and that in order to restore shareholder value the company had to chart its own future through securing a new project or business opportunity. This has been an ongoing process, essentially from about September 2015 and the Company and its consultants have continued to review potential project investments since that time. Recently completed and ongoing assessments include several large-scale advanced copper projects, as well as earlier stage projects prospective for base metals, gold, tantalum and lithium. The Company also continues to be open to non-mining businesses and is continuing to assess several opportunities in the agribusiness and technology sectors. It is important to note that at the date of this Operations Review, whilst several assessments are in progress, the Board has not yet identified any projects that meet its criteria and has not committed to any transactions.

1.3 Exploration

1.3.1 Abu Dabbab Tantalum-Tin-Feldspar Project (Egypt)

In August, 2015 the Board of Arrowhead determined that it had received sufficient legal advice and local information in regard to the dispute over its 50% interest in the Abu Dabbab Tantalum-Tin-Feldspar project (the Project), located in Egypt to provide shareholders an outlook on the situation, albeit that outlook was negative.

In the Board's view key arms of the Egyptian Government were making moves to deprive Arrowhead of its equitable interest in the Project and other exploration interests held in Egypt. Arrowheads 50% partner in the Project, the Egyptian Company for Mineral Resources (ECMR) alleges that Arrowhead had abandoned the Project, notwithstanding that ECMR refused to provide the Letters of Support requested by the Project financing group or indeed engage in any discussions to resolve any matters. The Company understands the Project's Exploitation Licences have since been removed from the Egyptian registered, joint venture company, Tantalum Egypt JSC (TE), in which Arrowhead had a 50% share ownership.

ECMR's allegations are rejected by Arrowhead in their entirety and the Company denies that it has, at any time, abandoned the Project. In Arrowhead's view, ECMR's conduct constitutes expropriation, or measures tantamount to expropriation, of its interests in the Project. Arrowhead has repeatedly tried to engage with ECMR to resolve the matter so as to be able to proceed to develop the Project with ECMR as joint venturers through TE. ECMR has not responded positively

to Arrowhead in this regard. Consequently, Arrowhead has taken the view that it is highly unlikely that it will be able to resume its participation in, and development of, the Project. Of course, Arrowhead has reserved its rights in this regard.

In late 2015 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 of its interests in the Project, on which it has spent in excess of US\$30 million. Arrowhead's other legal claims against the Government of Egypt include claims for breach of the rules of good faith, transparency and non-discrimination.

The Company is working with a major international law firm to prepare its claims against the Government of Egypt. To support its legal action the Company has received an informal litigation funding offer to support the initial action and is now looking to augment that offer with the support of legal experts in the field of international law and arbitration.

Interestingly, the Company notes recent Egyptian press (Al Bawabeh News) accusing the head of the Egyptian Minerals Authority, Mr Omar Taimaa of “destroying” the mining sector and creating international disputes that are costly to the country. The piece cites Tantalum Egypt as one of several examples – which is consistent with the Company’s view of having been forced from the project.

The Company has also recently received information that the Government of Egypt plans to tender the Abu Dabbab Project internationally. Arrowhead holds all of the detailed technical data and is facilitating discussions with interested parties to examine a joint proposal which would benefit Egypt by removing the “overhanging legal dispute” and focus on potential development plans; but at no further cost to Arrowhead shareholders.

1.3.2 Other Exploration Interests

The Company received a letter from the Eritrean Ministry of Energy and Mines on 19 August, 2015 stating that the Adobha and Gerasi South Exploration Licences had been terminated. This followed the Company’s unsuccessful efforts over the preceding 12 months to joint venture or sell these tenements and the Company did not contest this decision.

Arrowhead Resources Limited

(formerly Gippsland Limited)

and its Controlled Entities

ABN 31 004 766 376

Financial Report

30 June 2016

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DIRECTORS' REPORT

Your Directors present their report with respect to the results of Arrowhead Resources Limited (formerly Gippsland Limited) ("Arrowhead" or "the Company") and its controlled entities ("the Group") for the year ended 30 June 2016 ("the Balance Date") and the state of affairs of the Company and the Group at Balance Date.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are as below. Directors were in office for this entire period unless otherwise stated.

Mr Michael Rosenstreich

Mr John Kenny

Mr Jason Peterson (appointed 16 December 2015)

Mr Rowan Caren (appointed 24 April 2015, resigned 16 December 2015)

Mr Jon Starink (resigned 31 July 2015)

Names, qualifications, experience and special responsibilities

Michael Rosenstreich – Chairman and Managing Director

BSc (Hons), MEE, FAusIMM, MAICD

Mr Rosenstreich was appointed Managing Director on 24 March 2014 and Chairman on 24 April 2015. He was a member of the Company's Audit Committee until 11 September 2015 when the Audit Committee was suspended.

Mr Rosenstreich has a technical background and has worked in corporate finance and management of listed companies over the past 30 years including:

- 13 years as an exploration and mine geologist in senior roles;
- 6 years as a resource financier with NM Rothschild & Sons;
- 2 years as a technical consultant with Snowden and independently; and
- 9 years through to 2013 as Managing Director of ASX listed Bass Metals from pre IPO stage through exploration success and culminating in over 5 years of base and precious metals production.

During the past three years Mr Rosenstreich has served as a Director of the following listed companies:

Bass Metals Limited – Appointed 15 December 2004; ceased 4 October 2013

Jason Peterson – Director (Non executive)

BCom, GDip Fin

Mr Peterson was appointed Director on 16 December 2015.

Mr. Peterson has more than 20 years experience in the financial advisory sector, obtained working in both local and international stockbroking companies such as Patersons Securities Limited, Tolhurst Group, and Merrill Lynch. Mr Peterson specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers.

Mr Peterson is a Senior Client Advisor, and a director and 30% shareholder of stock broking firm, CPS Capital Group Pty Ltd.

During the past three years Mr Paterson has served as a Director of the following listed companies:

Lithex Resources Limited - Appointed 5 December 2013, Resigned 1 December 2015;

Black Star Petroleum Limited - Appointed 28 February 2013, Resigned 24 October 2013; and

Wolf Petroleum Ltd - Appointed 3 January 2013, Resigned 18 May 2015.

John Kenny – Director (Non-executive)

B Com (Hons), LLB

Mr Kenny was appointed Director on 2 September 1999. He was Chairman of the Company's Audit Committee until 11 September 2015 when the Audit Committee was suspended.

DIRECTORS' REPORT

Mr Kenny is a corporate and resources lawyer with a specialised interest in venture capital, initial public offerings and mergers and acquisitions. He has extensive experience in public equity fundraisings and the pricing of equity, debt and derivative securities.

During the past three years Mr Kenny has served as a Director of the following listed companies:

The ARK Fund Limited* - Appointed 18 June 2003;

Indus Coal Limited - Appointed 13 September 2011. Resigned 7 February 2014;

Sun Resources Limited - Appointed 1 March 2012. Resigned 19 November 2013; and

Winchester Energy Limited* – Appointed 17 March 2014.

Rowan St John Caren –Company Secretary BCom, CA

Mr Caren was appointed Company Secretary on 15 August 2006 and Director on 24 April 2015. He resigned as a Director on 16 December 2015.

Mr Caren was employed by the chartered accountancy firm PricewaterhouseCoopers in Australia and overseas for six years and has been directly involved in the minerals exploration industry for a further 19 years. He also provides company secretarial and corporate advisory services to several exploration companies and is a member of Chartered Accountants Australia and New Zealand.

During the past three years Mr Caren has not served as a Director of any other listed company.

Jon Starink – Director (Executive)

BSC (Hons), BChemE(Hons), MAppSc, FAusIMM, FIEAust, FIChemE, MRACI, MTMS, CPEng, CChem, CSci

Mr Starink was appointed Director on 8 May 2007 and resigned on 31 July 2015.

Mr Starink is a Chartered Professional Engineer, a Chartered Scientist and a Chartered Industrial Chemist, a Fellow of the Institution of Engineers Australia, a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Institution of Chemical Engineers, a Member of The Metallurgical Society and a Member of the Royal Australian Chemical Institute.

During the past three years Mr Starink has served as a Director of the following listed company:

Macarthur Minerals Limited – Appointed 28 June 2011, Resigned 28 April 2015.

* denotes current directorship

Interest in Shares and Options of the Company and related bodies corporate

As at the date of this report, the interest of the directors in the shares and options of Arrowhead Resources Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr M Rosenstreich	-	-
Mr J Peterson	17,800,000	-
Mr J Kenny	23,013,272	-

OPTIONS

At the date of this report, there were no options on issue.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors were held. Attendances by each director during the year were as follows:

Directors' Meetings		
	Eligible to Attend	Attended
Mr M Rosenstreich	6	6
Mr J Peterson	2	2
Mr J Kenny	6	6
Mr R Caren	4	4
Mr J Starink	1	1

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the year were exploration and development of commercially and economically viable mineral resources. There were no significant changes in the nature of the Group's principal activity during the year other than as noted below.

CONSOLIDATED RESULTS

The consolidated operating profit of the Group after providing for income tax amounted to \$3,207,465 (2015: loss of \$12,608,813).

Review of Operations

- The Group received a letter from the Eritrean Ministry of Energy and Mines on 19 August 2015 stating that the Adobha Exploration Licence and the Gerasi South Exploration Licences had been terminated. This followed the Company's unsuccessful efforts over the preceding 12 months to joint venture or sell these licences.
- The Group continued to evaluate project opportunities.

Financial Position

The net assets of the Group have increased by \$4,969,534 from a net deficit of \$4,067,793 at 30 June 2015 to net assets of \$901,741 at 30 June 2016. As at the Reporting Date the group had working capital of \$872,663 (2015: deficit of \$4,115,274).

DIVIDENDS

No dividends were declared or paid during the financial year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- Creditors owed a total of \$426,540 were issued 142,500,000 ordinary shares (on a pre consolidation basis) in the Company in satisfaction of all amounts owing;
- The share capital of the Company was consolidated on the basis of one new share for every 100 existing shares. At the same time new constitution was adopted and the name of the Company was changed to Arrowhead Resources Limited;
- Completion of a rights issue which raised \$1,428,450 (before costs);
- Completion of a placement which raised \$286,277 (before costs); and
- Completion of debt for equity agreements which resulted in debts totalling \$3,542,056 being forgiven and shares issued in satisfaction of amounts owing of \$276,000.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS

It is unlikely that Arrowhead will regain access to the Abu Dabbab Project or its other interests and assets in Egypt. Arrowhead considers that it will likely need to seek recourse under Egyptian and/or international law (including making a significant claim for financial compensation for the damage it has suffered). Arrowhead will, through its legal counsel, exercise its rights and pursue its claims vigorously. This may include seeking the support of a litigation funding group to assist it in doing so.

Subject to successful completion of the recapitalisation strategy, the Company plans to continue with its core business of identifying, exploring and developing mining projects.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not currently subject to any significant environmental regulations. However, the board is committed to achieving a high standard of environmental performance, and regular monitoring of potential environmental exposures is undertaken by management. The board considers that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

The Group is required to carry out its activities in accordance with the mining laws and regulations in the areas in which it undertakes its exploration activities.

INDEMNITY AND INSURANCE OF OFFICERS

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay an insurance premium as follows:

- The Company has paid premiums to insure any director or officer of Arrowhead Resources Limited against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium is \$8,130 (2015: \$10,833).
- The Company has entered into "Deeds of Indemnity, Access and Insurance" with directors and officers in which the Company agrees to indemnify the directors and officers in respect of certain liabilities incurred by the director or officer while acting in their capacity for the Company and to insure the director or officer against certain risks they are exposed to as a director or officer of the Company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No non-audit services were provided by the Company's current auditor, HLB Mann Judd ("HLB"), or the previous auditor, Deloitte Touche Tomatsu ("Deloitte").

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on page 11 of the directors' report.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Arrowhead Resources Limited.

Remuneration Policy

The remuneration policy of Arrowhead Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Arrowhead Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, is developed and approved by the board after seeking professional advice from independent external consultants as required. In the years presented, no external consultants have been used.
- All executives receive a base salary or fee (which is based on factors such as length of service and experience).
- The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. In the current year, no advice was sought. The maximum aggregate amount of fees that can be paid to non-executive directors is currently fixed at \$250,000 with any change in this amount subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

No relationship exists between the remuneration policy and the Company's performance.

At the Company's most recent Annual General Meeting, the remuneration report for the year ended 30 June 2015 was passed with a greater than 75% vote in favour.

DIRECTORS' REPORT

Details of key management personnel

M Rosenstreich	- Chairman and Managing Director
J Peterson	- Non-Executive Director (Appointed 16 December 2015)
J Kenny	- Non-Executive Director
R Caren	- Company Secretary (Appointed as Director 24 April 2015, Resigned as Director 16 December 2015)
J Starink	- Executive Director (Resigned 31 July 2015)

Non-Executive Director Remuneration

J Kenny - Non-Executive Director

- Director fees: \$36,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

J Peterson - Non-Executive Director

- Corporate Advisory fees: \$60,000 per annum.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination.

Employment Contracts

M Rosenstreich – Managing Director

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: \$17,600 per month. A discounted fee of \$11,000 per month was agreed for the period from 1 July 2015 to October 31 2015. A further discounted fee of \$5,500 per month was agreed for the period from 1 January 2016.
- Period of notice for termination/resignation: Three month's written notice by either party.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three month's fees in lieu of notice

R Caren – Company Secretary

- Term of agreement: Until terminated in accordance with the agreement.
- Remuneration: \$7,000 per month. A discounted fee of \$4,500 per month was agreed for the period from 1 January 2016.
- Period of notice for termination/resignation: Three month's written notice by either party.
- Details of remuneration entitlement on termination: Payment of fees up to the date of termination or payment of three month's fees in lieu of notice.

DIRECTORS' REPORT

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2016

Key Management Personnel - 30 June 2016	Short-term Benefits Cash, salary and commissions	Share-based Payment Shares and Options	Post-employment Benefits	Total	Remuneration consisting of shares and options for the year
	\$	\$	\$	\$	%
Non-Executive Directors					
Mr J Kenny	34,667	-	-	34,667	0.00%
Mr J Peterson ¹	-	-	-	-	0.00%
Sub-total	34,667	-	-	34,667	
Executive Directors					
Mr M Rosenstreich	101,200	-	-	101,200	0.00%
Mr J Starink ²	-	-	-	-	0.00%
Sub-total	101,200	-	-	101,200	
Other key management personnel					
Mr R Caren ³	71,000	-	-	71,000	0.00%
Sub-total	71,000	-	-	71,000	
Total	206,867	-	-	206,867	

¹ Appointed 16 December 2015.

² Resigned 31 July 2015.

³ This amount includes consulting fees of \$42,000 paid to Mr Caren during the period he was a director of the Company from 1 July 2015 to 16 December 2015.

DIRECTORS' REPORT

Table 2: Remuneration for the year ended 30 June 2015

Key Management Personnel - 30 June 2015	Short-term Benefits Cash, salary and commissions	Share-based Payment Shares and Options	Post-employment Benefits	Total	Remuneration consisting of shares and options for the year
	\$	\$	\$	\$	%
Non-Executive Directors					
Mr J Kenny	40,000	-	-	40,000	0.00%
Mr I Gandel ⁴	62,850	-	-	62,850	0.00%
Sub-total	102,850	-	-	102,850	
Executive Directors					
Mr M Rosenstreich	194,340	-	-	194,340	0.00%
Mr J Starink	150,000	-	-	150,000	0.00%
Mr R Caren	72,520	-	-	72,520	0.00%
Sub-total	416,860	-	-	416,860	
Other key management personnel					
Mr A Ayyash ⁵	191,696	-	-	191,696	0.00%
Sub-total	191,696	-	-	191,696	
Total	711,406	-	-	711,406	

⁴ Resigned 14 April 2015.

⁵ Ceased to be a KMP on 31 January 2015.

Compensation Options: Granted and vested during the year (consolidated)

There were no options granted to Directors or other Key Management Personnel during 2015 or 2016.

Table 3: Shares issued on exercise of compensation options (consolidated)

30 June 2016	Shares issued No.	Paid per share \$	Unpaid per share \$
Directors			
Nil	-	-	-
30 June 2015	Shares issued No.	Paid per share \$	Unpaid per share \$
Directors			
Nil	-	-	-

Share-based payment arrangements in existence

There were no share-based payment arrangements in existence in relation to directors and senior management during the financial year.

During the financial year:

- There were no grants of share-based payment compensation to directors or senior management.
- No directors or senior management exercised options that were granted to them as part of their compensation.

Option holdings of key management personnel (consolidated)

- There are no options held in Arrowhead Resources Limited by key management personnel.

DIRECTORS' REPORT

Table 4: Shareholdings of key management personnel (consolidated)

Shares held in Arrowhead Resources Limited (number) by key management personnel are:

Shareholdings of key management personnel (consolidated)	Balance 1.7.2015	Adjustment on consolidation	Issued in settlement of amounts owing	Net Change Other*	Balance 30.6.2016
	Ord	Ord	Ord	Ord	Ord
Directors					
Mr M Rosenstreich	-	-	-	-	-
Mr J Peterson	-	-	-	17,800,000	17,800,000
Mr J Kenny	5,165,819	(5,114,160)	9,600,000	13,361,613	23,013,272
Mr R Caren	-	-	-	775,330	775,330
Mr J Starink (resigned 31 July 2015)	3,085,715	(3,054,857)	3,888,889	- 3,919,747	NA
	8,251,534	- 8,169,017	13,488,889	28,017,196	41,588,602

* Net change refers to shares purchased or sold during the financial year. Additionally, it may include the balance of shares held by a director on the date that he ceases to be a director.

DIRECTORS' REPORT

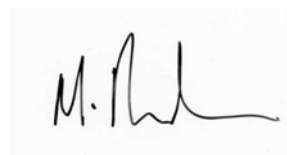
Related party transactions with key management personnel

Related party transactions with key management personnel, other than those already disclosed in this remuneration report, are as follows:

	2016 \$	2015 \$
Funds loaned to Arrowhead by Gandel Metals Pty Limited – a company associated with Mr I Gandel. The loan is unsecured and interest was payable at rates between 4.83% and 5.33% during the year.	-	1,317,000
Loan funds converted into shares by Gandel Metals Pty Limited at an issue price of \$0.002 (0.2 cents) per share, pursuant to the Company's rights issue.	-	552,000
Underwriting fee, based on 6% of the amount raised, paid to CPS Capital Group- a company associated with Mr J Peterson	85,707	-
Placement fee, based on 6% of the amount raised, paid to CPS Capital Group	17,176	-
Corporate advisory fees paid or payable to CPS Capital Group	30,000	-
Funds loaned to Arrowhead by Celtic Capital Pty Limited – a company associated with Mr J Peterson. The loan is unsecured and interest was payable at rates between 15% during the year.	100,000	-
Interest paid or payable on \$100,000 loan from Celtic Capital Pty Limited - a company associated with Mr J Peterson. The loan was unsecured and interest was payable at rates between 15% during the period.	3,904	-
Funds repaid to Arrowhead by Celtic Capital Pty Limited	100,000	-
Interest paid on loans from Gandel Metals Pty Limited, a company associated with a former director Mr Ian Gandel. The loan was unsecured and interest was payable at rates between 4.83% and 5.33% during the period.	72,583	169,908
Loan and other amounts payable converted into shares by Gandel Metals Pty Limited at an issue price of \$0.01 (1 cent) per share, pursuant to shareholder approval. The balance of the amount payable (\$3,495,390) was forgiven.	180,000	-
Amounts payable converted into shares by Ventureworks JDK Pty Limited - a company associated with Mr John Kenny - at an issue price of \$0.01 (1 cent) per share, pursuant to shareholder approval. The balance of the amount payable (\$46,666) was forgiven.	96,000	-
An amount in respect of the provision of office facilities was paid or payable to Dabinett Corporate Pty Limited – a company associated with Mr R Caren.	2,700	900

[END OF REMUNERATION REPORT]

Signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporations Act 2001 (Cth).



MB ROSENSTREICH
Managing Director

Dated this 18th day of August 2016.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Arrowhead Resources Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
18 August 2016

M R W Ohm
Partner

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Continuing Operations			
Finance revenue	3(a)	11,881	1,228
Gain on disposal of property plant and equipment		13,324	-
Other income	3(b)	3,545,689	8,728
Total income - continuing operations		<u>3,570,894</u>	<u>9,956</u>
Administration expense		(247,856)	(358,968)
Employee benefits expense	3(d)	(266,465)	(826,505)
Foreign exchange gain/(losses)		(1,501)	18,018
Exploration expense		-	(3,697)
Project evaluation expense		(37,572)	(209,667)
Impairment of property plant and equipment		-	(148,143)
Impairment of exploration and evaluation expenditure		-	(7,197)
Loss on disposal of property plant and equipment		-	(28,751)
Depreciation and amortisation		(16,674)	(35,615)
Impairment of related party loans		-	(457,690)
Finance costs		(77,677)	(170,383)
Total expenses		<u>(647,745)</u>	<u>(2,228,598)</u>
Loss before income tax from continuing operations		2,923,149	(2,218,642)
Income tax expense	4	-	-
Loss after income tax for the year from continuing operations		2,923,149	(2,218,642)
Discontinued Operations			
Gain/(loss) for the year from discontinued operations	27	284,316	(10,390,171)
Loss for the Year		<u>3,207,465</u>	<u>(12,608,813)</u>
Other comprehensive income, net of income tax			
Exchange rate differences on translating foreign operations		(290,496)	1,848,525
Total other comprehensive income		(290,496)	1,848,525
Total comprehensive loss for the period		<u>2,916,969</u>	<u>(10,760,288)</u>
Profit/(loss) is attributable to:			
Members of the parent		3,207,465	(12,608,813)
Non-controlling interest		-	-
		<u>3,207,465</u>	<u>(12,608,813)</u>
Total comprehensive income/(loss) is attributable to:			
Members of the parent		2,916,969	(10,094,249)
Non-controlling interest		-	(666,039)
		<u>2,916,969</u>	<u>(10,760,288)</u>
Earnings per share			
From continuing and discontinued operations			
Basic earnings/(loss) per share (cents per share)	5	2.38	(0.82)
Diluted earnings/(loss) per share (cents per share)	5	2.38	(0.82)
From continuing operations			
Basic earnings/(loss) per share (cents per share)	5	2.17	(0.14)
Diluted earnings/(loss) per share (cents per share)	5	2.17	(0.14)

The accompanying notes form an integral part of this Consolidated Statement of Profit or Loss and Other Comprehensive Income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	6	963,245	8,725
Trade and other receivables	7	10,133	13,586
Other assets	8	-	5,835
Total Current Assets		973,378	28,146
Non-Current Assets			
Property, plant and equipment	9	29,078	47,481
Total Non-Current Assets		29,078	47,481
Total Assets		1,002,456	75,627
Current Liabilities			
Trade and other payables	10	94,780	711,409
Provisions	11	5,935	94,995
Loans and borrowings	12	-	3,337,016
Total Current Liabilities		100,715	4,143,420
Total Liabilities		100,715	4,143,420
Net Assets (Liabilities)		901,741	(4,067,793)
Equity			
Contributed equity	13	51,584,487	49,531,922
Reserves	14(a)	534,662	825,158
Accumulated losses	14(b)	(51,217,408)	(54,424,873)
Total Equity (Deficit)		901,741	(4,067,793)

The accompanying notes form an integral part of this Consolidated Statement of Financial Position.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(615,794)	(1,410,119)
Payments for project evaluation		-	-
Interest received		11,881	1,228
Finance costs		(5,095)	(70,319)
Other receipts		816	8,728
		<hr/>	<hr/>
Net cash flows provided by/(used in) operating activities	6	(608,192)	(1,470,482)
Cash flows used in investing activities			
Proceeds from sale of plant and equipment		15,053	146,872
Net cash outflow on discontinued operation		-	(2,002,008)
		<hr/>	<hr/>
Net cash flows provided by (used in) investing activities		15,053	(1,855,136)
Cash flows from financing activities			
Proceeds from issue of fully paid shares		1,714,728	492,846
Payment of transaction costs		(150,663)	(43,246)
Proceeds from borrowing		100,000	1,317,000
Repayment of borrowing		(100,000)	-
		<hr/>	<hr/>
Net cash provided by financing activities		1,564,065	1,766,600
Net increase / (decrease) in cash held		970,926	(1,559,018)
Net foreign exchange differences		(16,406)	1,291,045
Cash and cash equivalents at beginning of the financial year		8,725	276,698
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	6	963,245	8,725

The accompanying notes form an integral part of this Consolidated Statement of Cash Flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital \$	Accumulated Losses \$	Option reserve \$	Foreign Currency Translation Reserve \$	Non-controlling interest \$	Total Equity \$
CONSOLIDATED						
As at 1 July 2014	48,530,322	(41,816,060)	534,662	(2,224,068)	(3,950,518)	1,074,338
Currency translation differences	-	-	-	2,514,564	(666,039)	1,848,525
Loss for the year	-	(12,608,813)	-	-	-	(12,608,813)
Total comprehensive income for the year	-	(12,608,813)	-	2,514,564	(666,039)	(10,760,288)
Transactions with owners in their capacity as owners						
Difference arising from deconsolidation	-	-	-	-	4,616,557	4,616,557
Issue of share capital	1,044,846	-	-	-	-	1,044,846
Transaction costs	(43,246)	-	-	-	-	(43,246)
Balance at 30 June 2015	49,531,922	(54,424,873)	534,662	290,496	-	(4,067,793)
Currency translation differences	-	-	-	(290,496)	-	(290,496)
Profit for the year	-	3,207,465	-	-	-	3,207,465
Total comprehensive income for the year	-	3,207,465	-	(290,496)	-	2,916,969
Transactions with owners in their capacity as owners						
Issue of share capital	2,203,228	-	-	-	-	2,203,228
Transaction costs	(150,663)	-	-	-	-	(150,663)
Balance at 30 June 2016	51,584,487	(51,217,408)	534,662	-	-	901,741

The accompanying notes form an integral part of this Consolidated Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 CORPORATE INFORMATION

The financial report of Arrowhead Resources Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 18 August 2016. The name of the Company was changed from Gippsland Limited to Arrowhead Resources Limited on 29 September 2015.

Arrowhead Resources Limited which is the ultimate parent company, is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group were exploration and development of mineral resources.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards.

The consolidated financial statements have been prepared on the basis of historical cost as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For the purpose of preparing the financial statements, the consolidated entity is a for-profit entity.

(b) Maintenance of Accounting Records

As set out in the prior year financial report, in late March 2015, the Company received advice from Egyptian Company for Mineral Resources (ECMR), its 50% equity partner in its subsidiary Tantalum Egypt JSC (TE) that ECMR was seeking to dissolve TE and re-tender their exploitation licenses, over the Abu Dabbab deposit. Refer to Note 2(d) for further information on this matter.

At 31 March 2015, ECMR had taken control of TE offices in Egypt, where the accounting and statutory records for Tantalum Egypt JSC and its fellow subsidiary, Nubian Resources JSC, were maintained. The directors determined that on this date Arrowhead effectively lost control and access to the accounting and statutory records of these entities.

Despite their best efforts, the directors were not able to obtain all accounting and statutory records of these entities in relation to transactions and balances for the 9 months ended 31 March 2015. Therefore, the directors prepared the financial report for the prior year based on the unaudited trial balance at 31 March 2015 to the best of their knowledge, based on the limited information available to them at the time of preparation of the financial report and recognized a loss from discontinued operations on Tantalum Egypt JSC and Nubian Resources JSC totaling \$10,390,171 in the statement of profit or loss in relation to the subsidiaries for the prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(c) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(d) Discontinued Operations

The Company's previously wholly owned subsidiary, Nubian Resources Plc, was voluntarily dissolved on 24 May 2016. The Company has deconsolidated the results of Nubian Resources Plc accordingly.

As set out in the prior year financial report, the Company is assumed to no longer have control, as defined in Australian Accounting Standards, over its subsidiary Tantalum Egypt (TE) and has deconsolidated the results of TE from the Group with effect from 31 March 2015.

The Company is assumed to also no longer have control, as defined in Australian Accounting Standards, over its subsidiary Nubian Resources JSC and has deconsolidated the results of Nubian Resources JSC from the Group with effect from 31 March 2015.

(e) Statement of Compliance

Compliance with Australian Accounting Standards ensures the financial report, the financial statements and notes comply with International Financial Reporting Standards ("IFRS").

(f) New Standards and Interpretations Adopted

Standards and Interpretations applicable to 30 June 2016

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(g) Basis of consolidation

The consolidated financial statements comprise the financial statements of Arrowhead Limited and entities (including special purpose entities) controlled by Arrowhead Limited (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Refer to Note 2(d) and Note 25 for deconsolidation.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(h) Foreign currency translation

Both the functional and presentation currency of Arrowhead Resources Limited and its Australian subsidiaries is Australian dollars (\$AU). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All differences in the consolidated financial report are taken to the statement of profit or loss and other comprehensive income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the statement of profit or loss and other comprehensive income.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiaries Tantalum Egypt JSC, Nubian Resources JSC and Nubian Resources PLC is Egyptian pounds (EGP). Tantalum Egypt JSC and Nubian Resources JSC were discontinued as of 31 March 2015, as disclosed in Note 2(d). Nubian Resources Plc was dissolved by voluntary dissolution on 24 May 2016.

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Arrowhead Limited at the rate of exchange ruling at the statement of financial position date and the statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(i) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount which represents fair value at that date less an allowance for any doubtful debts. An allowance of doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(k) Other financial assets

Other financial assets in the parent company represent investments in subsidiaries held at cost less any impairment.

(l) Property, plant and equipment

Leasehold improvements, buildings and plant and equipment are stated at cost less accumulated depreciation and any impairment losses recognised.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold Improvements - over 2 to 5 years

Buildings – over 20 years

Plant and equipment - over 3 to 10 years

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss and other comprehensive income in the period the item is derecognised.

(m) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(q) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Share-based payment transactions

The Group provides remuneration to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Arrowhead Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects -

- (i) the extent to which the vesting period has expired, and
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

(s) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. All other leases are classified as finance leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(u) Income tax

In principle, deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

(v) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 23.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(w) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees at balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries, annual leave and sick leave, which will be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

(y) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(z) Segment information

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the board of directors of the Company.

(aa) Critical accounting judgements and key sources of estimation uncertainty

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, these relate to impairment of inter-company loans and exploration and evaluation expenditure.

The criteria used by management in determining the impairment is as follows:

- Inter-company loans are impaired by the lending company to the extent that there is uncertainty about the future recoverability of such loans from the borrowing company. Reversal of all or part of prior period impairment losses may be approved by management once a borrowing company has a capacity to repay all or part of such inter-company loans, and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

- The impairment of financial assets is accounted for by revaluing the financial asset to market value at the reporting date.
- The value of financial assets requires the directors to estimate future cash flows expected to arise and assess the going concern position of the Company.

Control over subsidiaries – refer to note 2(d) re deconsolidation of subsidiaries.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(bb) Financial risk management policy

Details of the Group's financial risk management policy are set out in Note 25.

(cc) Compound financial instruments

The Group evaluates the terms of any financial instrument to determine whether it contains both a liability and an equity component. The separate components of a financial instrument that create a financial liability and grant an option to the holder of the instrument to convert it into an equity instrument are recognised separately on the statement of financial position.

(dd) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

3 REVENUES, OTHER INCOME AND EXPENSES

	2016	2015
	\$	\$
Revenue and expenses from continuing operations		
(a) Revenue		
Finance revenue	11,881	1,228
	<u>11,881</u>	<u>1,228</u>
(b) Other income		
Sundry income	3,633	8,728
Gain on extinguishment of amounts payable	3,542,056	-
	<u>3,545,689</u>	<u>8,728</u>
(c) Administration expenses		
Included in administration expenses:		
Minimum lease payments - operating lease	5,429	33,963
Consultancy expenses	<u>12,157</u>	<u>21,930</u>
(d) Employee benefits expenses		
Payroll cost	266,465	812,386
Superannuation	-	14,119
As per Statement of Comprehensive Income	<u>266,465</u>	<u>826,505</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

4 INCOME TAX

	2016 \$	2015 \$
Major components of income tax expense for the years ended 30 June 2016 and 2015 are:		
Income statement		
<i>Current income</i>		
Current income tax charge (benefit)	-	-
Adjustments in respect of previous current income tax	-	-
Income tax expense (benefit) reported in income statement	<u>-</u>	<u>-</u>
A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2016 and 2015 is as follows:		
Accounting profit (loss) before tax from continuing operations	2,923,149	(2,218,642)
Accounting profit (loss) before income tax	<u>2,923,149</u>	<u>(2,218,642)</u>
At the statutory income tax rate of 30% (2015: 30%)	876,945	(665,593)
Add:		
Non-deductible expenses	44,713	176,780
Temporary differences and losses not recognised	150,474	488,813
Less:		
Gain on debt forgiveness	(1,063,092)	-
Tax amortisation of capital raising costs	(9,040)	-
At effective income tax rate 0% (2015 0%)	<u>-</u>	<u>-</u>
	2016 \$	2015 \$
Unrecognised deferred tax assets/(liabilities)		
Deferred tax assets/(liabilities) have not been recognised in respect of the following items		
Prepayments	-	(251)
Trade and other payables	8,964	18,338
Employee benefits	1,781	28,499
Business related costs	36,159	-
Foreign exchange	450	(5,405)
Capital losses	764,834	764,834
Tax losses	2,877,548	4,000,805
Unrecognised deferred tax assets	<u>3,689,736</u>	<u>4,806,820</u>

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

5 EARNINGS PER SHARE

	2016 cents	2015 cents
Basic earnings per share		
From continuing operations	2.17	(14.38)
From discontinued operations	0.21	(67.33)
Total basic earnings per share	2.38	(81.71)
Diluted earnings per share		
From continuing operations	2.17	(14.38)
From discontinued operations	0.21	(67.33)
Total diluted earnings per share	2.38	(81.71)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(a) Reconciliation of earnings used in calculating earnings per share

	\$	\$
Loss attributable to ordinary equity holders of the Company from continuing operations used in the calculation of basic earnings per share and diluted earnings per share	2,923,149	(2,218,642)
Loss for the year from discontinued operations used in the calculation of basic earnings per share and diluted earnings per share from discontinued operations	284,316	(10,390,171)

(b) Weighted average number of shares used in the denominator

	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	134,854,262	15,431,616
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	134,854,262	15,431,616

In accordance with AASB133.64, the weighted average number of shares used in the denominator for the prior year has been restated to reflected the 1 for 100 consolidation completed during the period.

The consolidated entity's options over ordinary shares could potentially dilute basic earnings per share in the future, however they have been excluded from the calculations of diluted earnings per share because they are anti-dilutive and out of the money for the years presented. There were no potential ordinary shares as at 30 June 2016 (Nil for 30 June 2015).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

6 CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash and cash equivalents		
Cash at bank and in hand	963,245	8,725
	963,245	8,725
Cash at bank and in hand earns interest at floating rates based on daily bank rates. The fair value of cash and cash equivalents is \$963,245 (2015: \$8,725).		
	2016 \$	2015 \$
Reconciliation of cash		
Cash	963,245	8,725
Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities		
Operating loss after income tax	3,207,465	(12,608,813)
Adjustments for:		
Depreciation and amortisation	16,674	35,615
Loss on disposal of property plant and equipment	(13,324)	28,751
Impairment	-	155,340
Gain on extinguishment of debt	(3,542,056)	-
Impairment of related party loans	-	457,690
(Gain)/Loss from discontinued operation	(284,316)	10,390,171
Foreign exchange loss/(gain)	1,501	(18,019)
Loss on disposal of shares		
Changes in assets and liabilities :		
(Increase)/decrease in trade and other receivables	3,453	9,239
(Increase)/decrease in other assets	5,835	13,759
(Increase)/decrease in inventories	-	1,206
(Decrease)/increase in provisions	(29)	28,225
(Decrease)/increase in trade and other payables	(3,395)	36,355
Net cash (used in) operating activities	(608,192)	(1,470,482)

Non-cash transactions

During the 2016 financial year, the Group did not enter into any non-cash investing and financing activities which are not reflected in the statement of cash flows, other than as follows;

- The issue of 142,500,000 ordinary shares (on a pre consolidation basis) in the Company at an issue price of \$0.001 (0.1 cents) per share to creditors owed a total of \$426,540 in satisfaction of all amounts owing;
- The issue of 27,600,000 ordinary shares (on a post consolidation basis) in the Company to creditors at an issue price of \$0.01 (1 cent) per share to creditors owed a total of \$3,831,000 in satisfaction of all amounts owing.
- The issue of 3,888,889 ordinary shares (on a post consolidation basis) in the Company to creditors at an issue price of \$0.018 (1.8 cents) per share to creditors owed a total of \$70,000 in satisfaction of all amounts owing

During the 2015 financial year, the Group did not enter into any non-cash investing and financing activities which are not reflected in the statement of cash flows, other than as follows;

- The issue of 276,000,000 ordinary shares pursuant to the Company's rights issue at an issue price of \$0.002 (0.2 cents) per share in offset of loan amounts owing to Gandel Metals Pty Limited totaling \$552,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

7 TRADE AND OTHER RECEIVABLES (CURRENT)

	2016 \$	2015 \$
Trade and other receivables		
Other receivables	10,133	13,586
	<u>10,133</u>	<u>13,586</u>

- (i) Trade receivables are non-interest bearing and are generally on 30-day terms.
(ii) Other receivables relate to GST receivable from the Australian Taxation Office.

8 OTHER ASSETS

	2016 \$	2015 \$
Other assets		
Prepayments	-	837
Rental deposit	-	4,998
	<u>-</u>	<u>5,835</u>

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings \$	Plant and equipment \$	Total \$
Year ended 30 June 2016			
Balance at 30 June 2015	-	47,481	47,481
Depreciation charge for the year	-	(16,674)	(16,674)
Disposals	-	(1,729)	(1,729)
Loss on discontinued operation	-	-	-
Balance at 30 June 2016	<u>-</u>	<u>29,078</u>	<u>29,078</u>
	-	-	-
			-
At 1 July 2015			
Cost or fair value	184,152	141,363	325,515
Accumulated depreciation and impairment	(184,152)	(93,882)	(278,034)
Net carrying amount	<u>-</u>	<u>47,481</u>	<u>47,481</u>
At 30 June 2016			
Cost or fair value	-	109,840	109,840
Accumulated depreciation and impairment	-	(80,762)	(80,762)
Net carrying amount	<u>-</u>	<u>29,078</u>	<u>29,078</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

10 TRADE AND OTHER PAYABLES (CURRENT)

	2016	2015
	\$	\$
Trade and other payables		
Trade payables and accruals	94,780	711,409
	<u>94,780</u>	<u>711,409</u>

- (i) Trade payables and accruals are non-interest bearing and are normally settled on repayment terms between 7 and 30 days.

11 PROVISIONS (CURRENT)

	2016	2015
	\$	\$
Provision for annual leave	5,935	38,134
Provision for long service leave	-	56,861
	<u>5,935</u>	<u>94,995</u>

12 LOANS AND BORROWINGS (CURRENT)

	2016	2015
	\$	\$
Directors' Loans - unsecured	-	3,337,016
	<u>-</u>	<u>3,337,016</u>

Gandel Metals Pty Limited, an entity associated with a former Director, Mr Ian Gandel, was issued 18,000,000 post consolidation ordinary shares in full satisfaction of an amount outstanding of \$180,000 and forgave all other amounts owing totalling \$3,495,390 (Refer Note 20).

During the year, interest paid or payable on the loan was \$72,582.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

13 CONTRIBUTED EQUITY

Ordinary Shares

	2016 \$	2015 \$
Ordinary shares fully paid	<u>51,584,487</u>	<u>49,531,922</u>

The capital of the Company was consolidated on the basis of one new share for every 100 existing shares on 1 October 2015.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Issued capital has no par value.

	Number of Shares	\$
Balance at 1 July 2014	1,375,700,081	48,530,322
Issue of shares pursuant to rights issue at \$0.002 per share	522,422,785	1,044,846
Share issue costs		(43,246)
Balance at 30 June 2015	<u>1,898,122,866</u>	<u>49,531,922</u>
Issue of shares in satisfaction of amounts payable at \$0.001 per share	142,500,000	142,500
Consolidation of capital 100:1	(2,020,216,425)	-
Issue of shares pursuant to rights issue at \$0.01 per share	142,845,087	1,428,451
Issue of shares in satisfaction of amounts payable at \$0.01 per share	27,600,000	276,000
Issue of shares pursuant to placement at \$0.01 per share	28,627,729	286,277
Issue of shares in satisfaction of amounts payable at \$0.018 per share	3,888,889	70,000
Share issue costs	-	150,663
Balance at 30 June 2016	<u>223,368,146</u>	<u>51,584,487</u>

There are no unissued ordinary shares of Arrowhead Resources Limited under option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

14 RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2016	2015
	\$	\$
Option issue reserve	534,662	534,662
Foreign currency translation reserve	-	290,496
	534,662	825,158

Movements in reserves	Option issue reserve	Foreign currency translation reserve	Total
	\$	\$	\$
At 1 July 2014	534,662	(2,224,068)	(1,689,406)
Currency translation differences	-	2,514,564	2,514,564
At 30 June 2015	534,662	290,496	825,158
Currency translation differences	-	(290,496)	(290,496)
At 30 June 2016	534,662	-	534,662

Nature and purpose of reserves

Option issue reserve

The option issue reserve is used to record items recognised as expenses on grant of share options.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the net investment hedged in these subsidiaries.

(b) Accumulated Losses

	2016	2015
	\$	\$
Movement in accumulated losses were as follows:		
Balance 1 July	(54,424,873)	(41,816,060)
Net profit/(loss) for the year	3,207,465	(12,608,813)
Balance 30 June	(51,217,408)	(54,424,873)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

15 INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Arrowhead Resources Limited and the controlled entities listed in the following table:

	Country of Incorporation	Percentage of equity interest held by the Group		Investment	
		2016	2015	2016	2015
		%	%	\$	\$
Tantalum International Pty Ltd	Australia	100	100	100	100
Adobha Resources (Eritrea) Pty Ltd	Australia	100	100	100	100
Nubian Resources PLC	United	-	100	-	27,388
Tantalum Egypt JSC	Egypt	50	50	-	-
Nubian Resources JSC	Egypt	50	50	-	-
				200	27,588

Arrowhead Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Tantalum Egypt JSC and Nubian Resources JSC were previously included in the consolidated financial statements on the basis that Arrowhead Limited controlled the activities of Tantalum Egypt JSC by way of Arrowhead's casting vote on the Board of Directors. As set out in Note 2(d) and 25, Arrowhead no longer controls either Tantalum Egypt JSC or Nubian Resources JSC.

Nubian Resources Plc was dissolved by voluntary dissolution on 24 May 2016.

16 EXPENDITURE COMMITMENTS

(a) Lease expenditure commitments

The Group has not entered into commercial leases for office accommodation. Its office in Perth is based in the office of an officeholder. The Group has no future minimum rentals payable as at 30 June 2016.

(b) Exploration expenditure commitments

The Group has no minimum exploration expenditure commitments in respect to any mining tenements or projects.

(c) Bank guarantee

There are no bank guarantees of the Group at 30 June 2016.

(d) Capital Commitments

There are no capital commitments of the Group at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

The Group did not have any contingent liabilities as at Balance Date.

Arrowhead Resources would like to take the opportunity to clarify note 23(a) in the Notes to the Financial Statements in Arrowhead Resources' Annual Report 2015. Note 23(a) stated that the Board had formed the view that a Director, Mr Jon Starink, was required to respond to a 'show cause letter' as to why he should not be summarily terminated. Mr Starink responded in writing to the matters raised in the show cause letter. Following this response, a confidential settlement has been reached with Mr Starink, as a part of which Arrowhead Resources has unreservedly withdrawn the show cause letter and all the allegations contained in it.

18 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

19 REMUNERATION OF AUDITORS

The auditor of Arrowhead Limited is HLB Mann Judd ("HLB"). HLB was appointed by directors during the year to replace the previous auditor, Deloitte Touche Tomatsu ("Deloitte").

	2016	2015
	\$	\$
Amounts received or due and receivable by HLB Mann Judd for:		
• an audit or review of the financial report of the entity and any other entity in the Group	<u>22,000</u>	<u>-</u>
	<u>22,000</u>	<u>-</u>
Amounts received by auditors other than HLB Mann Judd for:		
• an audit or review of the financial report of the entity and any other entity in the Group	<u>9,278</u>	<u>61,225</u>
	<u>9,278</u>	<u>61,225</u>
	<u>31,278</u>	<u>61,225</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

20 RELATED PARTY DISCLOSURE

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

	2016 \$	2015 \$
Funds loaned to Arrowhead by Gandel Metals Pty Limited – a company associated with Mr I Gandel. The loan is unsecured and interest was payable at rates between 4.83% and 5.33% during the year.	-	1,317,000
Loan funds converted into shares by Gandel Metals Pty Limited at an issue price of \$0.002 (0.2 cents) per share, pursuant to the Company's rights issue.	-	552,000
Underwriting fee, based on 6% of the amount raised, paid to CPS Capital Group- a company associated with Mr J Peterson	85,707	
Placement fee, based on 6% of the amount raised, paid to CPS Capital Group	17,176	-
Corporate advisory fees paid or payable to CPS Capital Group	30,000	-
Funds loaned to Arrowhead by Celtic Capital Pty Limited – a company associated with Mr J Peterson. The loan is unsecured and interest was payable at rates between 15% during the year.	100,000	-
Interest paid or payable on \$100,000 loan from Celtic Capital Pty Limited - a company associated with Mr J Peterson. The loan was unsecured and interest was payable at rates between 15% during the period.	3,904	-
Funds repaid to Arrowhead by Celtic Capital Pty Limited	100,000	-
Interest paid on loans from Gandel Metals Pty Limited, a company associated with a former director Mr Ian Gandel. The loan was unsecured and interest was payable at rates between 4.83% and 5.33% during the period.	72,583	169,908
Loan and other amounts payable converted into shares by Gandel Metals Pty Limited at an issue price of \$0.01 (1 cent) per share, pursuant to shareholder approval. The balance of the amount payable (\$3,495,390) was forgiven.	180,000	-
Amounts payable converted into shares by Ventureworks JDK Pty Limited - a company associated with Mr John Kenny - at an issue price of \$0.01 (1 cent) per share, pursuant to shareholder approval. The balance of the amount payable (\$46,666) was forgiven.	96,000	-
An amount in respect of the provision of office facilities was paid or payable to Dabinett Corporate Pty Limited – a company associated with Mr R Caren.	2,700	900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

21 KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of key management personnel

M Rosenstreich	Chairman and Managing Director (appointed as Chairman on 24 April 2015)
J Kenny	Non-Executive Director
J Peterson	Non-Executive Director (appointed 16 December 2015)
R Caren	Executive Director and Company Secretary (appointed as a Director on 24 April 2015, resigned as a Director on 16 December 2015)
J Starink	Executive Director – KMP until resignation on 31 July 2015
I Gandel	Chairman (Non-Executive) – KMP until resignation on 14 April 2015
A Ayyash	Former Regional Manager - Middle East and North Africa – KMP until 31 January 2015

(b) Compensation of key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2016	2015
	\$	\$
Short-term employee benefits	206,867	711,406
Post-employment benefits	-	-
Share-based payment	-	-
	<u>206,867</u>	<u>711,406</u>

(c) Other transactions with key management personnel

Refer to Note 20 regarding loans from key management personnel to the Company.

22 SEGMENT INFORMATION

(a) Reportable segments

The Group operates predominantly in the mining and exploration industry.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focussed on the type of resources being explored for and evaluated or developed. The Group's only reportable segment under AASB 8 is corporate.

Previous segments include a tantalum segment which relates to the development of the Group's Abu Dabbab tantalum-tin project in Egypt and a gold segment relates to the exploration activities at Wadi Allaqi in Egypt. These segments were discontinued as of 31 March 2015.

The corporate segment relates only to the operations of the corporate head office in Perth, Western Australia.

(b) Geographical information

The Group's geographical areas are determined based on the location of the Group's assets and operations. The entire continuing operations relate to the corporate segment which is based in Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

23 FINANCIAL INSTRUMENTS

(a) Financial risk management policy

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all financial commitments as and when they fall due, and
- maintain the capacity to fund its forecast project development and exploration strategies.

The Group continually monitors and tests its forecast financial position against these criteria.

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments presently are interest rate risk, foreign currency risk, credit risk, security risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

(b) Interest rate risk

The following table sets out the carrying amount of the financial instruments exposed to interest rate risk:

	2016 \$	2015 \$
FINANCIAL ASSETS		
Interest Bearing		
Cash at bank	750,000	-
Weighted average interest rate	2.70%	0.00%
Non-Interest Bearing		
Cash at bank	213,245	8,725
Trade Receivables	10,133	13,586
	<u>973,378</u>	<u>22,311</u>
FINANCIAL LIABILITIES		
Interest Bearing		
Unsecured Loan	-	3,337,016
Weighted average interest rate	-	4.83%
Non-Interest Bearing		
Trade and other payables	94,780	711,409
	<u>94,780</u>	<u>4,048,425</u>

The following table summarises the sensitivity of financial assets held at balance date to interest rate risk, following a movement of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	Post-tax gain/(loss)/equity increase/(decrease)	
	2016	2015
	\$	\$
+1% (100 basis points)	2,199	-
-1% (100 basis points)	(2,199)	-

(c) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial Assets				
Cash	963,245	8,725	963,245	8,725
Trade and other receivables - current	10,133	13,586	10,133	13,586
Financial Liabilities				
Trade and other payables	94,780	711,409	94,780	711,409
Unsecured Loans	-	3,337,016	-	3,337,016

Cash, cash equivalents and security deposits: The carrying amount approximates fair value because of their short term to maturity

Trade receivables and trade creditors: The carrying amount approximates fair value.

Fair value hierarchy as at 30 June 2016

Financial assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	963,245	-	-	963,245
Trade and other receivables - current	-	10,133	-	10,133
Total	963,245	10,133	-	973,378
Financial liabilities				
Trade and other payables	-	94,780	-	94,780
Unsecured loans	-	0	-	0
Total	-	94,780	-	94,780

(d) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(e) Liquidity risk

The Group's liquidity position is managed to ensure sufficient funds are available to meet our financial commitments in a timely and cost-effective manner.

The Company continually reviews its liquidity position including cash flow forecast to determine the forecast liquidity position and maintain appropriate liquidity levels.

In addition to commitment disclosure in Note 17, the table below reflects the contractual maturity of financial instruments as at 30 June. Cash flows for financial instruments are presented on an undiscounted basis.

	Aging analysis between				Currency of payables	
	Total	<30 days	30-60 days	>60 days	AUD	Other
2016	\$	\$	\$	\$	\$	\$
Cash & cash equivalents	(963,245)	(963,245)	-	-		
Trade Receivables	(10,133)	(10,133)	-	-		
Trade and Other Payables	94,780	59,353	-	35,427	70,585	24,195
Other Payables	-	-	-	-	-	-
Directors' Loans	-	-	-	-	-	-
Total	(878,598)	(914,025)	-	35,427	70,585	24,195
2015						
	Aging analysis between				Currency of payables	
	Total	<30 days	30-60 days	>60 days	AUD	Other
	\$	\$	\$	\$	\$	\$
Cash & cash equivalents	(8,725)	(8,725)	-	-		
Trade Receivables	(13,586)	(13,586)	-	-		
Trade Payables	711,409	92,669	28,300	590,440	653,119	58,290
Other Payables	-	-	-	-	-	-
Directors' Loans	3,337,016	-	-	3,337,016	3,337,016	-
Total	4,026,114	70,358	28,300	3,927,456	3,990,135	58,290

(f) Capital management policy

The Board's policy is to preserve its capital base as much as possible so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year, other than that Group has been able to rely upon equity to finance its capital management, rather than short term debt finance.

Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

(g) Foreign Exchange Risk

At 30 June 2016, the Group had the following exposure to foreign currency:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
Financial Assets		
US\$		
Cash and cash equivalents	4,822	5,512
EGP		
Cash and cash equivalents	-	-
Trade Receivables	-	-
Nakfa		
Cash and cash equivalents	185	199
GBP		
Cash and cash equivalents	-	-
Trade Receivables	-	-
	<u>5,007</u>	<u>5,711</u>
Financial Liabilities		
US\$		
Trade and other payables	24,195	49,564
EGP		
Trade and other payables	-	-
Nakfa		
Trade and other payables	-	-
GBP		
Trade and other payables	-	8,726
	<u>24,195</u>	<u>58,290</u>
Net exposure	<u>(19,188)</u>	<u>(52,579)</u>

The following sensitivity is based on the most significant foreign currency risk exposures in existence at the statement of financial position date, which is the Australian Dollar moving against the US Dollar (USD). Previously the Group reported sensitivity to its exposure to movements in the exchange rate between the Australian Dollar and the Egyptian Pound, however as the Egyptian operations were discontinued effective 31 March 2015, this exposure no longer exists.

At 30 June 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Loss (Higher)/Lower		Equity Higher/(Lower)	
	2016	2015	2016	2015
	\$	\$	\$	\$
Consolidated				
AUD/USD +10%	1,761	4,005	1,761	4,005
AUD/USD -10%	(2,153)	(4,895)	(2,153)	(4,895)

Foreign exchange rates used during the period were as follows:

	2016	2015
	AUD:USD	AUD:USD
Rate as at 30 June	0.74260	0.76550
Average Rate for year ended 30 June	0.72830	0.83690

(h) Equity price risk

The Group is no longer exposed to equity price risks arising from equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

24 PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

	2016 \$	2015 \$
(a) Financial Position		
Assets		
Current assets	968,371	23,350
Non-current assets	382	978
Total assets	968,753	24,328
Liabilities		
Current liabilities	70,585	4,106,564
Non-current liabilities	-	-
Total liabilities	70,585	4,106,564
Equity		
Contributed equity	51,584,487	49,531,922
Accumulated losses	(51,220,981)	(54,148,820)
Option issue reserve	534,662	534,662
Total equity	898,168	(4,082,236)
	2016 \$	2015 \$
(b) Financial Performance		
Loss for the year	2,927,757	(2,057,525)
Other comprehensive income	-	-
Total comprehensive income	2,927,757	(2,057,525)

(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

At the Balance Date there are no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries (2015: Nil).

(d) Contingent liabilities of the parent entity

The Parent Entity did not have any contingent liabilities as at Balance Date, other than as disclosed in note 19.

(e) Commitments for capital expenditure entered into by the parent entity

The Parent Entity did not have any commitments for capital expenditure as at Balance Date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

25 DISCONTINUED OPERATIONS

Nubian Resources PLC

Refer to Note 2(d) for further information.

(i) *Financial Performance and cash flow information*

	2016	2015
	\$	\$
Revenue	6,248,328	71,838
Expenses	(686,652)	1,152,738
Other	-	76,425
Profit (loss) before income tax	5,561,676	1,301,001
Income tax expense	-	-
Profit (loss) after income tax of discontinued operation	5,561,676	1,301,001
Net cash inflow (outflow) from operating activities	(5,077)	(179,061)
Net cash inflow (outflow) from investing activities	-	(417,647)
Net cash inflow (outflow) from financing activities	-	-
Net (decrease) increase in cash generated by the division	(5,077)	(596,708)

Details of the de-consolidation of the subsidiary

Net liabilities	-
Reversal of previous loan impairment	5,877,071
Gain booked in current year by subsidiary upon forgiveness of loan	(6,248,328)
Reversal of non controlling interest	-
Provision for impairment of investment	-
Current year losses	686,652
Less release of the foreign currency translation reserve	(599,711)
Gain on de-recognition of the net assets of Nubian Resources PLC	(284,316)

Note: Nil cash inflow or outflow arose upon discontinuation.

(ii) *The carrying amount of assets and liabilities at the date of derecognition were:*

	1 February 2016	30 June 2015
	\$	\$
Current assets		
Cash and cash equivalent	-	-
Trade and other receivables	-	-
Inventories	-	-
Other assets	-	513
Total current assets	-	513
Non current assets		
Property, plant and equipment	-	-
Exploration and evaluation expenditure	-	-
Total non current assets	-	-
Total assets	-	513
Current liabilities		
Trade and other payables	-	9,239
Provisions	-	-
Loans and borrowings	-	5,862,080
Total liabilities	-	5,871,319

DIRECTORS' DECLARATION

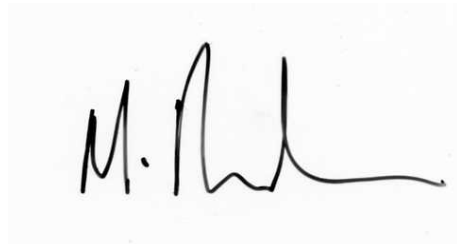
Subject to the uncertainty of source documentation as disclosed in note 2(b), the directors of Arrowhead Resources Limited declare that:

- (a) in the directors' opinion, the financial statements and notes on pages 12 to 43, and the remuneration disclosures that are contained in the Directors' report, set out on pages 6 to 10, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) in the directors' opinion, the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board as disclosed in Note 2(e) to the financial statements; and
- (c) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors pursuant to Section 295(5) of the *Corporations Act 2001*.

Dated 18th day of August 2016.

A handwritten signature in black ink, appearing to read 'M. Rosenstreich', with a long horizontal flourish extending to the right.

MB Rosenstreich
Managing Director

INDEPENDENT AUDITOR'S REPORT

To the members of Arrowhead Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Arrowhead Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2(e), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.

Auditor's opinion

In our opinion:

- (a) the financial report of Arrowhead Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(e).

Other matter

The financial report for the year ended 30 June 2015 was audited by a predecessor auditor. The audit report was dated 30 September 2015 and contained a disclaimer of opinion.

In the basis of disclaimer of opinion paragraph, the audit report stated that the directors had been unable to obtain all accounting and statutory records of its Egyptian subsidiaries (Tantalum Egypt JSC and Nubian Resources JSC) in relation to transactions and balances for the period commencing 1 July 2014 to 31 March 2015. Therefore, the directors prepared the financial report to the best of their knowledge based on the limited information available to them at the time of preparation of the financial report. As the available accounting and statutory records were not adequate to permit the application of necessary audit procedures, the predecessor auditors were unable to obtain all information and explanations necessary to form an opinion on the composition of the loss from discontinued operations recognised in the statement of profit or loss and other comprehensive income and the cash inflows and outflows relating to those subsidiaries reflected in the statement of cash flows for the year ended 30 June 2015.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Arrowhead Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner

Perth, Western Australia
18 August 2016

ASX ADDITIONAL INFORMATION

AS AT 22 SEPTEMBER 2016

A TOTAL EQUITY SECURITIES

Shares

Totals on Issue 223,368,146

B DISTRIBUTION OF EQUITY SECURITIES

1	-	1,000	518
1,001	-	5,000	222
5,001	-	10,000	52
10,001	-	100,000	123
100,001 and over			158
			<hr/> 1,073

No of shareholders holding an unmarketable parcel 851

C TOP 20 SHAREHOLDERS

Number

%

1	Ventureworks JDK Pty Ltd	22,600,000	10.12
2	Gandel Metals Pty Limited <Gandel Metals A/C>	18,000,000	8.06
3	Mr Jason & Mrs Lisa Peterson <J&L Peterson S/F A/c>	17,800,000	7.97
4	Situate Pty Ltd	10,860,263	4.86
5	Nautical Holdings WA Pty Ltd <Abandon Ship S/F A/c>	9,000,000	4.03
6	Abbotsleigh Pty Ltd <Ian Gandel Share Invest A/c>	8,627,882	3.86
7	6466 Investments Pty Ltd	5,547,000	2.48
8	Mr Emile Alfred Nessim	5,000,000	2.24
9	Mr Sufian Ahmad	4,210,000	1.88
10	Tisia Nominees Pty Ltd <The Henderson Family A/C>	4,000,000	1.79
11	Riverview Corporation Pty Ltd	4,000,000	1.79
12	Chetan Enterprises Pty Ltd <Hedge Superfund A/C>	3,150,000	1.41
13	Pandros Investments Pty Ltd <Mosman Park Bakery>	2,500,000	1.12
14	Mr Todd Michael Kuehlmann	2,500,000	1.12
15	Mr Xiaodan Zhang	2,383,295	1.07
16	JP Morgan Nominees Aust Limited	2,086,979	0.93
17	Sarodan Pty Ltd <Sarodan Family A/C>	2,000,000	0.90
18	Facilitate Corporation Pty Ltd	2,000,000	0.90
19	Capewind Nominees Pty Ltd <T&M Del Popolo S/F A/c>	2,000,000	0.90
20	Mr Derek Edward Stamp	2,000,000	0.90
		<hr/> 130,265,419	<hr/> 58.32

D SUBSTANTIAL SHAREHOLDERS

Number

%

Abbotsleigh Pty Ltd	26,627,882	11.92
Ventureworks JDK Pty Ltd	23,013,272	10.30
Mr Jason & Mrs Lisa Peterson <J&L Peterson S/F A/c>	17,800,000	7.97
Situate Pty Ltd, Taverroam Pty Ltd and RW Beale	13,000,000	5.82

ASX ADDITIONAL INFORMATION

AS AT 22 SEPTEMBER 2016

E VOTING RIGHTS

Under the Company's constitution, all ordinary shares carry one vote per share without restriction.

F EXPLORATION INTERESTS

As at 22 September 2016, the Company has an interest in the following tenements:

Country	Project	Tenement	Status	Interest
Egypt	Abu Dabbab	Exploitation Licence 1658	Granted	50% ¹
Egypt	Abu Dabbab	Exploitation Licence 1659	Granted	50% ¹
Egypt	Nuweibi	Exploitation Licence 1785	Granted	50% ¹

Notes:

1. Arrowhead holds 50% of the shares in TE JSC which holds the exploitation licences. The Company may be unable to regain control of Tantalum Egypt' JSCs Exploitation Licences including the Abu Dabbab Project, as a result of ECMR seeking to dissolve Tantalum Egypt JSC and re-tender the Project's Exploitation Licences.

CORPORATE GOVERNANCE STATEMENT

AS AT 30 JUNE 2016

In March 2014, the ASX Corporate Governance Council released a third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles).

The Group's Corporate Governance Statement for the year ended 30 June 2016 (which reports against these ASX Principles) may be accessed from the Company's website at;
<http://www.arrowheadresources.com.au/sample-page/corporate-governance/>