



ASX Announcement | 23 April 2020
Rafaella Resources Limited (ASX:RFR)

Rafaella Resources streamlines portfolio and completes resource drilling campaign during March Quarter

Despite the global COVID-19 pandemic, Rafaella remains on track to deliver updated JORC Report and Feasibility Study this year

Investment Highlights

- Completed the drilling campaign at the Santa Comba tungsten and tin project on 5 March to upgrade the current JORC Resource
- 3200 core samples have been sent to ALS for assaying with over 75% of results received by quarter-end
- Testwork continues uninterrupted at Tomra Sorting and Grinding Solutions
- Rafaella is on track to provide an updated JORC Report in Q2 2020 and Feasibility Study in Q3 2020
- Following a review of its portfolio, the Company has agreed terms to dispose of its Sandstone Gold Project to focus on fast-tracking its flagship Santa Comba Project

Rafaella Resources Limited (ASX:RFR) (“Rafaella” or the “Company”) is pleased to provide its Appendix 5B cash flow statement for the quarter ended 31 March 2020, along with the following operational summary.

Rafaella was established to develop mineral opportunities worldwide. During the quarter, Rafaella agreed to dispose of its Sandstone Project, allowing the Company to focus its cash resources on fast-tracking the development of its Santa Comba tungsten and tin project in Spain (‘the Project’) as well as progressing its highly prospective McCleery polymetallic exploration project.

Initial results received from the Project have been highly encouraging and the Company remains on track to deliver an updated JORC Report and Feasibility Study this year, despite the global disruptions taking place due to the COVID-19 pandemic.

Resource drilling campaign completed, Feasibility Study on track

In January, Rafaella announced that it had received encouraging feasibility drilling results from the Project. Excellent assay results from the additional 26 diamond and reverse circulation drill holes confirmed the outstanding potential for the Project to be potentially amenable to low cost, open pit mining.

Drilling has been primarily focused on infill and extensional drilling at the Quarry prospect where the majority of the historic MRE was delineated. The Company was also encouraged by the intersection of disseminated mineralisation to the west of the previously defined area in the north of the Quarry prospect.

Extensive zones of shallow mineralization have been intersected both within and outside the existing JORC (2012) Mineral Resource Estimate (MRE) area at the primary Quarry prospect. Further details on assay highlights are provided in the ASX Announcement dated 29 January 2020.

In early March, the drilling programme to upgrade the current JORC Resource was completed, unimpacted by the COVID-19 pandemic [ASX Announcement: 5 March 2020]. All rigs were demobilised bar one that remains at the site in preparation for geotechnical drilling scheduled for Q2 2020. Additional safety measures were implemented at the site, including standing down contractors where possible and having ongoing work conducted remotely. Given international travel restrictions, measures have been taken to ensure that there is local support to carry out any work required at the mine site, including geotechnical drilling.

As of the end of the quarter, over 75% of assay results had been received. The last of the core samples from the drilling campaign were prepared and shipped to ALS on 18 March. All assay results have now been received back from ALS and are being compiled in the updated resource model. Ore sorting and metallurgical testwork continues at Germany's Tomra Sorting GmbH and the UK's Grinding Solutions laboratories respectively. The Company remains of the view that the feasibility study will be completed in Q3 2020 as scheduled.

Portfolio streamlined with sale of Sandstone

In February, Rafaella completed a review of its portfolio and decided to dispose of its Sandstone Project, with cash resources focused on accelerating the development of the Project and progressing its highly prospective McCleery polymetallic exploration project in Canada.

The Company agreed to binding terms for the disposal of the Sandstone Project to Westar Resources Ltd., ('Westar') a private gold exploration company operating in Western Australia. The terms of the deal were disclosed in the ASX Announcement dated 11 February 2020.

The Company views the disposal of Sandstone as extremely positive, as it frees up management time and capital to fast-track the Project.

Corporate

Rafaella held a General Meeting of Shareholders at 9am AWST on Thursday 13 February 2020 at Level 11, London House, 216 St Georges Terrace, Perth, Western Australia. All resolutions put to the meeting were passed [ASX Announcement: 13 February 2020].

In March, Rafaella released a new investor presentation which was presented at the Switzer Small & Micro Cap Investor Day in Sydney by the Company's Managing Director Steven Turner. The presentation outlines how the Company is advancing the Project and is attached to the ASX Announcement dated 3 March 2020.

Rafaella's cash position as at 31 March 2020 was \$1.762m.

Comparison of Forecast to Actual Use of Funds Statement from 2nd Replacement Prospectus¹ [as required under ASX LR 5.3.4]:

Expenditure Item	Forecast (2 years) \$'000	Actual (21 months) [inclusive of GST] \$'000	Variance \$'000	Explanation
Exploration expenditure and assessment of the McCleery Project	980	300	(680)	Focus re-directed to the Santa Comba project.
Exploration expenditure and assessment of the Sandstone Project	1,600	286	(1,314)	Focus re-directed to the Santa Comba project.
Costs of the acquisition of the Sandstone Project	40	40	-	N/A
Working capital (includes additional acquisition opportunities)	2,545	5,155	2,610	Expenditure on additional acquisition opportunities, namely Santa Comba project.
Costs of the Offer	469	424	(45)	Lower than forecast.
Total	5,634	6,205	571	

Securities on issue at 31 March 2020:

	Listed on ASX	Unlisted	Total
Fully paid ordinary shares	65,196,820	7,378,751	72,575,571
\$0.30 listed options expiring 31 October 2021	27,098,036	-	27,098,036
\$0.20 unlisted options expiring 19 July 2022	-	2,500,000	2,500,000
\$0.20 unlisted options expiring 27 August 2022	-	2,925,000	2,925,000
\$0.20 unlisted milestone 1 performance rights expiring 27 August 2022	-	2,900,000	2,900,000
\$0.20 unlisted milestone 2 performance rights expiring 27 August 2022	-	2,900,000	2,900,000
\$0.20 unlisted milestone 1 performance rights expiring 5 March 2023	-	1,000,000	1,000,000
\$0.20 unlisted milestone 2 performance rights expiring 5 March 2023	-	1,000,000	1,000,000
Total	92,294,856	20,603,751	112,898,607
Additional Milestone 1 consideration shares yet to be issued ²	15,000,000	-	15,000,000
Additional Milestone 2 consideration shares yet to be issued ²	15,000,000	-	15,000,000

Rafaella's Managing Director Steven Turner said: "Despite the challenges the world faces due to the COVID-19 pandemic, we are pleased to advise that our team remains safe and continues to work towards completing our updated JORC Report and Feasibility Study this year. The sale of Sandstone has allowed us to sharpen our focus on fast-tracking the Santa Comba Project and to continue our progress at the McCleery Project. We hope that all of our investors and stakeholders are keeping safe during the current global health crisis and we will continue to provide updates to the market regarding any changes to the expected project timeline."

This announcement has been authorised by the Board of Directors of the Company.

Ends

¹ Dated 2 June 2018.

² Refer to ASX announcement on 27 May 2019 for full details.

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About Rafaella Resources

Rafaella Resources Limited (ASX:RFR) is an explorer and developer of world-class mineral deposits worldwide. Rafaella owns the Santa Comba tin and tungsten project in Spain, the McCleery cobalt and copper project in Canada, and the Sandstone gold project in Australia. The Santa Comba project is located in a productive tin and tungsten province adjacent to critical infrastructure and the McCleery and Sandstone projects were previously under-explored and hold significant potential.

To learn more please visit: www.rafaellaresources.com.au

Forward Looking Statements Disclaimer

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Competent Persons Statement

The information in this announcement that relates to Exploration Results and Historical Estimates is based on, and fairly represents, information and supporting documentation compiled under the supervision of Dr Lachlan Rutherford, a consultant to the Company. Dr Rutherford is a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Dr Rutherford consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

Schedule of Exploration Tenements

Project Name	Tenement Number	Interest Held: 31-Dec-19	Interests in mining tenements and petroleum tenements acquired or increased	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Interest Held: 31-Mar-20
Santa Comba	San Antonio	100%	-	-	100%
Santa Comba	Santa María	100%	-	-	100%
Santa Comba	Oportuna	100%	-	-	100%
Santa Comba	Carballeira	100%	-	-	100%
Santa Comba	Santa Bárbara	100%	-	-	100%
Santa Comba	Carmen Facción 1ª	100%	-	-	100%
Santa Comba	Ampliación a Oportuna	100%	-	-	100%
Santa Comba	Demasía a Santa María	100%	-	-	100%
Santa Comba	Primera Demasía a Oportuna	100%	-	-	100%
Santa Comba	Segunda Demasía a Oportuna	100%	-	-	100%
Santa Comba	Demasía a Carballeira	100%	-	-	100%
Santa Comba	Demasía a Santa Bárbara	100%	-	-	100%
Santa Comba	Primera Demasía a Carmen Facción 1ª	100%	-	-	100%
Santa Comba	Segunda Demasía a Carmen Facción 1ª	100%	-	-	100%
Santa Comba	Demasía a Ampliación a Oportuna	100%	-	-	100%

Project Name	Claim Name & Number	Grant Number	Interest Held: 31- Dec-19	Interests in mining tenements and petroleum tenements acquired or increased	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Interest Held: 31- Mar-20
McCleery	MM 1	YD81304	100%	-	-	100%
McCleery	MM 2	YD81305	100%	-	-	100%
McCleery	MM 3	YD81306	100%	-	-	100%
McCleery	MM 4	YD81307	100%	-	-	100%
McCleery	MM 5	YD81308	100%	-	-	100%
McCleery	MM 6	YD81309	100%	-	-	100%
McCleery	MM 7	YD81310	100%	-	-	100%
McCleery	MM 8	YD81311	100%	-	-	100%
McCleery	MM 9	YD81312	100%	-	-	100%
McCleery	MM 10	YD81313	100%	-	-	100%
McCleery	MM 11	YD81314	100%	-	-	100%
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McCleery	MM 24	YD81327	100%	-	-	100%
McCleery	MM 25	YD81328	100%	-	-	100%
McCleery	MM 26	YD81329	100%	-	-	100%
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McCleery	MM 230	YD21064	100%	-	-	100%
McCleery	MM 231	YD21065	100%	-	-	100%
McCleery	MM 232	YD21066	100%	-	-	100%
McCleery	MM 233	YD21067	100%	-	-	100%
McCleery	MM 234	YD21068	100%	-	-	100%
McCleery	MM 235	YD21069	100%	-	-	100%
McCleery	MM 236	YD21070	100%	-	-	100%
McCleery	MM 237	YD21071	100%	-	-	100%
McCleery	MM 238	YD21072	100%	-	-	100%
McCleery	MM 239	YD21073	100%	-	-	100%
McCleery	MM 240	YD21074	100%	-	-	100%
McCleery	MM 241	YD21075	100%	-	-	100%
McCleery	MM 242	YD21076	100%	-	-	100%
McCleery	MM 243	YD21077	100%	-	-	100%
McCleery	MM 244	YD21078	100%	-	-	100%

Project Name	Tenement Number	Interest Held: 31-Dec-19	Interests in mining tenements and petroleum tenements acquired or increased	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Interest Held: 31-Mar-20
Sandstone	E53/1920	100%	-	-	100%
Sandstone	E57/1055	100%	-	-	100%

Appendix 5B

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

Name of entity

Rafaella Resources Limited

ABN

49 623 130 987

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(2)	(30)
(b) development	-	-
(c) production	-	-
(d) staff costs	(86)	(242)
(e) administration and corporate costs	(299)	(934)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(385)	(1,196)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(21)
(d) exploration & evaluation (if capitalised)	(1,585)	(2,772)
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash from acquisition of entity)	-	221
2.6	Net cash from / (used in) investing activities	(1,585)	(2,572)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	104	2,324
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3)	(13)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(81)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	101	2,230

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,611	3,280
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(385)	(1,196)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,585)	(2,572)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	101	2,230

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	20	20
4.6	Cash and cash equivalents at end of period	1,762	1,762

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	69	1,944
5.2	Call deposits	1,693	1,667
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,762	3,611

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	198
6.2	Aggregate amount of payments to related parties and their associates included in item 2	31

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

Includes Director salaries, fees, superannuation and payment of relocation costs, inclusive of GST and corporate advisory fees paid to EverBlu Capital Pty Ltd, inclusive of GST.

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(385)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,585)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,970)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,762
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,762
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.9

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

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

Answer: No. The planned resource drilling campaign concluded on 5 March 2020. The level of expenditure over the next 2 quarters is expected to be materially less than previous 2 quarters.

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

Answer: The Company is expecting to complete a feasibility study within the next 2 quarters, at which point funding will be sought for the development of its Santa Comba mine. The Company is confident that it will be able to source sufficient funding from a combination of debt and equity.

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

Answer: Yes. The Company continues to operate within budget and plan.

Compliance statement

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

Date: 23 April 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.