ANNUAL AND FINAL REPORT

EL25229

QUANTUM

FOR PERIOD 9 November 2015 to 8 November 2016

PINE CREEK SD5208  1:250,000
Tipperary 5170  1:100,000

Titleholder: Spectrum Rare Earths Limited
(previously TUC Resources Ltd)

Target Commodities: Rare Earth Elements and Uranium

Report No. 2016-010
Prepared for Spectrum Rare Earths Limited
By A J Moyle
December 2016
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1. SUMMARY

EL 25229 is situated approximately 120km south of Darwin by road. EL 25229 initially covered 500 graticule blocks (1526 sq km) and was granted on 9th November 2006 to Territory Uranium Company Ltd, which subsequently changed its name to Spectrum Rare Earths Limited (Spectrum). Exploration activities primarily targeted uranium and rare earth elements. The Year 8 reduction (2014) retained 11 blocks.

This report is the combined Final and Annual Report for Year 10 of EL 25229. No on-ground work was conducted by Spectrum on EL 25229 from 9 November 2015 to 8 November 2016 due to other priorities. EL 25229 activities were also previously reported under GR042-12.

Work during Year 1 of tenure consisted of a review of both NTGS data, compilation of significant results from Industry reports and geophysical data review.

A helicopter reconnaissance programme was carried out over the entire tenement during Year 2. Anomalous uranium results were returned with the identification of the Area 16 uranium prospect.

During year 3 follow-up sampling was completed at Area 16 (39 soil and 9 rock chip samples) with a highest rock chip of 70ppm U. The Wild Card uranium prospect was identified.

Further analysis of airborne radiometric data, soil sampling and resampling of historical drill core in Year 4 identified the Spectre and Quantum uranium prospects. RC and diamond drilling were completed at Quantum revealing REE, uranium and base metal mineralisation. Aircore drilling was undertaken at Wild Card Prospect.

In year 5, RC and Diamond drilling was completed at Quantum Prospect in addition to metallurgical and petrographic work. A total of 28 RAB holes were drilled at Wildcard REE - uranium Prospect. Eight rock chip pulps and 36 soil sample pulps from the Area 16 2008-2009 exploration were submitted for REE analysis. Anomalous results with maximum Total Rare Earth Elements (TREE) values of 735ppm for rock chips and 508ppm TREE for soils were identified.

Data analysis and interpretation continued in Year 6. During Year 7 full rehabilitation was carried out at the Quantum Prospect which included the clean-up of 58 drill pads in the retained ground. Rehabilitation work at the Wildcard Prospect included the clean-up of 28 drill pads.

In Year 8 a tenement area reduction assessment was completed. A two year tenement extension was granted.

While no on-ground exploration was undertaken during year 9, data analysis continued. No exploration was undertaken during year 10 due to prioritisation.

Exploration at Quantum Prospect has revealed elevated REE, uranium, gold, silver and base metals. The geological setting and mineralisation signatures suggest the EL area has potential for hosting Iron Oxide-Copper-Gold deposits.

It is recommended that further analysis of geochemical, geological, structural and geophysical data be undertaken to identify exploration targets.
2. LOCATION AND ACCESS

The portion of EL 25229 retained following the 2014 reduction is situated approximately 120km south of Darwin by road (Figure 1). Access from Darwin is via the Stuart Highway to Douglas Crossing via Hayes Creek. Tipperary Station provides access to the north western part of EL 25229. Tracks extend west in all directions from Douglas Crossing. Access to the southern part of the tenement is via the Stuart Highway heading west through Umbrwarra Gorge. Access is limited during the wet season.

Most of the ground is open and with low relief on Tindall Limestone.
3. TENEMENT STATUS AND OWNERSHIP

EL 25229 was granted on 9th November 2006 comprising 500 graticule blocks (1,526 km²). Following several statutory and voluntary area reductions of EL 25229, an area of 11 sub-blocks (36.7km²) was granted a 2 year extension term from 9 November 2014 (Figure 1). There are no other mining leases or mineral claims shown within the Licence boundaries.

Underlying cadastre (Figure 1) is crown lease in perpetuity held by: PL 903 Tovehead Pty Ltd (Douglas Station)

4. GEOLOGY

EL 25229 is situated on the western margin of the Pine Creek Orogen on the SD5208 Pine Creek Sheet. Descriptions of the regional geology can be found in several texts, including Ahmad et al., 1993; Ahmad, 1998; Dundas et al., 1987; and Pietsch 1989. Figure 2 shows a simplified geology map adapted from the Pine Creek and Fergusson River 1:250,000 sheets. Simplified stratigraphic components and geological relationships are illustrated along with the type geological cross section shown in Figure 3 as follows:

- Early Proterozoic folded (NW trending axial plane - doubly plunging) South Alligator Group (iron and carbonate rich siltstones, shales, tuffs and greywackes) and Burrell Creek Formation (Finniss River Group sediments) have been intruded by a later, Early Proterozoic granitoid suite.
- These rocks are unconformably overlain by Early to Mid-Proterozoic, westerly dipping shallow marine sandstones known as Depot Creek and Stray Creek Formations.
- These rocks are further unconformably overlain by a Mid to Late Proterozoic, semi concordant, limestone sequence (known as the Daly River Group (Tindal Limestone, Jinduckin Formation and Oolitic Dolomite).
- These rocks are disconcordantly overlain by a Jurassic and Cretaceous sequence of sands and silts.
- Multiple periods of erosion show many sequences on lapping onto different aged rock groups (Figure 4).

A number of NW trending faults are interpreted to offset geology as illustrated in Figures 2 and 3.

Spectrum’s exploration has been focused upon the South Alligator Groups ferruginous and carbonaceous silts, tuffs and shales under later Cambrian Limestone cover (the Tindall Limestone). The outcropping granite bodies are also of some significance.
Figure 2: Geological Map of EL 25229, Fergusson River Regional Geology (AGSO 500K Geology map); retained boundary in blue.GDA94z52.
Figure 2: Geological Map of EL25229, Fergusson River Regional Geology (AGSO 500K Geology map); retained boundary in blue.GDA94z52.

Figure 3: Type Geological Cross Section of EL 25229.
5. PREVIOUS EXPLORATION

A list of previous Tenure covering EL 25229 was compiled and is shown in Table 1.

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Table 1: Previous Exploration Tenure underlying EL 25229.
Information found by researching adjacent tenements in Daly River is detailed as follows:

AP 1774 underlies most of the northwest portion of EL 25229. Tipperary Land Corporation explored for phosphates by examining outcrops and rotary drilling. Results showed several thin horizons containing a maximum of 1% $P_2O_5$ over 5ft. No diagnostic phosphate lithologies were found and no further work is justified. No other work was carried out.

Suttons Motors explored EL 1355, in conjunction with 7 other Licences in the area. EL 1355 covered the north-western portion of EL 25229. Initial work included a preliminary assessment of the uranium potential, with the Company concluding that the potential for large deposits is low, but small uranium deposits may exist. Radiometric anomalies exist in both the Cambrian and Upper Proterozoic sequences, but were not considered ‘attractive exploration targets’.

General notes of interest from this report include;

- Total Count from the BMR radiometric data reflect lithology; Tolmer Group sediments and Antrim Plateau Volcanics all give lows, the Litchfield Complex a high and Burrell Creek Fm sediments are intermediate with local highs.
- Litchfield Complex has an irregular but high background of 5-17cps U, with possibly 1 or 2 U anomalies
- U count of 5-6cps in Burrell Ck Fm sediments; higher values associated with faulting. U anomalies are small; only 1 – 2.5x background. Some variation in regional background which may reflect gradual facies changes; U channel response also affected by weathering and superficial cover.

The report considered that Upper Proterozoic sediments had limited prospectivity because they were deposited after the last major phase of uranium mobilisation and concentration, although recent isotopic data indicates several episodes of uranium mineralisation between 1740 and 500Ma (Ahmad 1998) which negates this conclusion.

Suttons Motors also commissioned a report on the mineral potential of their Licences by Robertson Research. The Tindall Limestone was considered prospective for MVT-style base metal mineralisation. Minor copper mineralisation was known on the unconformity between the Antrim Plateau Volcanics with the underlying Proterozoic Waterbag Creek Formation (now Stray Creek Sandstone?). The sandstone-siltstone facies at the base of the Depot Creek Sandstone is considered prospective for uranium. Only the Jinduckin Formation could be considered a host for U mineralisation within the Daly River Group sediments as it contains sandstone and siltstone sequences that may act as permeability traps.

Exploration work for base metal mineralisation consisted of a 170 line km EM survey; a ground IP survey and limited ground magnetic survey plus geochemical sampling. There was no indication of massive sulphides in the vicinity of surficial massive barites and stratiform barite-fluorite mineralisation, but there were some anomalous Pb-Zn geochemistry in calcareous fine-grained clastics in the Tindall Limestone. Some primary lead sulphides (galena) were identified in thick restricted silicified black shales.

CRA explored EL 1743 (covering the western portion of EL 25229). CRA acquired the ground after hearing that adjacent Licences had found base metal mineralisation. Work consisted of a literature review and field reconnaissance with one deep diamond hole planned for a location outside Spectrum Licences. The work was not carried out as CRA changed its focus from exploring for carbonate-hosted base metal deposits in Australia and the ground was relinquished.

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6. SPECTRUM EXPLORATION

6.1. Exploration during Year 1 (2007)

Work done during Year 1 of tenure consisted of a historic data compilation, including:

a) Checking historic tenure in MapInfo, using a MapInfo file supplied by DPIFM (containing exploration tenure, but not mining tenure).

b) Checking NTGS datasets, such as COREDAT, MODAT.

c) Checking the sacred sites register (AAPA).

From this work;

a) A list of previous intersecting tenure is provided in Table 1.

b) One mineral occurrence was recorded in MODAT adjacent to EL 25229 at Douglas (Figure 4) where old workings for copper are noted. This deposit lines up with interpreted fault architecture illustrated in Figure 2 inferring a structural conduit for mineralisation.

c) No stream sediments were found in the Explorer 3 database on EL 25229.

d) Five lines of soil data were completed by CRA (found in the Explorer 3 database) over their Fountain Head and Burnside West Manganese Prospects. These are located on the northern boundary of the tenement (Figure 4). Samples were assayed for Cu, Pb, Zn & Mn. No significant base metal results were noted but highly anomalous Mn levels up to 0.7% were recorded. Given the proximity of these values to the Green Ant Creek Mn Deposit, and the fact that these samples were likely targeted on interpreted stratigraphical continuum, these samples taken in part on alluvial cover, could be significant.

e) No holes were found in COREDAT.

f) No positive results from DIM Database

g) No sacred sites are recorded within the Licence.

The data compilation work shows that;

- Mn potential does not seem to have been fully explored around the Fountain Head and Burnside West prospects (soil sample locations shown on Figure 4) although any potential deposits could be small.

- A section of the tenement is proximal to base metal mineralisation at Douglas Hot Springs (Figure 4).

- The Suttons JV produced a series of radiometric anomalies that need further evaluation.
Figure 4: EL 25229 (yr1) Tenement Boundary, Mineral Occurrences (MODAT) prospects and soil sampling (Explorer 3 Geochem).
Other activities during Year 1 included:
  a) production of radiometric images by Lindeman Geophysics
  b) familiarisation with mapped geology

Original work evaluating the potential of EL 25229 was produced by an Independent Geologist (Al Maynard and Associates Pty Ltd). This work was included in the Territory Uranium Prospectus and delineated a number of radiometric anomalies for follow up (Figure 5).

![Image of radiometric anomalies]

**Figure 5: Radiometric anomalies identified in Spectrum prospectus from regional radiometric data EL 25229.**

Spectrum conducted an independent geophysical review (Lindeman Geophysics) of radiometric data by reprocessing publicly available digital data and producing a set of images for use in further targeting exercises. Images for Uranium, Thorium, Total Count and Uranium/Thorium were produced.

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<tr>
<td>Uranium/Thorium</td>
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*Table 2: Counts per second ranges – Radiometric Images (Lindeman 2007).*
Lindeman Geophysics used the regional geophysical surveys of Litchfield South (1984; EW; 500m line spacing), Jinduckin (1992; NS, 200m line spacing), Mary River (2000; NS; 400m line spacing) and Rum Jungle (1992; NS; 200m line spacing). The data was obtained from GADDS website and had been gridded.

6.2. Exploration during Year 2 (2008)

During Year 2, helicopter reconnaissance was carried out over the entire tenement. 9 rock chip samples were taken from the previously relinquished ground. Anomalous uranium results were returned with the identification of the Area 16 uranium prospect (best result of 48ppm U).

6.3. Exploration during Year 3 (2009)

During Year 3 follow-up sampling was completed at Area 16 (39 soil and 9 rock chip samples) (Figures 6 & 7). Broad geochemical sampling at the prospect Area 16 on EL25229 returned significant assay results, with a highest rock chip of 70ppm U improving previous result of 48ppm U. The anomaly remains open to the north. Elevated U and Th values were returned from a large creek at the eastern end of the program. It is interpreted that the elevated values are due to the creek draining from granite to the north east. Sampling ~3km to the south of the main anomaly returned 50ppm U from rock chip sampling and elevated base-metal values. This data was supplied in the relevant relinquishment report as Appendix A and B.
Figure 7: Map of EL 25229 showing the locations of the Area 16 soil samples taken in Year 4 within the now relinquished ground.
Reconnaissance sampling was undertaken at Wild Card, a new prospect 20km west of Douglas Homestead on EL 25229 (Figure 8). Five geochemical samples and 7 spectrometer assays were completed. The main radiometric anomaly was found to be under alluvial cover but assay results still returned a relatively high gamma ray spectrometer result of 32ppm U. Outcropping early Proterozoic sediments considered prospective for U mineralisation were found to the east of the main anomaly. 41 soils and 2 rock chip samples were taken to follow up on the reconnaissance work. Spectrometer results indicate the program has defined the extent of the anomalies, with highest values of 770cps and 50ppm U returned from the base of an old gravel pit. The main prospect appears to be within lateritic cover.

![Figure 8: Spectrum (TUC) Quantum-Wildcard-Spectre area; common geological elements with known uranium mines and prospects. Radiometric and magnetic overlays on geology background.](image)

### 6.4. Exploration during Year 4 (2010)

In Year 4, 6 soil samples were collected at the Spectre Uranium Prospect (Figure 8), with the highest result of 39ppm U. These samples were taken to target an isolated airborne radiometric anomaly with proximity to an interpreted major north-east trending transform fault structure. No significant assays were returned and the
anomaly was thought to be associated with minor hot spring activity focussing radioactive elements in calcrete on top of limestone. No further work was undertaken.

Reinterpretation of geology within the regional context revealed a new prospect, Quantum (Figure 8). The Quantum Prospect is located on the western margin of the uranium rich Pine Creek Basin. Re-sampling of some historic drill core revealed uranium in all rock types throughout a 225m section of the historic FEND10 drill hole. Intercepts including 0.5m @ 4,224ppm \( \text{U}_3\text{O}_8 \) (0.42% \( \text{U}_3\text{O}_8 \) or 4.24kg/t \( \text{U}_3\text{O}_8 \)) gave indications as to the high grade potential of the prospect. In addition, a 6.8m wide zone of gold-silver-bismuth-zinc mineralisation was returned in association with uranium. Results included 3.4m @ 4.84% Zn from 485.4m (including 0.9m @ 15.6% Zn from 487m). To follow-up on these re-sample results, a down-hole gamma logging programme was completed on 7 of the historic drill holes in the area. This confirmed the presence of several additional uranium target zones.

A total of 8 RC holes and 2 diamond tails were drilled to test the Quantum Prospect. Holes were targeting the main radiometric anomaly in the east of the prospect and also testing along strike and north of mineralisation in FEND10 to the west of the prospect. Elevated uranium values (up to 117ppm \( \text{U}_3\text{O}_8 \)) in the cover limestones were returned. RC drilling of TDD08 intersected a zone of disseminate/massive sulphide (pyrrhotite, pyrite, minor galena, sphalerite and chalcopyrite) up to 12m thick (down hole). Assay results returned anomalous gold, silver and uranium values and high rare earth element values (RRE). Sulphide mineralisation continued to the end of the RC hole. Two diamond holes were drilled to follow-up on these results. The first extended TDD08, the second was drilled east of TDD08 to test down dip of mineralisation. Both holes intersected significant REE mineralisation with TDD08 returning 50m @ 1.55% TREO (Rare Earth Oxide) from 245m, and TDD09 returning 2.3m @ 2.75% TREO from 374m. Elevated gold and silver mineralisation was also noted.

At the Wildcard uranium prospect 28 Aircore drill holes for 1,633m were drilled to test an airborne radiometric anomaly. Spectrometer analysis returned up to a 4m composite sample @ 50ppm U from 12m depth in TRB0010.

### 6.5. Exploration during Year 5 (2011)

At Area-16 eight rock chip pulps and 36 soil sample pulps from 2008-2009 exploration samples were submitted for REE Analysis. Significantly anomalous results were returned with max TREE of 735ppm for rock chips and 508ppm TREE for soils. This data was supplied in the relevant relinquishment report.

Several phases of RC and Diamond drilling were completed at Quantum Prospect. In total 19 RC holes for 2,447m (607 samples) and 18 DDH holes for 3,482.5m (2,315 samples) were drilled. Ten diamond holes had PCD pre-collars and the rest were drilled from previous RC holes. Metallurgical and petrographic work was completed on samples from the Quantum Prospect.

A total of 28 RAB holes were drilled at Wildcard REE - uranium Prospect.

### 6.6. Exploration during Year 6 (2012)

No on-ground exploration was completed, however, considerable data analysis and interpretation continued.
6.7. **Exploration during Year 7 (2013)**

Activities included a small helicopter-supported reconnaissance geochemistry program (4 samples) and completed full rehabilitation of drill sites and tracks at the Quantum Rare Earth Prospect and the Wildcard Uranium Prospect (Figure 9).

![Exploration Index Map](image)

**Figure 9:** Exploration Index Map for E L25229 Year 7 including the 4 soil samples.
6.8. **Exploration during Year 8 (2014)**

A tenement area reduction assessment was completed and the reduction application lodged. Exploration efforts were focussed on adjacent ELs.

6.9. **Exploration during Year 9 (2015)**

In Year 9 no on-ground exploration was undertaken, however, data analysis continued.

6.10. **Exploration during Year 10 (2016)**

In Year 10 no further exploration was undertaken due to a re-alignment of company priorities.

7. **EXPENDITURE**

### MINERAL TITLES EXPENDITURE REPORT

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- **ANNUAL**
- **FINAL**

Details of person responsible for content of this form (Please provide both telephone and email contacts)

| Name: | Natasha Forde | Company: | Spectrum Rare Earths Limited |
| Telephone: | 08 9384 3284 | Email: | natasahforde@bigpond.com |

### ACTIVITY DETAILS FOR THE REPORTING PERIOD

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**PROPOSED ACTIVITIES FOR THE NEXT 12 MONTHS**

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<td>H. Office Studies</td>
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<td>I. Land Access</td>
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<td>J. Overheads</td>
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<tr>
<td>K. Covenant for next reporting period</td>
<td>$ N/A</td>
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Not to exceed 15% of the sum of A to I above. Description not required.
8. CONCLUSIONS / RECOMMENDATIONS

Exploration at Quantum Prospect has revealed elevated REE, uranium and gold silver and base metals. The geological setting and mineralisation signatures suggest the EL area has potential for hosting Iron Oxide-Copper-Gold deposits.

It is recommended that further analysis of geochemical, geological, structural and geophysical data be undertaken to identify targets.
9. REFERENCES


