



Bulk Metallurgical Sampling; Skyfall and Stromberg Magnetic End Use and Heavy Rare Earth Prospects – October 2014

ASX:SPX

ABN: 94 115 770 226

28 JANUARY 2016

SUMMARY OF ACTIVITIES

In the December 2015 quarter, the Directors resolved that it was not in the best interests of the company to further pursue expenditure on the Northern Territory rare earths projects.

As a result, the Skyfall Rare Earth district leases were relinquished and the company is now reviewing the remaining assets in the exploration portfolio. (Please refer to ASX announcement dated 16 December 2015.)

Over the past year, the Spectrum Board (SPX) set itself the task of realistically assessing the potential commercial viability of the clay hosted rare earths previously identified over the Skyfall Rare Earths ("RE") District.

This was against a backdrop of a continuing depressed rare earth (RE) metals market and a great difficulty in raising risk capital to evaluate or progress such studies.

The company did engage RE expert third party consultants to provide us with a professional and realistic status of our current situation.

Unfortunately, the Skyfall RE District mineralisation has proved to be particularly complex and given the combined factors and evidence of:

- The difficulty of raising significant capital for the next stage of drilling to develop material JORC compliant resources (estimated \$2M plus),
- The order of magnitude jump in resources required to move to the next stage of feasibility studies/evaluation (estimated \$10M plus),
- The current limited financial resources of the company,
- The expensive annual holding costs of these exploration licences in the Northern Territory (minimum tenement expenditure commitments, council rates, and annual native title payments),
- The lack of any joint venture or acquisition interest from RE industry participants,
- The very depressed outlook of RE markets,
- The nominal valuation being attributed to SPX by the share market by pursuing RE ambitions,

The very difficult decision had to be made to drop the project.

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Company Management

Anthony Barton: Non-Executive Chairman
Alexander Moyle: Non-Executive Director
Leon Charuckyj: Non-Executive Director
Graeme Boden: Company Secretary

PLANNED ACTIVITIES: NEXT QUARTER

The focus of activities for the Company in the March 2016 quarter will be a review of the remaining exploration assets in the portfolio and the sale of any remaining assets.

Reports will also be lodged with the NT Mines department on all relinquished tenements to enable a refund of environmental bonds.

CORPORATE

Finance

The 31 December 2015 cash position of the Company was \$155k compared with a 30 September 2015 cash position of \$58k.

Subsequent to the end of the quarter, the company has received an R&D Tax Rebate of \$175k for the year ended 30 June 2015.

Capital Structure

Share Price (SPX): **\$0.004**; Issued Shares: **307.4M**; Market Cap: **\$1.23M** (as at 27 January 2016).

LAND ACCESS and GENERAL TENEMENT STATUS

Tenement Changes

The following tenements & applications were relinquished during the quarter:

Tenement	Project Name	Company	Area (km ²)
EL30136	HREE District	Spectrum	125.35
EL28970	HREE District	Spectrum	126.27
EL27151	HREE District	Spectrum	252.25
ELA28448	HREE District	Spectrum	703.7
ELA29240	HREE District	Spectrum	201.03
ELA29241	HREE District	Spectrum	132.74
EL27154	Calvert	Carpentaria*	32.94
ELA25383	McArthur	Carpentaria*	1,662.8
ELA25388	McArthur	Carpentaria*	1,666.7
ELA25390	McArthur	Carpentaria*	1,638.6
ELA25392	McArthur	Carpentaria*	1,429
ELA25394	McArthur	Carpentaria*	714.5
	TOTAL AREA		8,685.88km²

Mining Tenements held at the end of the quarter

Tenement	Project Name	Company	Area (km ²)	Status	Date of Grant
EL25229	Quantum REE	Spectrum	36.70	Grant, 2 year extended term	09/11/2006
ELA25221	Litchfield	Spectrum	256.30	Moratorium	
ELA25472	Litchfield	Spectrum	526.90	Application	
	TOTAL AREA		819.90km²		

Table 1: Spectrum Rare Earths Limited Tenement Holdings. *Carpentaria Minerals Pty Ltd is a 100% owned subsidiary of Spectrum Rare Earths Limited. No tenements are subject to farm in or farm out agreements.

For further information please contact:

MR ANTHONY BARTON
NON-EXECUTIVE CHAIRMAN
Spectrum Rare Earths Limited
(08) 9325 8888

Glossary:

Total Rare Earth Oxides (TREO) = Ce, La, Pr, Nd, Gd, Eu, Sm, Dy, Er, Ho, Lu, Tb, Tm, Yb, Y;

Magnetic End Use Rare Earths classified by Spectrum as Dy, Tb, Nd, Pr, Sm and Gd;

Heavy Rare Earth Elements HREE's and Heavy Rare Earth Oxides (HREO) = Dy, Er, Ho, Lu, Tb, Tm, Yb, Y;

Medium Rare Earth Elements MREE's = Gd, Eu, Sm;

Light Rare Earths LREE's Ce, La, Pr, Nd.

The information in this report that relates to exploration targets and exploration results is based on information compiled by Alexander Moyle, a Competent Person who is a Member of The Australian Institute of Geoscientists and The Australian Institute of Mining and Metallurgy. Alexander Moyle is an independent consultant to Spectrum Rare Earths Limited. Mr Moyle 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. Mr Moyle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 1/6/10, 17/12/10

Name of entity

SPECTRUM RARE EARTHS LIMITED

ABN

94 115 770 226

Quarter ended ("current quarter")

31st DECEMBER 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 mths) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	(97)	(171)
(b) development	-	-
(c) production	-	-
(d) administration	(105)	(161)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / R&D credit received	-	-
1.7 Other	-	-
Net Operating Cash Flows	(202)	(332)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.12 Other – tenement security bonds	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(202)	(332)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(202)	(332)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares****	299	303
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - Costs associated with capital raising	-	(13)
	Net financing cash flows	299	290
	Net increase (decrease) in cash held	97	(42)
1.20	Cash at beginning of quarter/year to date	58	197
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	155	155

**** On 27 January 2016, the Company received an R&D rebate for the 2015 financial year of \$175k.

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	All payments to Directors and Associates are on normal commercial terms	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- | |
|-----|
| N/A |
|-----|
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- | |
|-----|
| N/A |
|-----|

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	10
4.2	Development	-
4.3	Production	-
4.4	Administration	50
	Total	60

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	58	197
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		58	197

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL30136	Direct	100%	Nil
		EL28970	Direct	100%	Nil
		EL27151	Direct	100%	Nil
		ELA28448	Direct	100%	Nil
		ELA29240	Direct	100%	Nil
		ELA29241	Direct	100%	Nil
		EL27154	Direct	100%	Nil
		ELA25383	Direct	100%	Nil
		ELA25388	Direct	100%	Nil
		ELA25390	Direct	100%	Nil
		ELA25392	Direct	100%	Nil
	ELA25394	Direct	100%	Nil	
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	0	n/a	n/a
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	0	n/a	n/a
7.3	+Ordinary securities Total Issued and Quoted Issued, but not quoted (subject to ASX escrow)	239,164,033	239,164,033	n/a Fully Paid
7.4	Changes during quarter (a) Increases through issues/exercised options (b) Decreases through returns of capital, buy-backs	130,687,208	130,687,208	\$0.004 \$0.004

+ See chapter 19 for defined terms.

7.5	+Convertible debt securities (<i>description</i>)	0	0	n/a	n/a
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	0	0	n/a	n/a
7.7	Options	<i>Options</i>	<i>Listed Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
		0	0	n/a	n/a
7.8	Issued during quarter	0	0	n/a	n/a
7.9	Exercised during quarter	0	0	n/a	n/a
7.10	Expired during quarter	0	0	n/a	n/a
7.11	Debentures (<i>totals only</i>)	0	0		
7.12	Unsecured notes (<i>totals only</i>)	0	0		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 28 January 2016
Company Secretary

Print name: Graeme Boden

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.