

STRATEGIC REVIEW OUTCOME

Over the past year, the Spectrum Board (SPX) has 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 RE market and the great difficulty of raising risk capital to evaluate or progress such studies.

The Board adopted the conservative approach early to reduce the monthly operating costs to a barest minimum, to preserve any available cash to carry out metallurgical work and an economic study.

As a consequence of that decision, the company was able to engage RE expert third party consultants to provide us with a professional and realistic status of our current situation.

Over the last 12 months, the company has successfully completed:

- Mineralogical test work to better understand the nature and distribution of the RE minerals in the Skyfall and Stromberg clays
- The design of a conceptual process flow sheet
- Integration and costing of that flow sheet into a preliminary Scoping Study
- Further metallurgical investigations to look at different, and some radical methods that may have improved the costs in that earlier economic study.

Unfortunately, the Skyfall RE District mineralisation is particularly complex and of a very fine (microscopic particle) nature, which results in a challenging recovery of the RE's (compared to some other styles of clay hosted mineralisation around the world).

While the most recent test work advanced our understanding of the mineralogy and metallurgy, it did not identify a substantially better, more cost effective mechanism that could have resulted in any material improvement of the earlier Scoping Study results.

Earlier in the year it had been hoped that a more comprehensive understanding of the mineralogy, a detailed flow sheet and an economic model that looked broadly in line with peers may have given prospective commercial partners, funders or purchasers enough information and encouragement to make a more informed decision on the project area. To facilitate this, SPX engaged an experienced strategic materials marketing consultant who had global experience in the RE industry.

Our marketing consultant introduced and marketed the project to various private and government organisations known previously to have had interest in the RE industry. That marketing campaign covered Europe, China, Japan, South Korea as well as RE peer and competitive companies listed in Australia.

This campaign failed to identify any tangible commercial interest and our consultant attributes this primarily to the very negative market factors that have been prevailing in the sector, even against the most advanced projects needing additional capital.

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Company Management

Anthony Barton: Chairman
Alexander Moyle: Director
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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,

Our Directors have resolved that it is not in the best interests of the company to further pursue expenditure on these rare earths projects.

As a result, the Skyfall rare earth district leases will be relinquished forthwith and the company will continue its assessment of the remaining assets in the exploration portfolio, as well as reviewing any other new opportunities that may be able to improve the value of the company's shares.

Changes to the company's tenement portfolio are outlined in Appendix A.

For further information please contact:

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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 a consultant to and Director of 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.

Relevant Assessment and Reporting Criteria according to 2012 JORC Code – Table 1 Report: Section 2 - Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none">• <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i>• <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	<ul style="list-style-type: none">• Details of changes to the Spectrum Rare Earths Limited Mineral Tenement and Land Tenure Status are contained in APPENDIX A.

APPENDIX A

LAND ACCESS and GENERAL TENEMENT STATUS

Tenement Changes

Tables 1 & 2 summarise the recent tenement status changes.

Table 1: Exploration Licences and Applications held at the end of the September 2015 quarter

Tenement	Project Name	Company	Area (km ²)	Status	Date of Grant
EL30136	HREE District	Spectrum	125.35	Grant, 2 year extended term	19/12/2014
EL28970	HREE District	Spectrum	126.27	Grant	05/03/2012
EL27151	HREE District	Spectrum	252.25	Grant	08/11/2013
ELA28448	HREE District	Spectrum	703.7	Verbal Consent and PEP Agreement Executed	
ELA29240	HREE District	Spectrum	201.03	Agreement Executed	
ELA29241	HREE District	Spectrum	132.74	Agreement Executed	
EL25229	Quantum REE	Spectrum	36.7	Grant, 2 year extended term	09/11/2006
ELA25221	Litchfield	Spectrum	256.3	Moratorium	
ELA25472	Litchfield	Spectrum	526.9	Application	
EL27154	Calvert	Carpentaria*	32.94	Grant	14/10/2009
ELA25383	McArthur	Carpentaria*	1,662.8	Verbal Consent	
ELA25388	McArthur	Carpentaria*	1,666.7	Verbal Consent	
ELA25390	McArthur	Carpentaria*	1,638.6	Verbal Consent	
ELA25392	McArthur	Carpentaria*	1,429	Verbal Consent	
ELA25394	McArthur	Carpentaria*	714.5	Verbal Consent	
TOTAL AREA			9,505.78km²		

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.

Table 2: Exploration Licences and Applications held at 15 December 2015.

Tenement	Project Name	Company	Area (km ²)	Status	Date of Grant
EL25229	Quantum REE	Spectrum	36.7	Grant, 2 year extended term	09/11/2006
ELA25221	Litchfield	Spectrum	256.3	Moratorium	
ELA25472	Litchfield	Spectrum	526.9	Application	
TOTAL AREA			819.9km²		