(ASX: SPX)

ASX ANNOUNCEMENT

26 July 2018

Company Update

Washington Gold Project Due Diligence

Visible Gold in First Hole

Key Points

- **SPX has completed its first of four diamond drill holes as part of the company's due diligence program for the Washington Gold Project in northern California.**
- **The first diamond drill hole (Hole No: 2011-22T) was a twin hole designed to intersect a number of existing quartz lodes, thereby gaining as much information as possible from a single hole. In addition, the hole was extended beyond the Washington Vein to intersect the parallel Dean Vein.**
- **The hole encountered visible gold at 71.9m downhole in a vein interpreted to be the expression of the high grade and well-developed Dean Vein.**
- **The hole was also successful in intersecting additional targets in an un-named link structure, the No. 2 Vein / Madre Vein and the Washington Vein.**
- **Quartz vein intersections have been expedited to the independent and accredited American Assay Labs in Reno, Nevada for Screen fire Assay (SFA). The remainder of the hole will be assayed for gold and a suite of other elements with results expected to be received in approximately 4 weeks.**

Figure 1. Visible gold in core of 2011-22T at 71.9m downhole

Due Diligence Diamond Drilling

Spectrum Rare Earths Limited ("the company" or "SPX") is nearing the completion of its Stage 1 Due diligence on the Washington Gold Project in northern California. As part of its Due Diligence program the company designed a hole (2011-22T) close to an historic hole, 2011-22, that intersected the Madre and the Washington Veins.

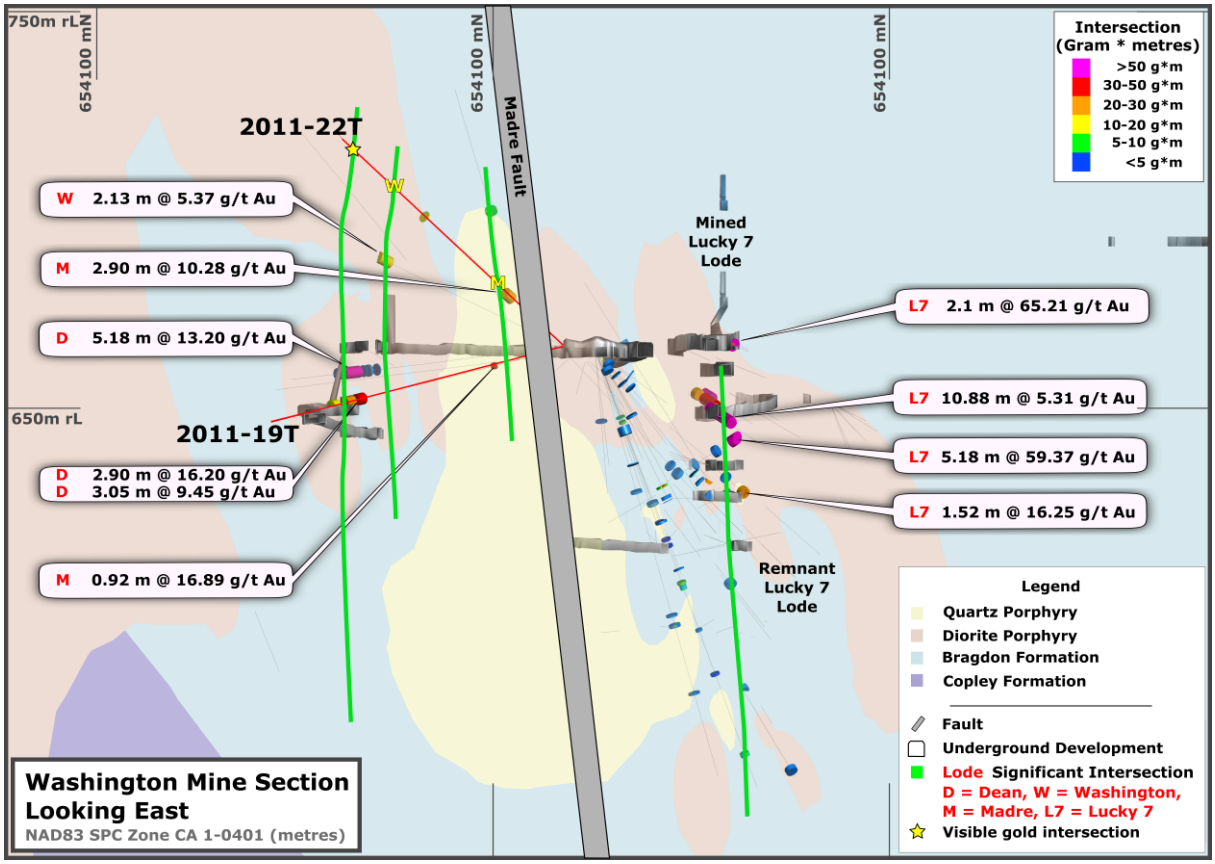

Figure 2. Cross section through plane of holes 2011-22T and 2011-19T

Figure 2 shows the position of the visible gold occurrence on the 2011-22T drill hole trace on the Dean Vein and notes results from historic holes reviewed in due diligence material.

The historic intersections in a nearby hole 2011-22 were:

- **2.90m at 10.28 g/t** gold from 22.56m (Madre Vein); and
- **0.30m at 57.63 g/t** gold from 61.26m (Washington Vein)

However, hole 2011-22 was not drilled far enough to intersect the Dean Vein in the hanging wall of the Washington Vein. The due diligence hole has been successfully drilled into the hanging wall to intersect the Dean Vein and this is where the visible gold has been seen.

In this location the Dean Vein is expressed in a number of closely spaced, narrow quartz veins with associated sericite-chlorite alteration.

The hole was drilled from the 5060 cross cut drill station at an azimuth of 311 and dip of +32. Drilling was carried out by a local drill contractor on a Diamec 260 drill using NQ-sized wireline.

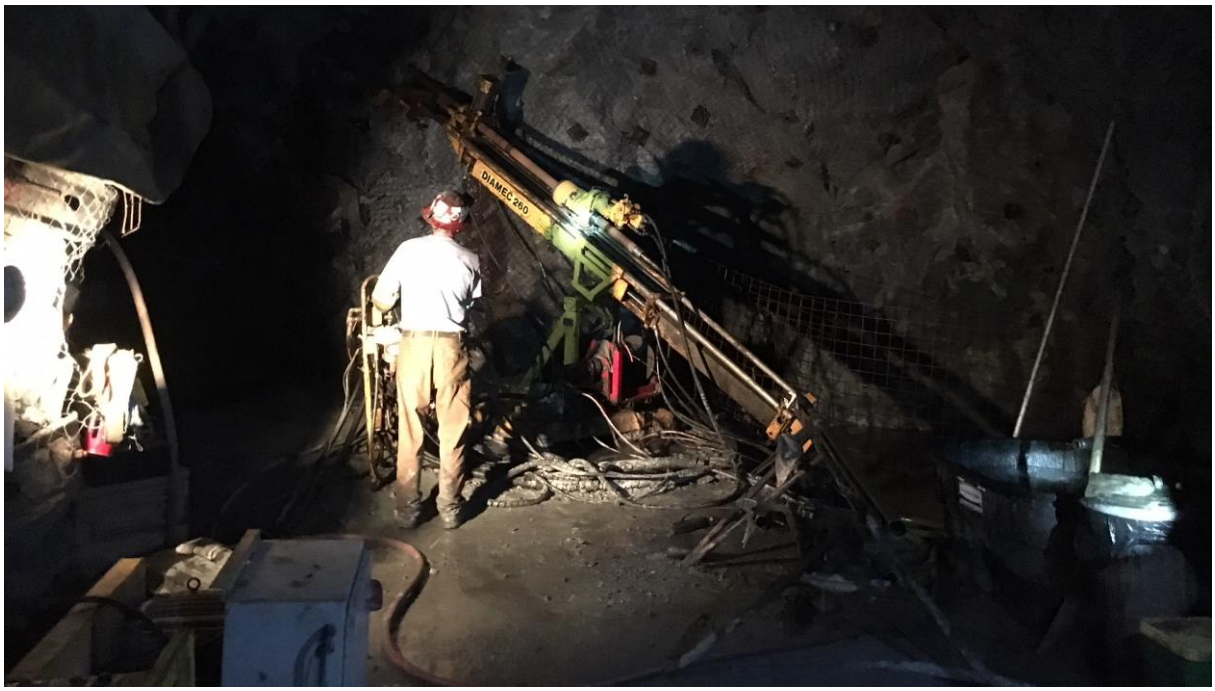

Figure 3. Underground diamond Drilling at the Washington Gold Mine, 5060 Drill station

A feature of the mesothermal orogenic veins at the Washington Project, common in this style of vein elsewhere in California, is the association of base metal sulphide with very high gold grades. Figure 1 displays significant pyrite, arsenopyrite and galena with coarse, free gold clearly associated with the sulphide within the vein.

SPX is also nearing completion on its second hole, drilled down dip of its first hole. Initial reports indicate that the Washington Vein has been intersected over several feet in its predicted position and shows a similar mineralisation style to that seen in the Dean Vein in Figure 1.

Table 1. Hole information for hole 2011-22T

Hole ID	NAD83 (2011)		Hole Depth	Azimuth	Dip
	Easting (m)	Northing (m)	(m)	(°)	(°)
2011-22T	526,984.97	4,507,712.65	76.35	311	+32

The discovery of coarse visible gold in our first drill hole illustrates the potential of the Washington Gold Project and our due diligence to date suggests the opportunity to extend known high grades lodes and supports the potential for the discovery of new lodes in areas where isolated high grade drill intersections have not been followed up by further drilling.

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About Spectrum Rare Earths Ltd

Spectrum Rare Earths Limited (ASX: SPX) is a mineral resource exploration and development company. Focussed on identifying and exploring under explored terrain through the use of modern techniques and technology to maximise success.

Forward Looking Statements

Statements regarding Spectrum's plans with respect to its mineral properties and programs are forward-looking statements. There can be no assurance that Spectrum's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Spectrum will be able to confirm the presence of additional mineral resources/reserves, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Spectrum's mineral properties. The performance of Spectrum may be influenced by a number of factors which are outside the control of the Company and its Directors, staff and contractors.

Competent Person's Statement:

Exploration Results

The information in this report as it relates to exploration results and geology was compiled by Mr Alexander Hewlett who is a Member of the AusIMM and a director to the Company. Mr Hewlett, who is a shareholder and option-holder, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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. Hewlett consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

JORC Code, 2012 Edition

Table 1 report – Exploration Update

- This table is to accompany an ASX release updating the market with results from a program of due diligence undertaken by Spectrum Rare Earths Limited on the Washington Gold Project and from the exploration activities conducted by third parties over a range of work areas and times.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections in this information release.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	<u>Washington Mine</u> • Diamond drilling with samples taken at .152 meter to 1.0 meter intervals dependent on visual inspection of mineralisation, and geology. Veins were sampled on geological boundaries and the remainder of the hole assayed at 1.0m (approximately 3 feet) intervals. • All samples submitted for assay underwent a fine crush with 200 grams riffled off for pulverising to 75 microns. • Samples were submitted for standard one half assay ton fire assay for gold. • For the Due Diligence diamond drilling program, quartz vein intersections were dispatch on an expedited basis and assayed with Screen Fire Assay. The remainder of the core will be assayed using normal fire assay techniques on a 30 gr charge and run for gold and a suite of other elements. <u>Washington Mine</u> • Reverse circulation (RC) drill chip samples were taken at 4ft intervals and sent for assay in intervals from 1ft-4ft. • Samples were submitted for standard one half assay ton fire assays for gold. • Surface outcrop and trench

Criteria	JORC Code explanation	Commentary
		samples are collected at a right angle to the direction of the vein or trench. Typically about 5 lbs. per sample bag. Assay technique same as above.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	<u>Washington Mine Drilling</u> • Underground and surface Diamond Drill Holes were drilled with a verity of skid and crawler mounted Diamond drills over a period of over 10 years .Drill core was primarily BQ-Wireline (36.5 mm dia.) and NQ Wireline.(47.6 mm dia.) • Reverse circulation drill holes used " down the hole" hammers with 88.9 mm hole size. • All holes were surveyed by the drilling contractors using " in the hole" survey methods. • **The Due Diligence diamond hole** was drilled with a Diamec 260 UG diamond drill running NQ-sized core on a wireline
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	<u>All reported drilling sites</u> • Sample recoveries were generally in excess of 90%. Exceptions being in loose or altered rock formations. RQD for all core is noted in Drill Logs. • Recoveries in the drill logs so far in the **Due Diligence hole** indicate recoveries between 100% and 75%
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	<u>All reported drilling sites</u> • All drill core was geologically logged in detail by FGNMC and Consulting Geologists.to determine mineralized zones and confirm projected geology. • All Core drill assay samples consisted of half cut core, the remainder of the core is stored in core trays on site for future reference and third party validation. **All of the core for the due diligence** hole was photographed and will be linked to the drill intersections in the Vulcan database.
Sub-sampling	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube*	• All core was logged for geology and mineralization. Then the core was photographed for future reference.

Criteria	JORC Code explanation	Commentary
techniques and sample preparation	*sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the insitu material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Core was then sawed in half with half sent to lab for assay and the remainder stored on site for future reference • All core was carefully placed in properly marked core boxes with intervals written in water proof ink. • All reverse circ samples were placed in chip trays properly marked with hole number and interval length • In loose or fractured ground the larger NQ core sized was used to insure adequate sample size.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	<u>All reported drilling sites</u> • All samples were analysed using ISO industry standard fire assay techniques. All assays used ½ assay ton fire assay. If check assays were inconsistent then the same sample was re assayed using 1 assay ton assays or in some cases a full gravimetric finish followed by a 1 assay ton fire assay. • Standard reference samples and blanks were inserted at 25 sample intervals. • External lab checks were by major US independent Assay Labs
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	<u>All reported drilling sites</u> • Significant mineralized zones are supported by reference core stored on site and photographs. • All drilling results are entered into Vulcan Mine model with values for each mineralized hold posted. • Independent geologists have witnessed some drilling and re logged some core to confirm geology and visual verification of mineralized zones • Assay data has been converted from ounces per ton to grams per tonne using a factor of 34.2857
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	<u>All reported drilling sites</u> • The entire project has been flown and has survey control at 1 meter contour. • All underground and surface drill collar locations, and sample trenches are

Criteria	JORC Code explanation	Commentary
	• *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	surveyed with industry standard practice. Area control is by "State Plane Control" established by the US BLM. • All located data has been converted to NAD83 (2011). Where appropriate units of measure have been converted from feet to metres (factor 0.3048m = 1 foot). • Down the hole surveys were by individual drill contractors using industry standard methods.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Drill hole spacing and data spacing are an evolving study at the Washington Mine and further evaluation of proper procedure is on going. • Further studies are required before an estimation of resources and reserves can be made. No mineral resources or reserves are quoted for the Project.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	<u>All reported drilling sites</u> • Drill holes were oriented at various angles to the structure depending on drill platform availability. Intersection angles ranged from optimum (right angle) to acute intercept angles to suspected vein zones and mineralized contacts. • Estimated "true widths" of veins are calculated by project geologists using multiple drill holes with different angles and contact angles as seen in core samples.
Sample security	• *The measures taken to ensure sample security.*	<u>All reported drilling sites</u> • Pre-numbered bags were used, and sample were transported to the project assay lab, or to American Assay Lab in Reno Nevada as appropriate. Some samples handled by company personnel and some sent for check assay by independent geologists.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	<u>All reported drilling sites</u> • Company assay lab had routine audit by Francisco Assay Umpire and Lab from Reno Nevada. Francisco audits major US Gold producers labs and US Commercial labs for ISO Assay

Criteria	JORC Code explanation	Commentary
		Standards Procedures. Reports are provided direct to management and made available for third party review.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *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.* • *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.*	<u>Washington Gold Project</u> • The Washington Gold Project and all associated infrastructure located on surface and underground is currently owned and operated by French Gulch (Nevada) Mining Corp. (FGMC), a Nevada-based mining company. • Spectrum Rare Earths Limited (ASX:SPX) has entered into a Mining Asset Purchase Agreement with FGMC, whereby SPX has the right, but not the obligation, to purchase all the real assets of FGMC. • Upon execution of the Agreement, SPX shall pay the Vendor A$75,000 for an option (the Option Fee) to purchase the assets of FGMC. • SPX can elect to extend the 3-month Option Period to a Holding Option Period for a further 12 months. During this period, SPX shall expend a minimum of US$360,000 per calendar quarter, on care, maintenance and exploration activities pursuant to an agreed plan and budget adopted by both parties, for a period of 12 months. • SPX can elect to acquire the assets of FGMC at any time within the 12-month Option Holding Period. Upon election to acquire, SPX will issue the Vendor 325,000,000 SPX shares. • In addition, should SPX delineate a JORC compliant gold mineral resource of 100,000 ounces, SPX will issue an additional number of shares equivalent to A$3,000,000. • In addition, should SPX define a JORC compliant gold mineral resource of between 100,000 ounces and 200,000 ounces, SPX will issue the Vendor A$20 per ounce on a pro-rata basis to a maximum of 100,000 ounces.

Criteria	JORC Code explanation	Commentary
		• There are no Native Title interests. • There are no significant over-riding royalties. • There are no known impediments to obtaining a license to operate. FGMC believes it is compliant with all existing regulatory permits and Reclamation Plans • The Washington Gold Project is composed of 40 Mining Claims in Shasta County, California, as FGMC with the BLM and an additional 25 Patented Mineral Claims Owned in Fee by FGMC. An additional Mineral Lease on one (1) patented lode mining claim is also included in the Washington Gold Project. • The site consists of 540 acres of patented claims and 412 acres of unpatented claims, administered by the BLM (Bureau of Land Management).
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	<u>Washington Gold Project</u> • The area within the Washington Gold Project has been worked intermittently since 1852. • Intermittent production of 20,000 per year from 1900 to 1914. • First drilling conducted between the late 1970's to 1989 where 29 vertical RC and diamond drill holes were drilled from surface for 5,071 feet. • Lucky 7 vein discovered in 1990 with production from the vein between 1990 and 1995. • Lion Trial Minerals carried out mine and mill improvements in 1995. • In 2001, Goddess Gold LLC and Lucky Dollar LLC undertook underground rehabilitation with I-Level adit re-opened, with Knelson concentrator installed in 2001. • Between 2004 and 2008, property owned by Bullion River Gold, re-started operations in 2006, installing a 100 ton per day plant. • In 2009,Shasta Gold Corp acquired the project from the US Bankruptcy Court.continued development with some gold production. • In April 2015, Shasta Gold Corp sold its interest in FGMC to the Leo Group LLC, the current vendor. • Minimal exploration has been

Criteria	JORC Code explanation	Commentary
		undertaken outside of the immediate mine environ. Underground diamond drilling appears to be limited to defining the immediate zones of exploitation by previous workers and appears to originate mostly from a single drill cuddy located in a position central to the stoping areas.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Washington Gold Project is characterised as a mesothermal, quartz-vein hosted gold deposit. • It is located in the Klamath Mountains, part of a complex of accreted terranes forming part of the western margin of the North American land mass, beginning in the Devonian and completed in the Late Cretaceous. • Plutonism into the thrusted terranes is believed to be the source of mineralising fluid. • At Washington, terranes lie as east-west dipping plates of island arc and oceanic volcanic and sedimentary rocks and metamorphic equivalents. • The deposit is typical of mesothermal quart-vein hosted deposits exploited in California, including the Motherload deposits, located in the Sierra Nevada mountains to the south east. • Auriferous quartz-vein and quartz-carbonate veins with minor base metal sulphides, are hosted in either the Bragdon Formation, a series of shales, mudstones and conglomerates; the Copley Greenstones, an older formation composed mafic volcanic flows; diorite and porphyry dykes, known as the 'birds-eye porphyry; or on the contacts thereof, influenced by late-stage faults.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*	• Table 1 at the back of this announcement tabulates all the significant drill intersections that have been verified through the due diligence period so far. All the location data for the drill holes are derived from the existing State Plane Section Grid (updated, but in imperial measurement) which has been transformed into NAD83 standard

Criteria	JORC Code explanation	Commentary
	○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	metric grid for this location within North America. • There are additional drill data that have not yet been verified but by the SPX due diligence, but it is likely that this will be verified and made available when completed.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• The intercepts quoted are not subject to a cut-off grade or top-cut. • Original intercepts were quoted in imperial downhole feet and in ounces per ton. An imperial to metric conversion has been applied into measurements of equivalent downhole metres and grams per tonne. • Reported intersections >1g/t with maximum waste zones between grades of 1m. • Only intercepts of high grade are quoted. Most often, grade outside the veins is minimal and therefore grades quoted from the quartz vein intercepts reflect the grade of the mineralised material within the shoot. • Only gold is quoted. No other metals have been reported although in some cases multi-element geochemistry does exit in the drilling database.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• From the data obtain thus far, the drilling appears to intersect the existing and previously mined ore-shoots at a variety of intersection angles, from perpendicular to highly acute angles. • The intersections reported in this announcement are downhole lengths. True widths are not yet known for those reported.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate*	• Plans and long sections have been made available to display the drilling, significant intersections and mineralised structure in context to the surface and underground mine infrastructure. • Given the nature of the

Criteria	JORC Code explanation	Commentary
	sectional views.	mineralisation a long section view is a better representation of the mineralisation and is parallel to the majority of the mine infrastructure.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Intercepts are as per the original sampled veins and wall rocks. • Included intercepts are designed to highlight mineralised zones within the mine environment • The reader can therefore assume that any portions of a drill hole that are not quoted in the intercept tables contain grades that are not material to the reporting of the intercept.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• No geophysical or geochemical results have yet been sighted in the geology information to hand. • The Washington ore body has had a long production history. Mill data over the years estimates an overall gold recovery of circa 96% of the gold recovered to a combination of gravity recovery and gold in concentrate. The recovery to each processing method is around 50/50. • Specific gravity testwork was conducted on a number of samples as part of the Ni43-101 report by Grunwald in 2016. A total of 24 tests were performed from a range of different rock types hosting gold mineralisation from within the Washington Mine. Specific gravity values ranged from a low of 2.66 to a high of 3.16. The average value from the sample population was 2.78. • The Washington Gold Project has a well-designed mine water collection and treatment plant located on site. On-going environmental monitoring of the water discharged from the treatment system on to the project land via sprinkler system has a water quality higher than the natural water in the local creek. Creek discharge is allowed but not necessary. • Geotechnical characteristics of the rock formations within the mine vary according to the rock type. The Bragdon Formation is

Criteria	JORC Code explanation	Commentary
		composed of sheared sediments and moderately broken ground in hanging walls. Underground openings located within the diorite or porphyries have very stable geotechnical characteristics
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	<u>Washington Gold Project</u> • SPX intend to conduct due diligence in order to make the decision to enter into the Option Holding Period. • SPX plan to assess the potential at the Washington Mine and other known gold occurrences within the tenure, for additional exploitable gold mineralisation • SPX envisage that this will entail drilling of existing drill-ready targets as well as drilling for depth and strike extensions on existing ore shoots during the Option Holding Period. Additional geological, geophysical and other exploration techniques may be employed as part of that assessment. <u>Regional potential</u> • See announcement. Plans show mapped veins on surface and position of veins in and around the Washington Mine as mapped and surveyed from underground.