

HIGHLIGHTS

- Preliminary exploration commenced at Pilbara Gold Project
- Tenement Granted and footprint expanded
- Successful Capital Raising Completed
- Appointments to strengthen Board

SUMMARY OF ACTIVITIES

The December quarter saw Spectrums' Whaleshark project tenement granted and the commencement exploration activities. Additional ground was also applied for surrounding the Whaleshark project under exploration application E08/2927 in order to secure a large package of prospective basement lithologies. During the quarter a capital raising of 888K was also completed via a placement of ordinary shares to sophisticated investors and was managed by joint brokers DJ Carmichael and Alto Capital.

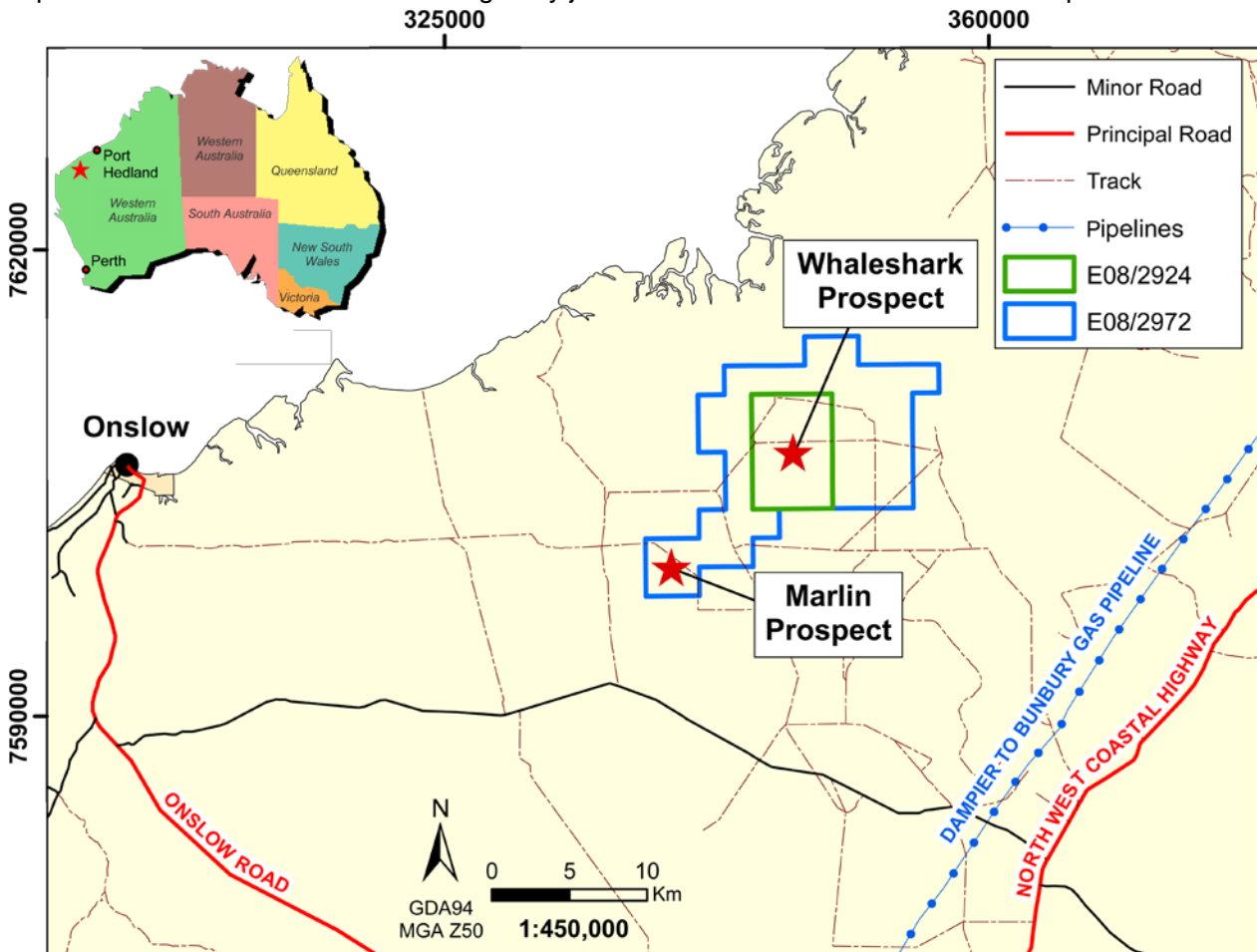


Figure 1. Licence E08 / 2924 & Licence application E08 / 2972 Location.

Registered Office

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 info@spectrumrareearths.com.au
 ABN: 94 115 770 226
 www.spectrumrareearths.com.au

Company Management

Alex Hewlett: Non-Executive Chairman
 Davide Bosio: Non-Executive Director
 Leon Charuckyj: Non-Executive Director
 Nader El Sayed: Non-Executive Director
 Mark Pitts: Company Secretary

Exploration

The company undertook rapid data collation, processing, exploration program design and executed three, high powered moving loop time domain electromagnetic (“MLTEM”) surveys over the Whaleshark Project. These geophysical surveys form the first stage of mineral exploration and have already provided further insight into the geological dynamics of the interpreted mineral system and revealed drill ready target areas.

Continuing this exploration stage, Induced Polarisation (“IP”) electrical surveys are scoped to test additional prospective geological domains in conjunction with active and passive seismic surveys to further define, rank and expedite economic drill targets.

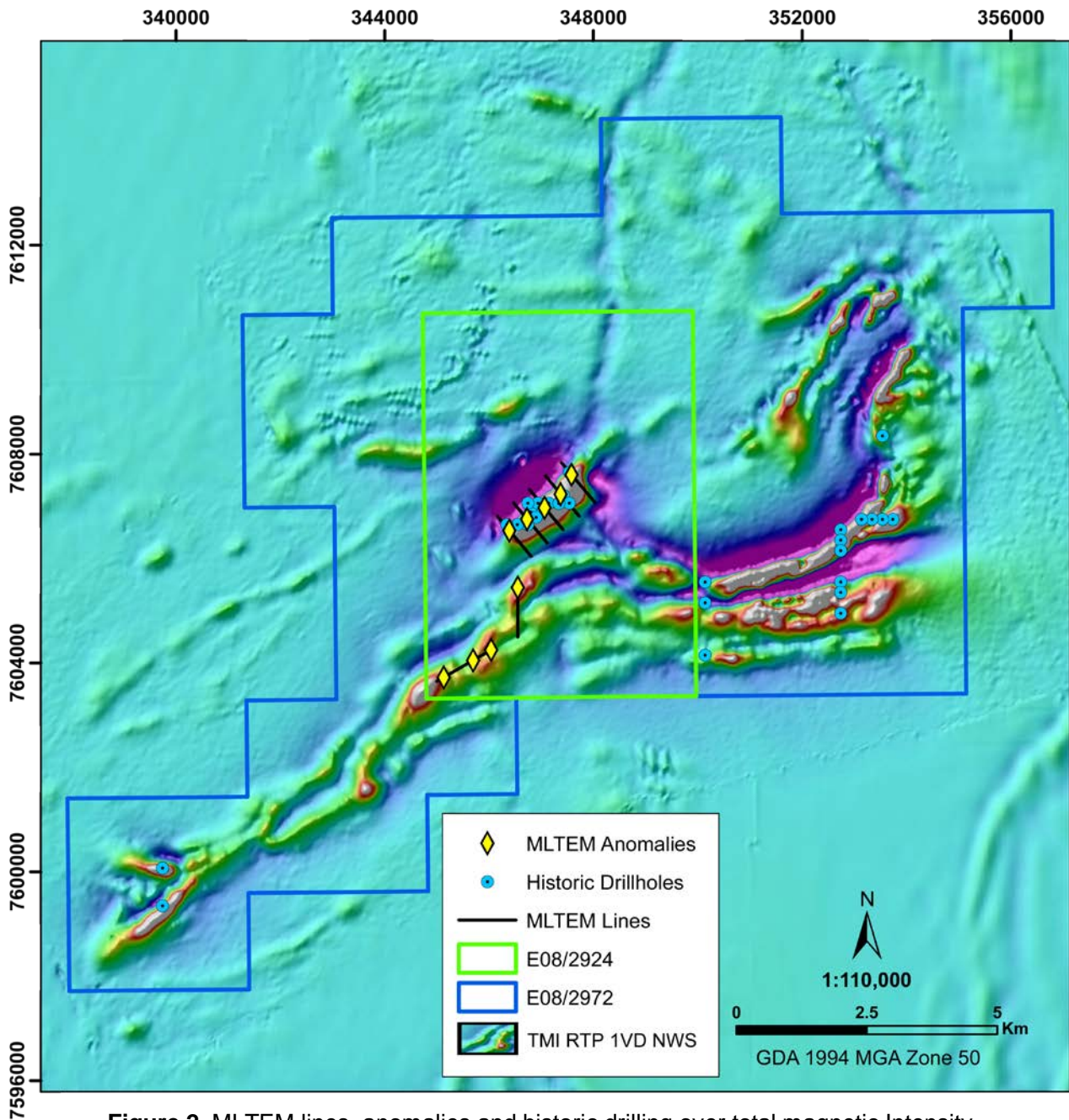


Figure 2. MLTEM lines, anomalies and historic drilling over total magnetic Intensity (reduced to pole, first vertical derivative).

Work completed during the December quarter is of the appropriate scale and effectiveness to undertake permitting for drilling activities. It is estimated that work completed in the first quarter of 2018 will cover

large lateral and vertical extents of the granted project area revealing numerous drill targets with approval for drilling. In preparation for the grant of E08/2972 datasets are being merged and ground geophysical surveys planned to provide a smooth transition from target areas to maximise drilling efficiency, target areas tested and minimise cost.

As part of the already executed and planned exploration, further insights into regional mineralisation potential will be gained positioning the company for new prospective exploration opportunities.



Figure 3. Vortex Geophysics MLTEM field crew on site at the Whaleshark Prospect.

Grant of Exploration Licence

Spectrum announced that the first of two Exploration Licence applications (E08/2924) centered on the historic Whaleshark gold and copper Prospect in the Pilbara, Western Australia had been granted.

The two tenements cover regionally significant magnetic anomalies interpreted to be prospective for gold and copper mineralisation based on historic drill intercepts, local and international analogues. Refer ASX announcement dated 1 June 2017.

Project Generation

The Company has reviewed a number of projects and opportunities over the past quarter and is currently further investigating some of these opportunities.

All opportunities under review are based on the model that Spectrum is searching for camp scale mineralisation suitable for the application of an integrated, rapid and cost effective exploration methodology.

CORPORATE

Capital Raising

The Company agreed terms for a placement to sophisticated investors during the quarter. The placement raised \$888,888.88 through the issue of 111,111,110 ordinary shares at \$0.008. The placement was well supported by Joint Lead Managers DJ Carmichael and Alto Capital.

Board Changes

During the quarter Mr Sandy Moyle stepped down as a director of Spectrum, Mr Moyle had been an effective Board member for a number of years and has agreed to provide ongoing consulting services to the Company as required.

Following the appointment of Mr Nader El Sayed the Board was also pleased to welcome Mr Davide Bosio as a Non-executive Director. Mr Bosio is the Managing Director and Head of Corporate at DJ Carmichael Pty Limited, which is Western Australia's oldest stockbroker. Davide has over 16 years' experience in the stockbroking industry with a focus on corporate services to listed companies specifically in relation to capital raisings and M&A advice.

Finance

The 31 December 2017 cash balance of the Company was \$1.28M compared with a 30 September 2017 cash balance of \$520k.

Capital Structure

Share Price (SPX): **\$0.012**; Issued Shares: **596 M**; Market Cap: **\$7.15M** (as at 29 January 2018).

TENEMENT STATUS

Mining Tenements held at the end of the quarter (pursuant to Listing Rule 5.3.3)

E 08/2924 Whaleshark Gold Copper Prospect	Pilbara, WA
E 08/2972 Marlin Gold Copper Prospect	Pilbara, WA (In application only)

For further information please contact:

MR ALEX HEWLETT

NON-EXECUTIVE CHAIRMAN

info@spectrumrareearths.com.au

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

SPECTRUM RARE EARTHS LIMITED

ABN

94 115 770 226

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(58)	(59)
(b) development	-	-
(c) production	-	-
(d) staff costs	(32)	(59)
(e) administration and corporate costs	(69)	(133)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(158)	(249)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	55	55
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	55	55

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	870	870
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	870	870

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	520	611
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(158)	(249)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	55	55
4.4	Net cash from / (used in) financing activities (item 3.10 above)	870	870
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,287	1,287

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	1,287	520
5.2 Call deposits	-	-
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)	1,287	520

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	39
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments for directors' remuneration

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

NA

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	120
9.2 Development	-
9.3 Production	-
9.4 Staff costs	35
9.5 Administration and corporate costs	65
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	220

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	E08/2924 Pilbara WA	Granted tenement	-	100%

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.



Sign here:
(Company secretary)

Date: 30 January 2018

Print name: Mark Pitts

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.