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29th January 2019

QUARTERLY REPORT ON ACTIVITIES – DECEMBER 2018

HIGHLIGHTS

Cobar Basin Project, New South Wales

- At Blue Mountain Induced Polarization (IP) surveying identified two strong en echelon IP anomalies, with at least one IP anomaly associated with the pyrite and base metal sulphide mineralisation zone;
- The interpreted 3D model sections indicate that the sulphide mineralisation intersected in historic drill holes BMDD001 and BMDD002 is associated with the top of the modelled IP anomaly (Main Trend), while no historic drilling appears to have tested the second anomaly (West Trend);
- The geometry of these two en echelon IP zones, juxtaposed against a regional fault system is considered ideal structural architecture for the development of Cobar-type deposits;
- Other IP targets at nearby prospects have been identified and require follow up work;
- Further field work including prospect investigation, geological mapping and IP surveys is planned during the next Quarter; and
- Anchor continued to appraise new opportunities in the Cobar region.

Anchor Resources Limited's (Anchor, ASX: AHR) exploration projects host a number of encouraging targets with potential for significant new mineral deposits. In addition, its Bielsdown project in New South Wales has a JORC (2012) resource of antimony.

Anchor holds nine exploration licences in NSW, including EL 6465 & EL 8100 (Blicks project), EL 8398, EL 8723, EL 8724, EL 8725, EL 8743 and EL 8795 (Cobar Basin project), and EL 6388 (Bielsdown project). In addition Anchor applied for two new exploration licences ELA 5754 & ELA 5755 within the Cobar Basin. ELA 5755 is a competing application with another company. In Queensland, at the Walsh River project, it holds an exploration permit for minerals, EPM 25958 (Walsh River), where epithermal gold and polymetallic granite-related mineral systems have been identified by Anchor.

The location of Anchor's projects in eastern Australia are shown in Figure 1.

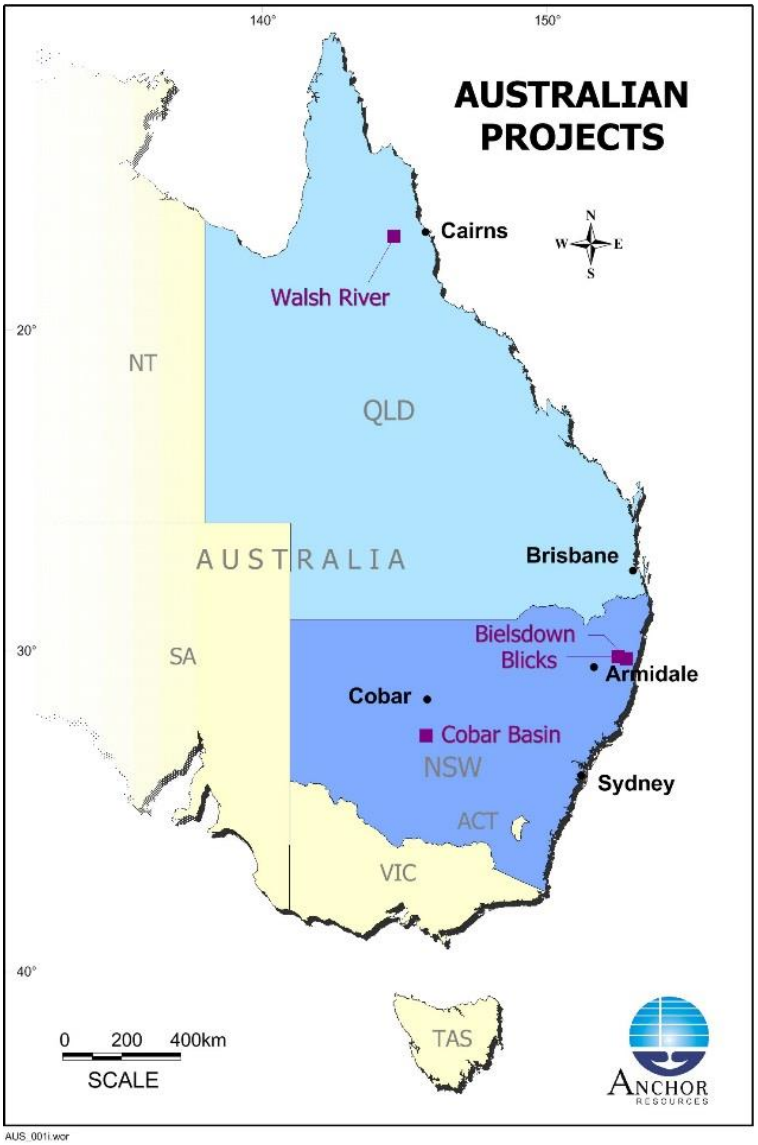

Figure 1: Location of Anchor's projects in eastern Australia

Cobar Basin Project, EL 8398 (Gemini), EL 8723 (Libra), EL 8724 (Leo), EL 8725 (Taurus), EL 8743 (Aquarius) & EL 8795 (Aries) ELA 5754 and ELA 5755 (Anchor 100%), New South Wales – copper, lead, zinc, gold, & silver

The Cobar Basin has a long history of ongoing mineral discoveries extending from 1869 up to recent times confirming its potential as a world class mineral province prospective for major new discoveries. Cobar-type deposits are high grade, polymetallic mineral systems, viable under a wide range of economic conditions. The geometry of many deposits has in the past made them challenging targets for exploration however, as the understanding of these deposits increases and technology advances, new opportunities are created and new discoveries are being made in both brownfield and greenfield terranes. Anchor's Cobar Basin tenements are shown on Figure 2.

Figure 2: Location of Anchor's Cobar Basin tenements

The granted exploration licences are partly contiguous within the southern and central part of the Cobar Basin.

An IP program covering three priority targets, Blue Mountain, Jaguar and Cypress (Figure 3), was completed during the Quarter. A total of 18 lines covering 59 line kilometres of IP surveying was undertaken at Blue Mountain (12 lines for 39.30 kilometres), Jaguar (5 lines for 16.50 kilometres) and Cypress (1 line for 3.20 kilometres). The data was interrogated using 2D and 3D IP inversion software.

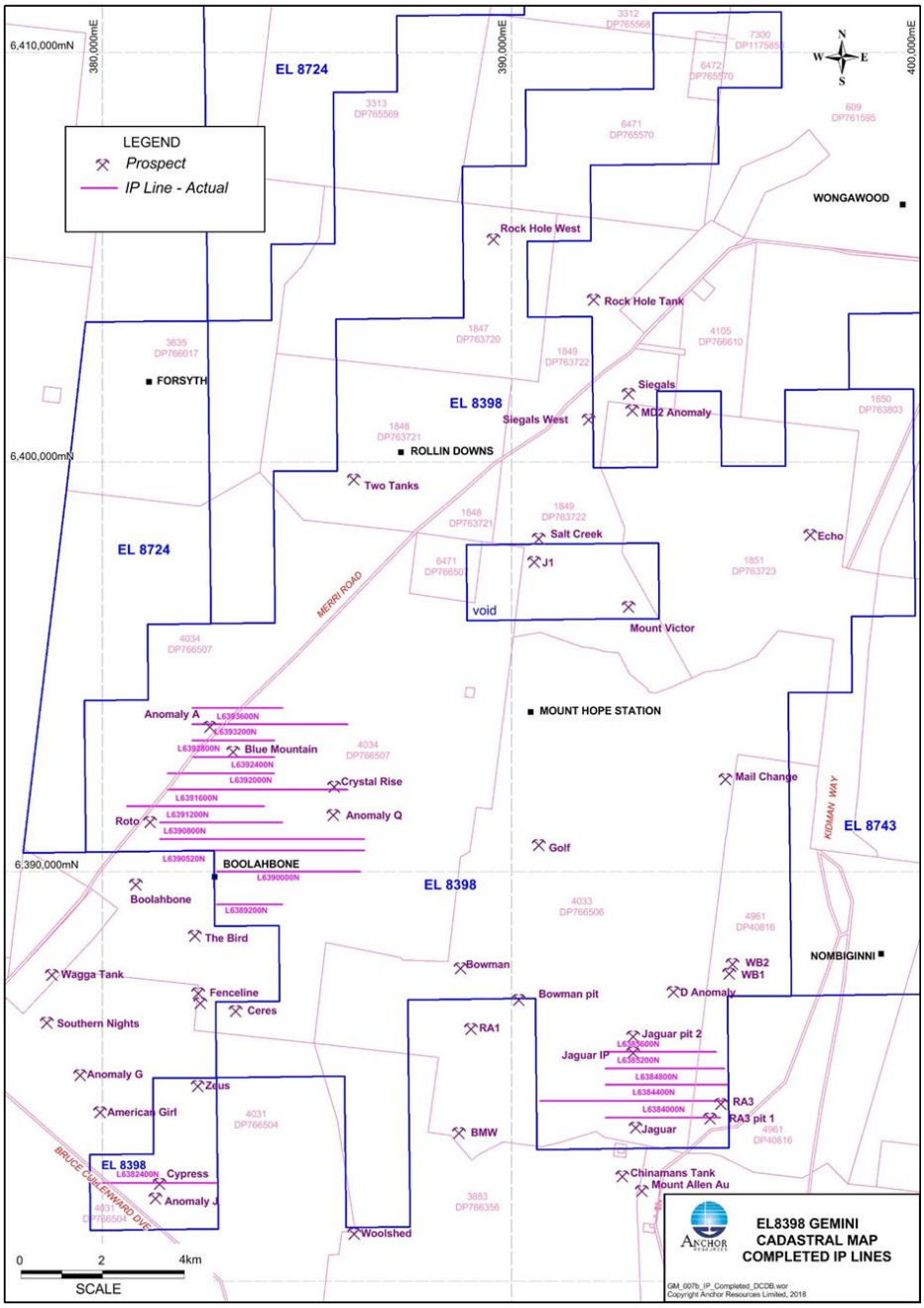

Figure 3: Map showing IP lines completed at Blue Mountain, Jaguar and Cypress prospects

The 3D IP model indicates two significant anomalous IP trends at Blue Mountain which are en echelon on plan view and are juxtaposed against a strong northeast trending structure. The IP zones are informally named Main Trend and the second anomalous IP response immediately west, and slightly south of the Main Trend is named West Trend.
The 3D model sections indicate that the sulphide mineralisation intersected in historic drill holes BMDD001 and BMDD002 is associated with the top of the modelled Main Trend, while no existing drilling appears to have tested the West Trend. The IP anomaly remains open to the north and weakens to the south. 3D modelling indicates the IP anomalies plunge gently south. The geometry of the two en echelon IP zones, Main Trend and West Trend, juxtaposed against a regional fault system is considered ideal structural architecture for the development of Cobar-type deposits.

IP Lines 6393600N and 6392000N were extended to the east of the Blue Mountain target in order to test secondary magnetic targets and the Crystal Rise prospect, but no significant IP responses were detected.

IP Line 6391600N was extended further west to test magnetic sources and structures to the southwest of Blue Mountain, but again no significant IP responses were detected, although the 3D model does indicate a weak IP response coincident with the interpreted major fault across this area.

At Jaguar preliminary results suggest an IP anomaly on the northern line is concealed by transported overburden estimated to be at least 3-4 metres thick.

At Cypress results indicate a weak, but distinct, IP anomaly is coincident with a low resistivity anomaly in an area of transported overburden.

IP surveying has proved to be a successful geophysical technique in locating concealed massive sulphide deposits in the Cobar Basin.

Detailed geological mapping over the Blue Mountain area will commence during the next Quarter. Results from this work will provide information on geologic and tectonic settings and possible vectors towards higher grade base metal mineralisation. Outcomes will be subsequently integrated into the geophysical interpretation of magnetic, gravity and IP data to optimize drill hole targeting.

Additional targets within EL 8398 Gemini remain to be field checked in a follow up program during the next Quarter.

Anchor also plans to commence field work on some of the other exploration licences in the Cobar Basin during the next Quarter.

Another round of IP is planned following the completion of the geological mapping program to evaluate other targets selected for follow up work.

Reported mineral occurrences and anomalies within EL 8398 Gemini are shown in Figure 4.

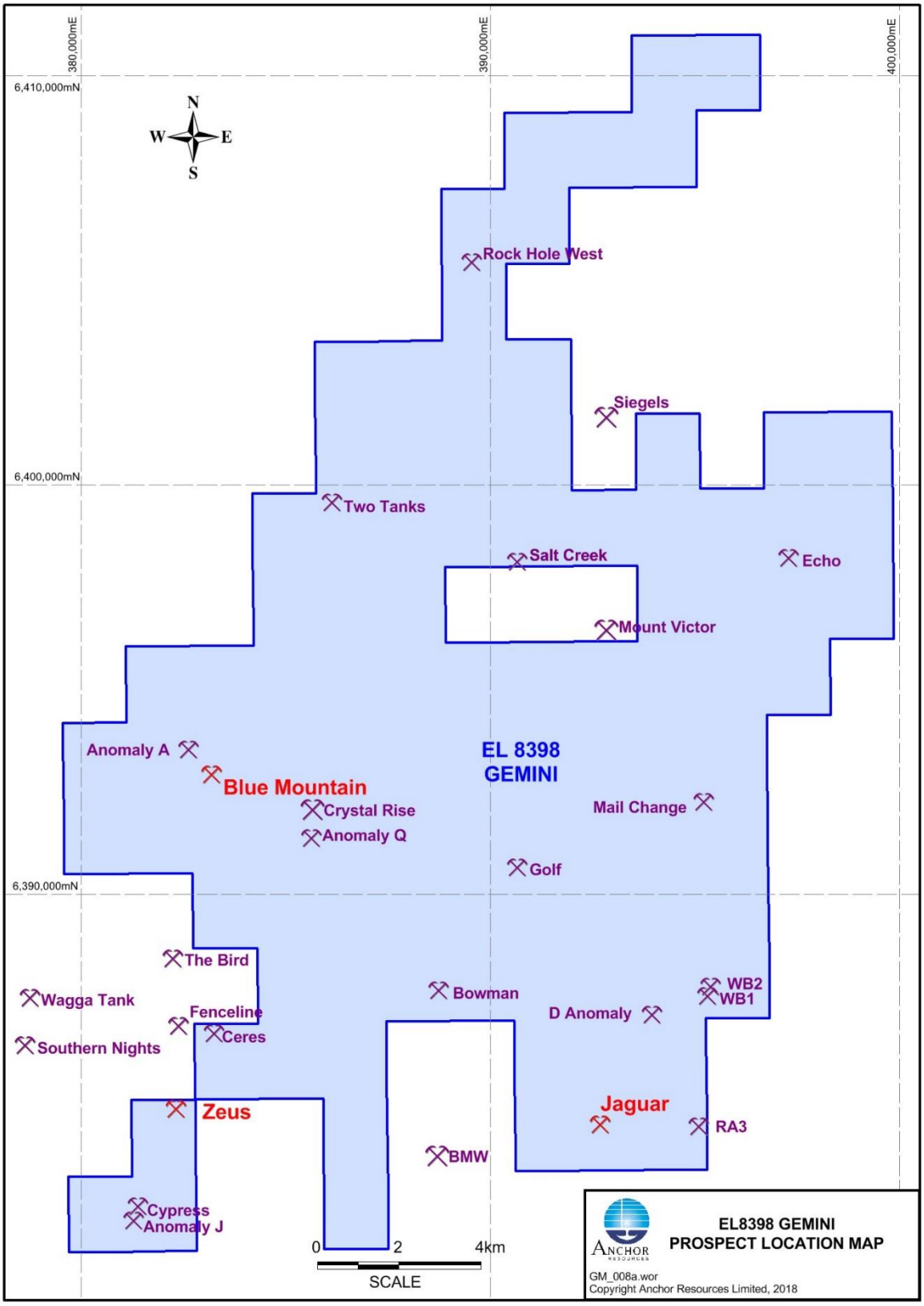

Figure 4: EL 8398 mineral occurrences and anomalies

Walsh River Project, EPM 25958
(Anchor 100%) Queensland – gold, silver, copper, lead & zinc

The Walsh River tenement is located in the Chillagoe mining district, which forms part of the larger Hodgkinson Province in Far North Queensland. Historically the Chillagoe mining district is the most productive region in the Hodgkinson Province.

The Walsh River project is close to known porphyry and skarn-related gold-copper-silver mineralisation with a mineral inventory in excess of 3.5 Moz Au, 335,000 tonnes Cu and 39 Moz Ag. Work last year by Anchor identified epithermal gold-silver mineralisation in the Fluorspar area. Epithermal gold-silver deposits are often found in regions of porphyry gold-copper mineralisation where they form an upper level continuum of porphyry systems.

Exploration within EPM 25958 Walsh River is focused on low sulphidation epithermal gold systems in the recently discovered Fluorspar epithermal gold camp, and granite-related polymetallic-gold mineralisation (Figure 5).

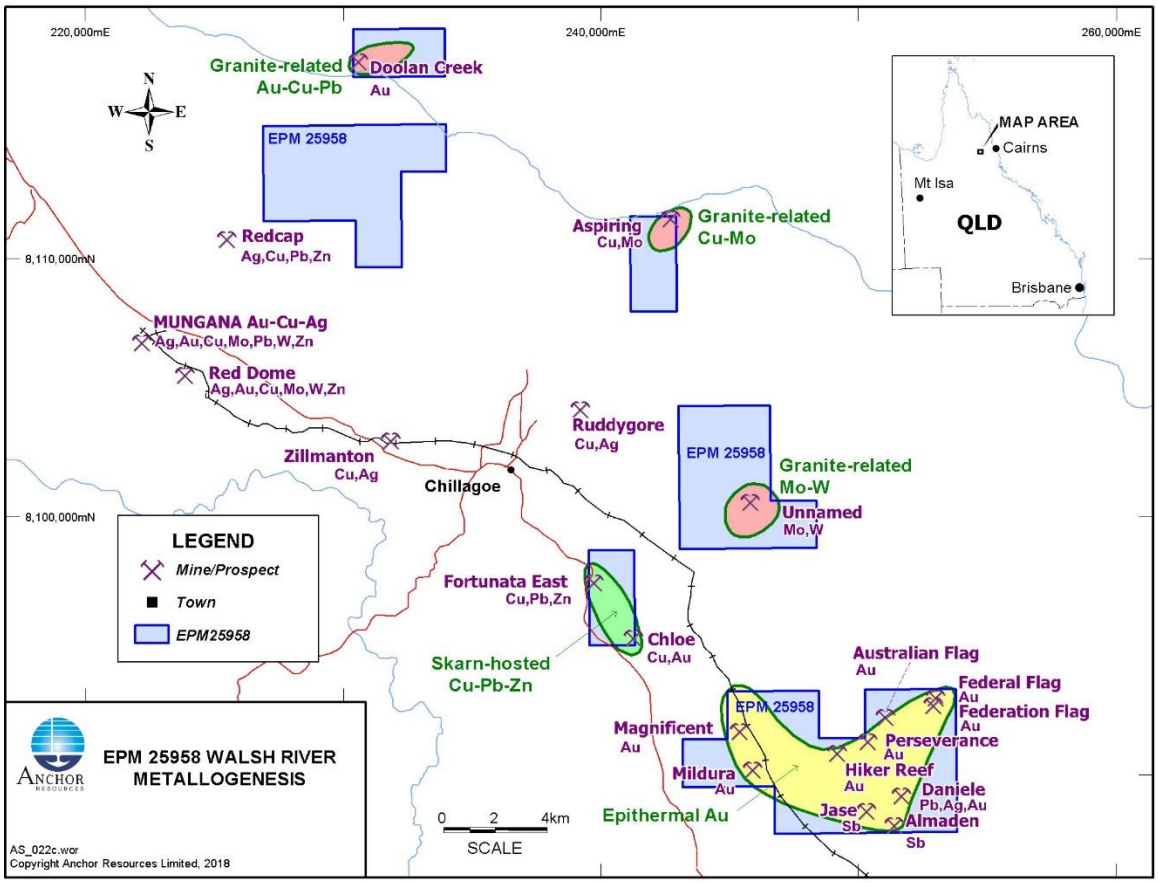

Figure 5: EPM 25958 Walsh River prospects

At Fluorspar quartz commonly displays silica replacement of coarse bladed calcite textures typical of the upper level of a low sulphidation epithermal gold-silver system. The exploration model is supported by accessory fluorite associated with quartz veins, and

stibnite (antimony) veins together with strongly anomalous gold and silver geochemistry, and very low base metal (copper, lead and zinc) geochemical values.

Quartz textures and multi-element geochemistry provide strong evidence that gold mineralisation in the Fluorspar area is near the top of a classic epithermal gold system. Conceptually, higher grade gold mineralisation should exist at depth where boiling has occurred in the hydrothermal system. Gold and silver are normally deposited in the fluid boiling zone between 300 metres - 1,000 metres below the palaeosurface. Geological mapping in the area indicates erosion has stripped some 500 metres of material from the original Featherbed volcanic land surface removing the topmost anatomy of the epithermal vein system. Furthermore, the elevation of the granitoids in the Fluorspar area is lower than the more resistive Featherbed volcanics indicating a further 100 - 200 metres has been eroded from the granitoid rocks. Geological and geochemical vectors indicate the boiling zone in the Fluorspar area, if present, should be within easy drilling depth with the conceptual target possibly 100 - 300 metres below the current land surface (Figures 6 and 7).

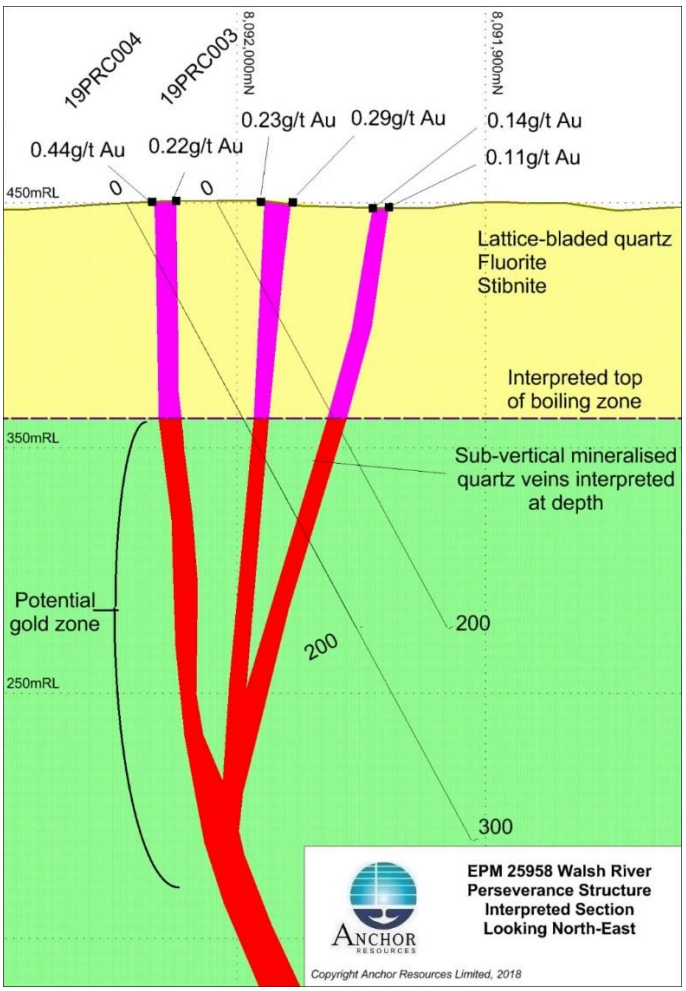

Figure 6: Perseverance Structure – interpreted section and planned drill holes

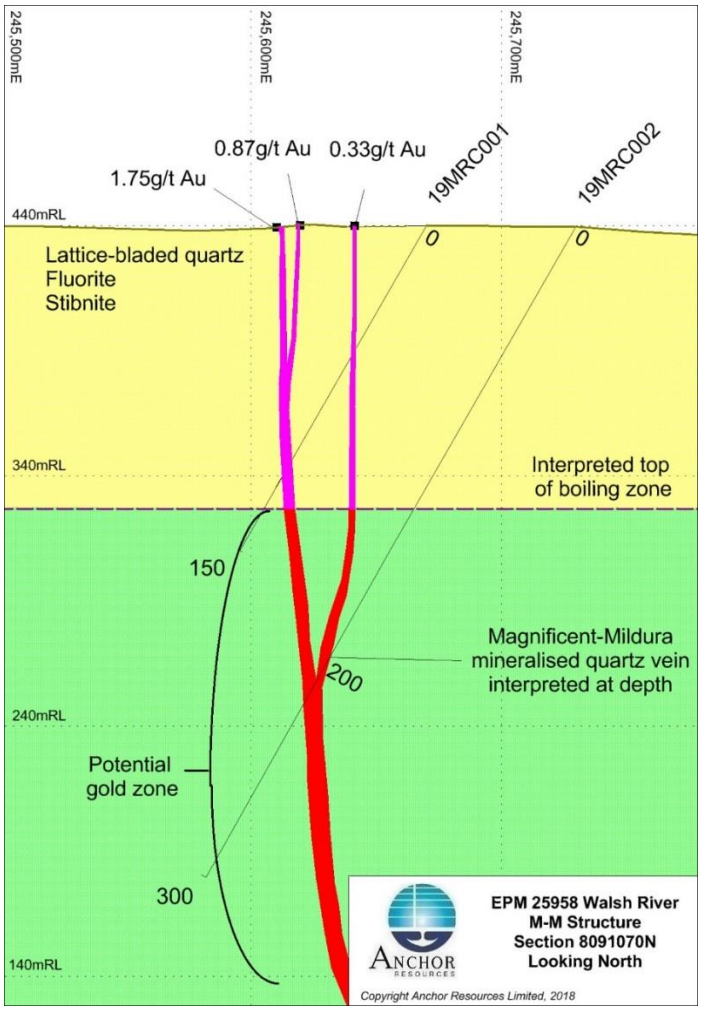

Figure 7: Mildura/Magnificent Structure – interpreted section and planned drill holes

A program of reverse circulation (RC) drilling is planned to test each of the Mildura-Magnificent structure and the Perseverance structure approximately 150 vertical metres below surface with two holes per section. The target is the conceptual higher grade gold zone where boiling has occurred below the epithermal vapour zone which has been identified in quartz textures at surface along each structure.

Field work is suspended until the end of the north Australian wet season with access is expected to be available by May 2019.

BLICKS PROJECT, EL 6465 and EL 8100 (Anchor 100%)
New South Wales – gold, copper, molybdenum & tungsten

The Blicks project is located in the Southern New England Orogen in northeast NSW, 90 km northeast of the major regional centre of Armidale. The project's main prospects are Tyringham (intrusion-related gold system), Navin (granite-related polymetallic), Tuting

(granite-related molybdenum-tungsten) and Liberty (granite-related copper-molybdenum). This is a significant polymetallic mineral district with large, multi-element soil geochemical anomalies associated with a transverse corridor hosting a number of granitoid intrusions of different ages over an area 12 km x 2 km.

At Tyringham, gold mineralisation intersected by shallow drilling to date is interpreted as "leakage" mineralisation within passive host rocks having ages of ~350 Ma and 240 Ma respectively. The target for future exploration is a concealed, proximal source intrusion, and associated fluid pathway structures, having an age of ~220 Ma, similar to the greisen alteration known to be associated with gold mineralisation at Tyringham.

A comprehensive technical review of the Blicks project was completed recently and has confirmed the potential of the project to host major mineral deposits.

No field work was carried out in the Quarter.

Bielsdown Project, EL 6388
(Anchor 100%) New South Wales – antimony

No field work was carried out during the Quarter.

Corporate

Mr R N (Sam) Lees was re-elected as a Director at the Company's Annual General Meeting on 20 November 2018.

As at the end of the Quarter the Company had cash on hand of $1.185 million.

Ian L Price
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Anchor Resources Limited

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Competent Person Statement

The information relating to the Exploration Results and geological interpretation for the Blicks, Bielsdown, Gemini, Libra, Leo, Taurus, Aquarius, Aries and Walsh River projects is based on information compiled by Mr Graeme Rabone, MAppSc, FAIG. Mr Rabone is Exploration Manager for Anchor Resources Limited and provides consulting services to Anchor Resources Limited through Graeme Rabone & Associates Pty Ltd. Mr Rabone has sufficient experience relevant to the assessment and of these styles of mineralisation to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012)". Mr Rabone consents to the inclusion of the information in the report in the form and context in which it appears.

TENEMENT SCHEDULE at 18 January 2019

TENEMENT NUMBER	NAME	LOCATION	HOLDER	DATE OF FIRST GRANT	EXPIRY	AREA km²
EL 6388	BIELSDOWN	NSW	Anchor Resources Limited	04/03/2005	03/03/2019	35
EL 6465	BLICKS	NSW	Scorpio Resources Pty Ltd	29/09/2005	29/09/2019	80
EL 8100	BLICKS EXTENDED	NSW	Scorpio Resources Pty Ltd	11/06/2013	11/06/2019	150
EL 8398	GEMINI	NSW	Scorpio Resources Pty Ltd	07/10/2015	07/10/2018	289
EL 8723	LIBRA	NSW	Cobar Minerals Pty Ltd	29/03/2018	29/03/2021	35
EL 8724	LEO	NSW	Cobar Minerals Pty Ltd	29/03/2018	29/03/2021	631
EL 8725	TAURUS	NSW	Cobar Minerals Pty Ltd	29/03/2018	29/03/2021	313
EL 8743	AQUARIUS	NSW	Cobar Minerals Pty Ltd	04/05/2018	04/05/2021	208
EL 8795	ARIES	NSW	Cobar Minerals Pty Ltd	20/9/2018	20/9/2021	61
ELA 5754		NSW	Cobar Minerals Pty Ltd	Pending		70
ELA 5755		NSW	Cobar Minerals Pty Ltd	Pending		207
EPM 25958	WALSH RIVER	QLD	Sandy Resources Pty Ltd	07/12/2015	06/12/2020	115

Note: Scorpio Resources Pty Ltd, Sandy Resources Pty Ltd and Cobar Minerals Pty Ltd are wholly owned subsidiaries of Anchor Resources Limited