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**25th January 2017**

# QUARTERLY ACTIVITY REPORT – DECEMBER 2016

## HIGHLIGHTS

**Exploration incorporating reconnaissance mapping and rock chip geochemistry in the Aspiring-Walsh River project near Chillagoe in North Queensland has identified two prospective mineral systems warranting detailed follow up work:**

- **Epithermal style gold-silver mineralization with a 2 km long geological and geochemical footprint has been discovered at the *Fluorspar Group* of workings.**

  **Quartz textures and multi-element geochemistry suggest the current level of exposure is near, or above, the boiling zone in a low sulphidation epithermal system and higher gold and silver values may be present at depth.**

- **Encouraging gold-base metal granite-related mineralisation has been identified in greisen and a nearby fault at the *Doolan Creek prospect.***

  **Rock chip samples contain up to 8.5g/t Au, 274g/t Ag, 10.5% Cu, 9.5% Pb, 25% As, 0.8% Bi and 0.3% Sb.**

**Follow up detailed mapping, and soil and rock chip sampling to define targets for reverse circulation (RC) drilling will commence when both sites become accessible immediately after the current wet season.**

## *Aspiring Project, EPM 19447 and Walsh River EPM 25958 (Anchor 100%) Queensland – copper, gold, silver, lead & zinc*

The Aspiring and adjacent Walsh River projects are located in the Chillagoe mining district, which forms part of the Hodgkinson Province in Far North Queensland.

EPM 25958 (Walsh River) covers approximately 162.4 km² and provides Anchor with strategic access to an area contiguous with its current EPM 19447 that is geologically prospective for the development of mineralization with evidence inferred from historic reports recording gold and copper mineralization associated with hydrothermal alteration systems close to the current Anchor EPM boundary.

Follow up exploration was completed on the Fluorspar Group of workings and Doolan Creek greisen alteration zone in EPM 25958 (Walsh River) during November-December 2016 in response to encouraging rock chip assay results obtained from the first reconnaissance program completed in October 2016 (see Anchor ASX announcement dated 26 October 2016).

The Fluorspar Group workings and Doolan Creek greisen alteration zone are within EPM 25958 (Walsh River) and located 33 km apart (Figure 1). The prospects are genetically and geochemically different. The Fluorspar Group of workings are considered to be a low sulphidation epithermal gold-silver target while Doolan Creek greisen zone and nearby fault is considered to be a granite-related gold-silver-copper-lead target.

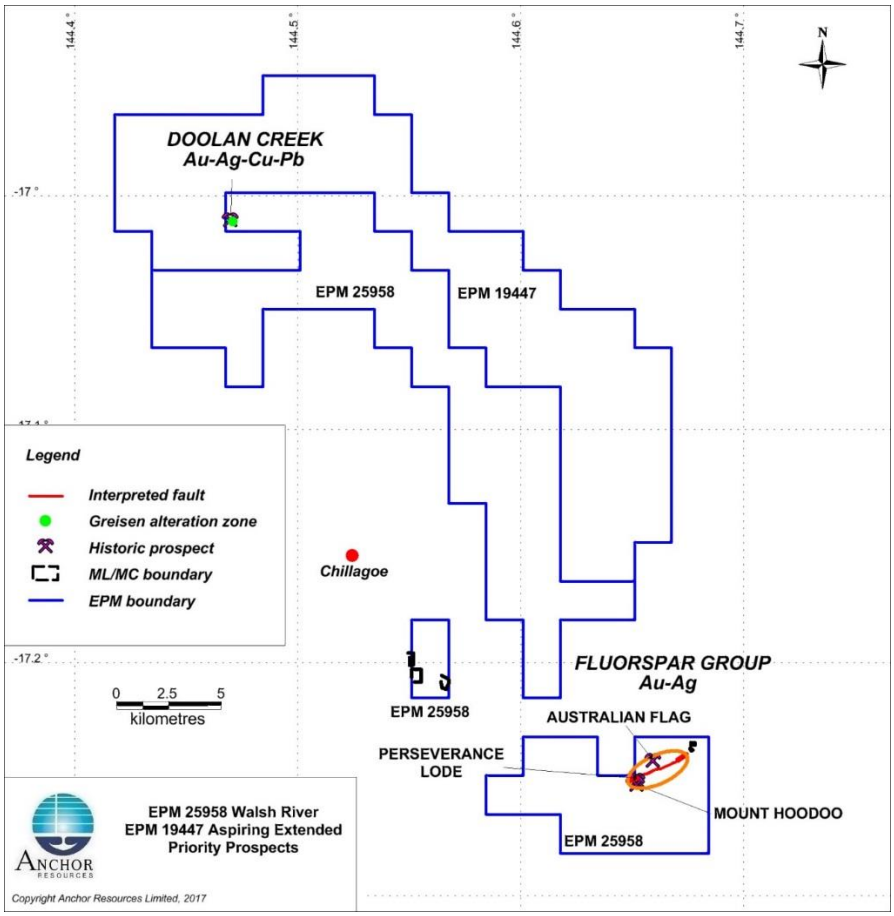



***Figure 1: Location of Fluorspar Group of workings and Doolan Creek polymetallic prospect***

## 1. Fluorspar Group of Workings

Recent prospecting and rock chip sampling at the Fluorspar Group of workings confirmed the Perseverance Fault is prospective for low sulphidation epithermal style gold-silver mineralization over a distance of at least 2,100m. The Perseverance Fault is interpreted to continue to the northeast and southwest beyond the extent of the current sampling program. Two small tenements, not controlled by Anchor, cover historic gold workings to the northeast of the current exploration program.

The most recent field program also discovered a previously unknown quartz-stibnite (antimony) vein system parallel to, and on the north side, of the main quartz-fluorite-gold vein emplaced along the Perseverance Fault. The quartz-stibnite vein system lies between the Perseverance Lode, mined for fluorite from 1921 to 1928, and Decks fluorite prospect. The stibnite occurs in vein quartz with a granular texture over a strike length of 590 metres. This is a subsidiary quartz vein to the gold-fluorite bearing quartz veins. The Perseverance Fault is now recognized as a composite, complex regional fault structure hosting at least 4 sub-parallel quartz veins along its length. The shorter subsidiary quartz veins are not persistent over the entire length of the fault.

Epithermal style quartz, often with accessory fluorite, contains low levels of gold consistently assaying 0.10 to 1.00g/t Au, and up to 5.97g/t Au in rock chip samples (average 0.33g/t Au in 65 samples) over a strike length of more than 2.1 km along a northeast trending sub-vertical regional fault up to 2m wide at surface. Silver values range from 0.1g/t to 62g/t with numerous values assaying >5g/t Ag (average 5.9g/t Ag in 65 samples). Antimony values are highly variable and range from 5ppm to 13.7%, often 20ppm to 4,000ppm. Arsenic values are also highly variable and range 3ppm to 0.29%, and commonly 200ppm to 2,000ppm. Lithium assay values are consistently highly anomalous ranging from 90ppm to 650ppm, and averaging 282 ppm.

Conceptually, the quartz textures showing silica replacement of coarse bladed calcite, fine banding and porcelaneous silica often with associated fluorite, together with strongly anomalous lithium and antimony (as stibnite), and very low copper, lead and zinc geochemical values suggest higher grade gold mineralisation could exist at depth where boiling may have occurred in the hydrothermal system. This model offers encouragement for further work on this group of prospects.

Two small mining tenements totaling 3 hectares cover known gold prospects along the northeast extension of the Perseverance Fault.

Check assays from the Fluorspar Group of samples were completed on the 6 highest gold values. There is good agreement between the original gold values and the check assay values (Table 1).

**Table 1: Fluorspar gold original assay values and check assay results**

| Sample Number | Weight Received | Au-AA25 Method | Au AA25 Check |
|---|---|---|---|
| | Kg (0.02 kg) | Au g/t (DL 0.01 g/t) | Au g/t (DL 0.01 g/t) |
| 74597 | 0.49 | 0.77 | 0.79 |
| 74602 | 1.10 | 1.06 | 1.12 |
| 74603 | 0.77 | 0.94 | 0.96 |
| 74604 | 1.87 | 0.89 | 0.98 |
| 74626 | 2.21 | 5.97 | 5.89 |
| 74629 | 2.05 | 0.44 | 0.44 |

Rock chip assay results from the Fluorspar Group of workings for gold, silver, antimony, arsenic and lithium are shown in Figures 2, 3, 4, 5 and 6 respectively.

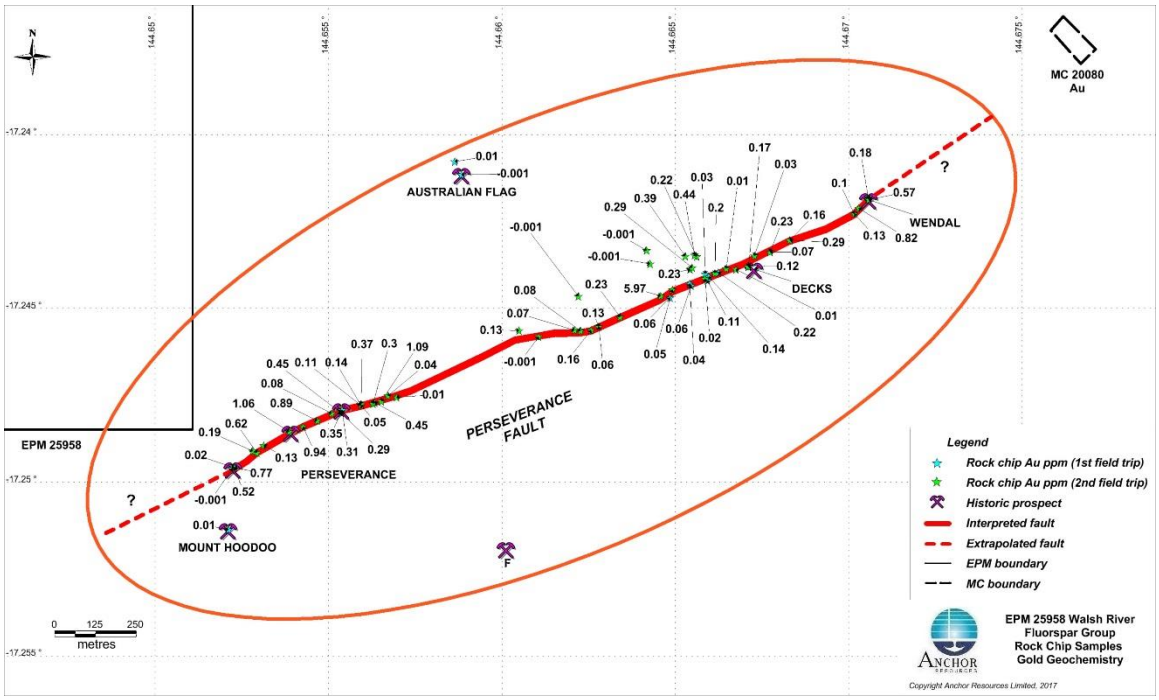



***Figure 2: Fluorspar Group of workings gold rock chip geochemistry***

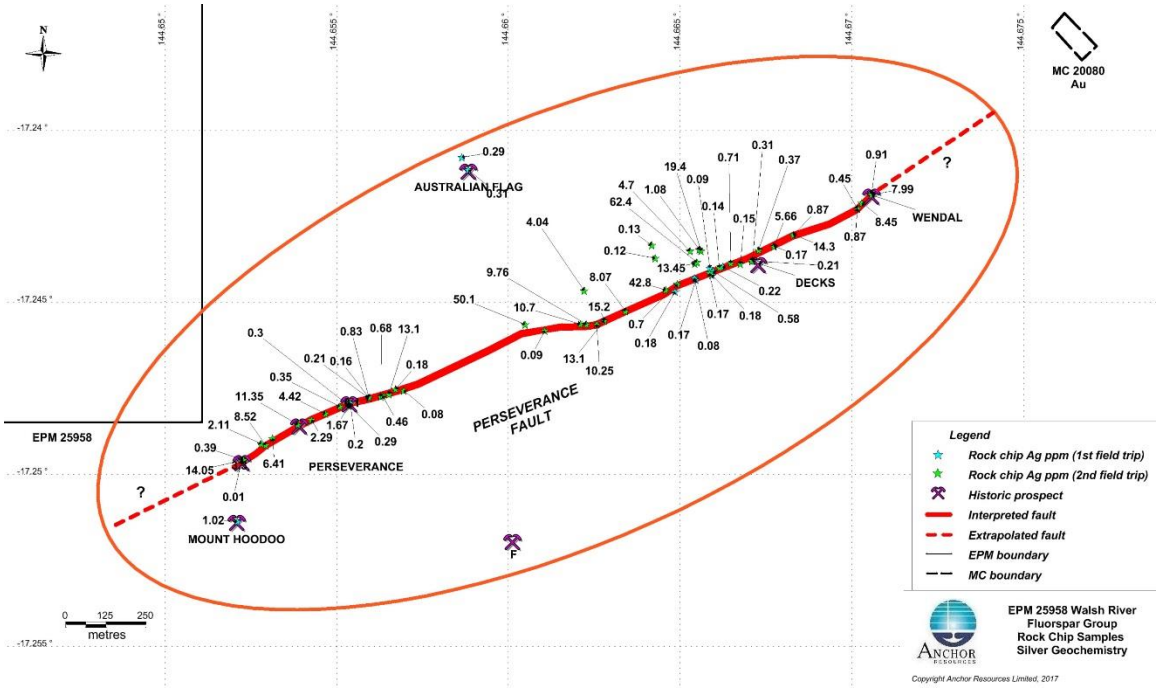



***Figure 3: Fluorspar Group of workings silver rock chip geochemistry***

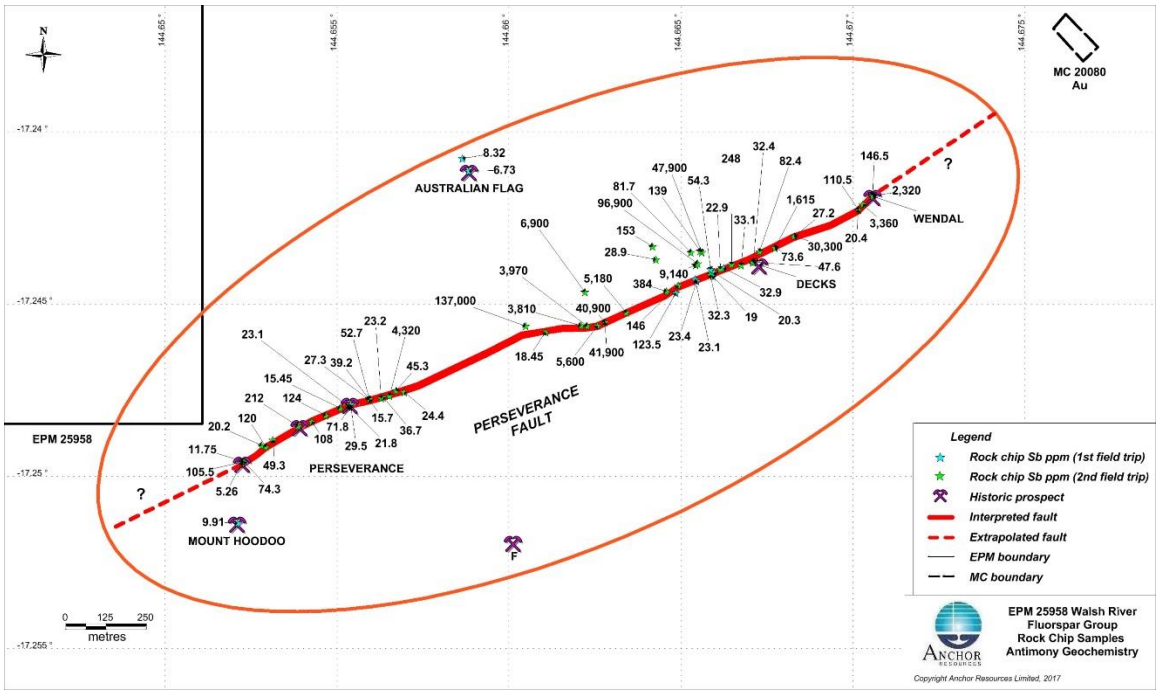



***Figure 4: Fluorspar Group of workings antimony rock chip geochemistry***

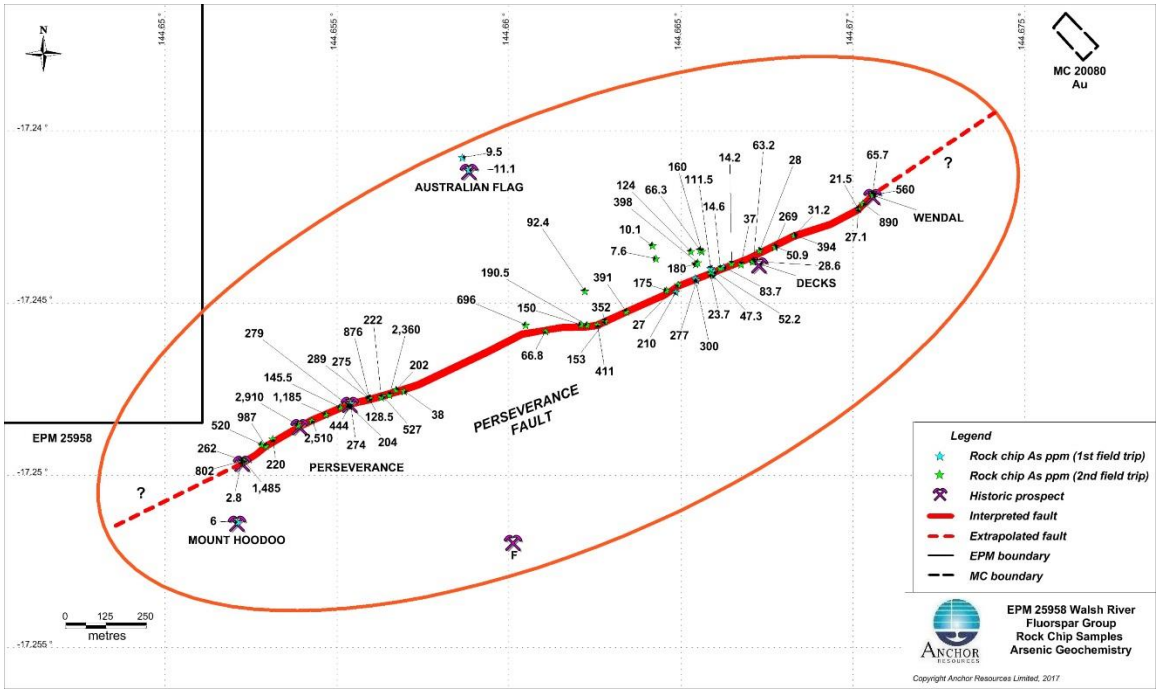



***Figure 5: Fluorspar Group of workings arsenic rock chip geochemistry***

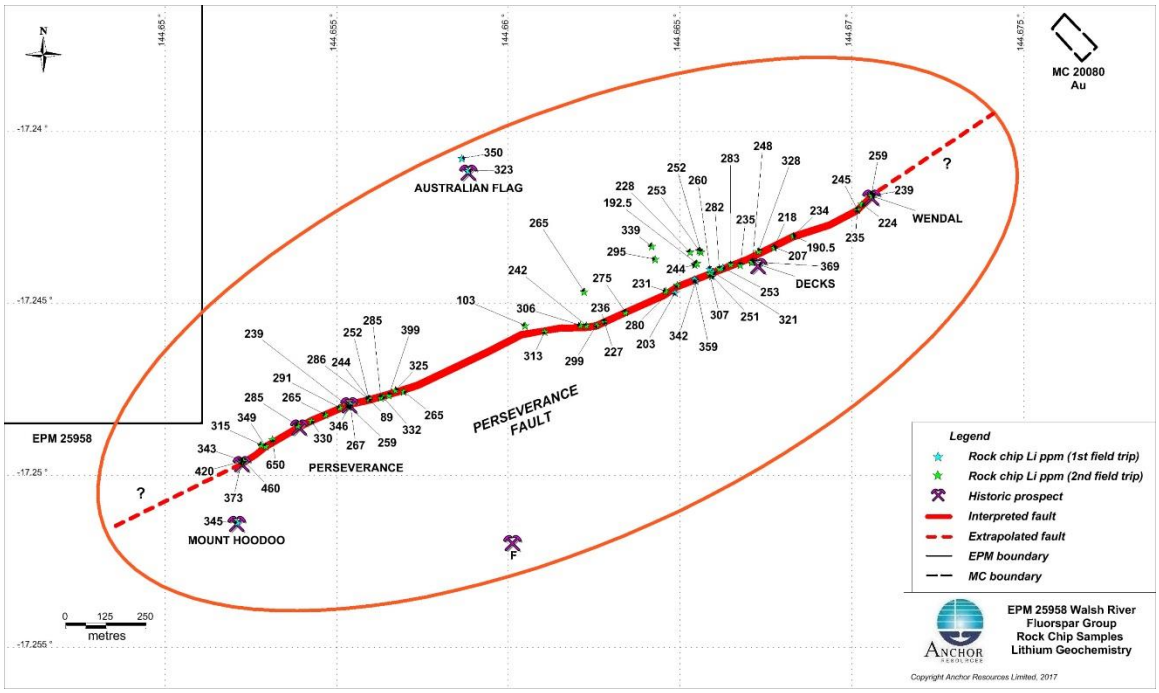



***Figure 6: Fluorspar Group of workings lithium rock chip geochemistry***

### 2. Doolan Creek

The Doolan Creek prospect was drilled (2 holes) by a previous explorer in November 1984. Vertical percussion hole DPH6 intersected 30.0m @ 0.3% Cu, 0.20g/t Au and 1.1% As from 70m to the bottom of the hole (100m depth), and a second vertical hole DPH7 intersected 6.0m @ 0.31g/t Au and 1.1% As from 44m to the bottom of the hole (50.0m depth). No further work has been completed since 1984.

Sampling of weathered and fresh rock by Anchor during October 2016 yielded very high geochemical values for a number of metals, including gold to 8.5g/t, silver to 274g/t (8.8oz/t), copper to 1.5%, lead to 1.0%, arsenic to 28.3%, bismuth to 0.8%, and antimony to 0.3% in select composite rock chip samples.

Outcrop in the area is relatively abundant enabling the extent of the greisen alteration zone to be mapped relatively accurately on surface exposure. The Doolan Creek greisen zone outcrops over an area of 120m x 30m and may extend for a similar distance to the northwest into an area of soil cover and no outcrop. The greisen consists of a Fe-stained, red-brown, weathered fine to medium grained equigranular quartz-muscovite with abundant goethite after weathered sulphides. Rare malachite and accessory azurite was observed in float within the greisen alteration zone.

A previously unknown quartz-scorodite-pyromorphite vein has been emplaced along a northeast trending structure 200 metres north of the Doolan Creek greisen alteration zone. The quartz vein strikes northeast, dips sub-vertically and is 1-2m wide at surface. The quartz vein was traced for over 950 metres and extends to the southwest into EPM 19447 (Aspiring). It has a weakly schistose greisen alteration selvedge extending over a width of a few centimetres. The vein pinches and swells along strike and outcrops discontinuously. The quartz vein is generally milky-white and sometimes translucent, and contains abundant pale green scorodite after arsenopyrite, light greenish yellow pyromorphite [variable $Pb_5(PO_4)_3Cl$ or $Pb_5([P,As]O_4)_3Cl$] after galena, and minor secondary copper mineralization as malachite [$Cu_2CO_3(OH)_2$] and possibly dioptase

[$CuSiO_2(OH)_2$)]. The quartz was frequently brecciated and second generation milky-white quartz veins within the structure overprint the main quartz vein in some places suggesting reactivation and veining along the structure.

The relationship between the northwest trending greisen alteration zone and the northeast trending quartz-scorodite-pyromorphite vein is unknown at this time.

Doolan Creek greisen is a polymetallic prospect with highly anomalous levels of gold, silver, copper, lead, bismuth and arsenic. The northeast tending mineralized quartz vein has similar geochemistry. The general geochemistry suggests the mineralization is granite-related.

The Doolan Creek greisen contains highly variable gold values ranging from less than detection to 8.54g/t, and commonly greater than 0.1g/t. Silver values are usually greater than 5ppm and range up to a high of 274ppm silver. Likewise copper values show great variation ranging from 110ppm to 10.5%, and often in the hundreds to thousands of ppm copper. Lead values range from 160ppm to 1.5%. Arsenic values are highly anomalous, generally ranging from 0.5% to 25.0% arsenic. Bismuth values are variable ranging from 11ppm to 0.88%, while antimony values range from 10ppm to 0.31%. Both bismuth and antimony are strongly anomalous.

The northeast trending structure has similar geochemistry to the greisen zone. Gold values range from 0.60g/t to 7.91g/t gold with most values in the 1g/t to 2.50g/t range. Silver values range from 2g/t silver to a high of 448g/t with many values around 40ppm and above. Copper values range 32ppm to a high of 0.5% with many values in the 300ppm to 900ppm range. Lead values are also strongly anomalous with many samples over 1%. Arsenic values are very high with most values reporting greater than 1.5% arsenic and up to a maximum of 10.0%. Bismuth values range from 2ppm to 0.25%, while antimony values are also highly anomalous ranging from 20ppm to 0.33%.

Rock chip assay results from the Doolan Creek greisen and northeast trending structure for gold, silver, arsenic, bismuth and antimony are shown in Figures 7, 8, 9, 10, 11, 12 and 13 respectively.

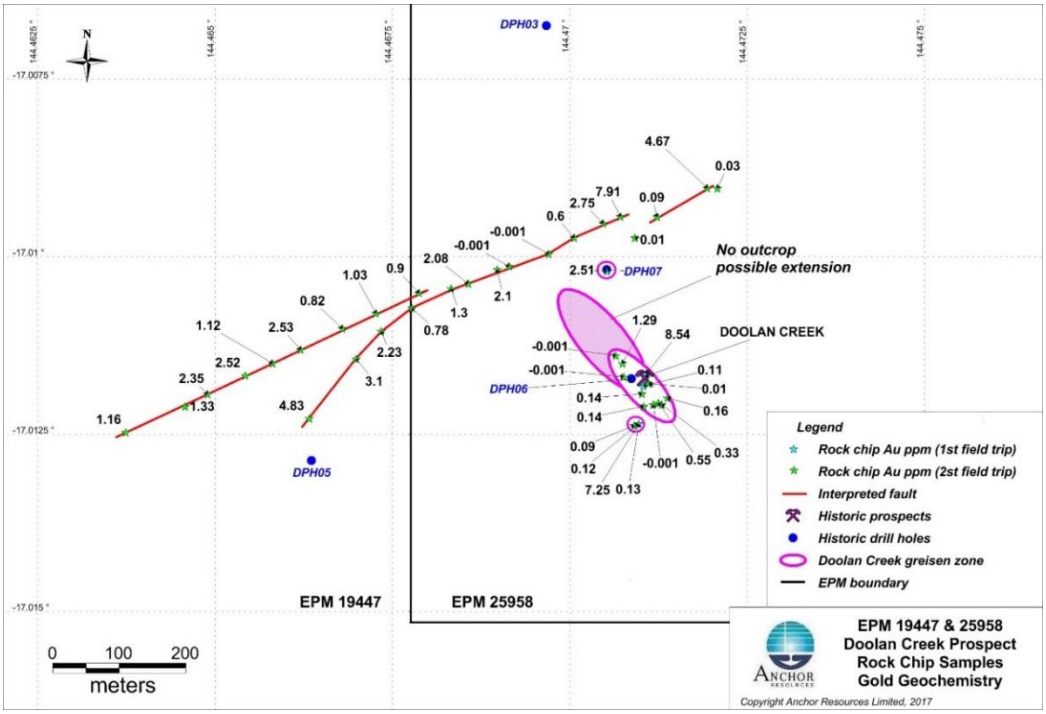



***Figure 7: Doolan Creek gold rock chip geochemistry***

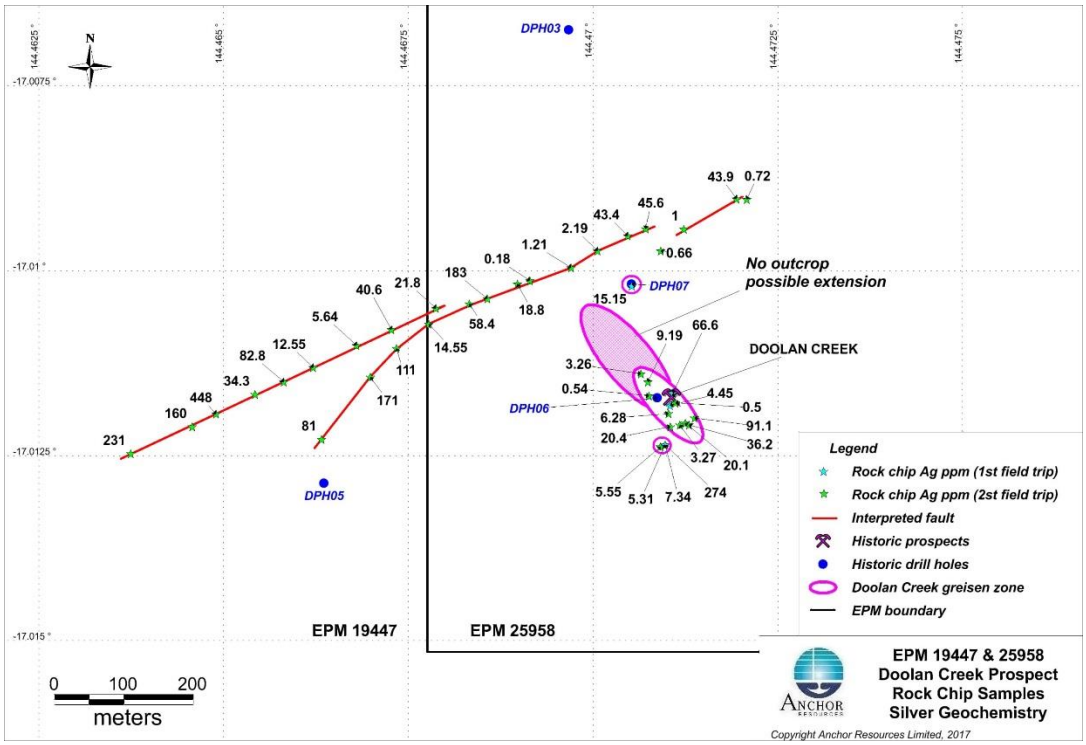



***Figure 8: Doolan Creek silver rock chip geochemistry***

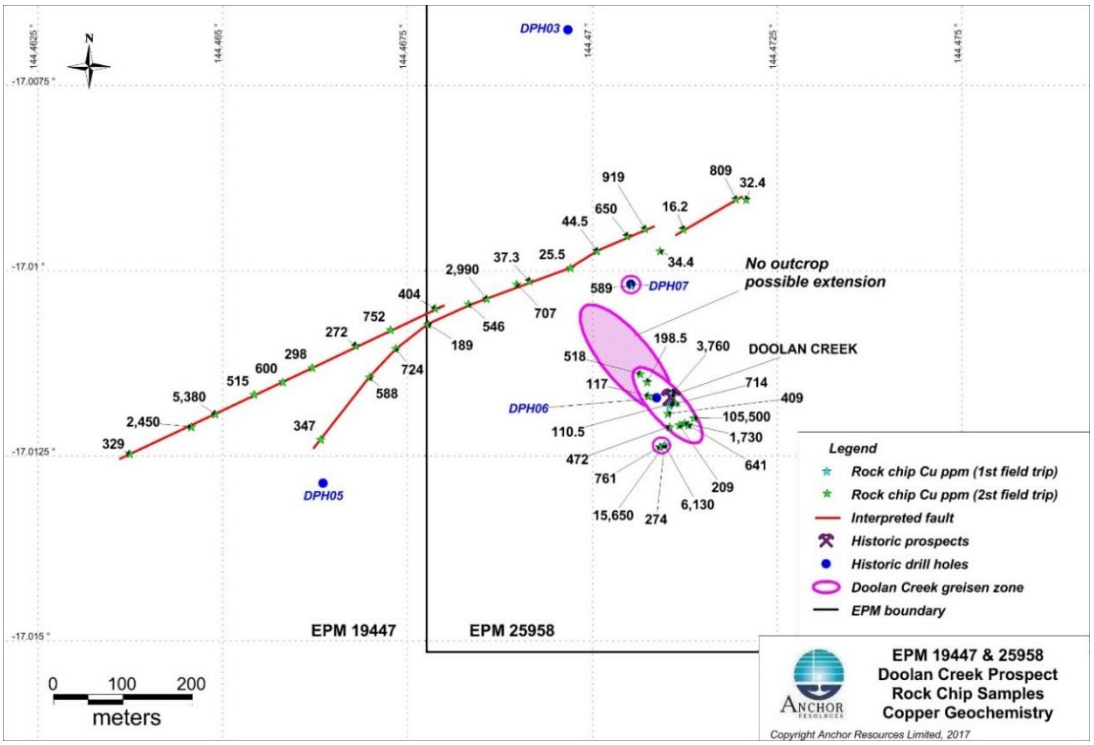



***Figure 9: Doolan Creek copper rock chip geochemistry***

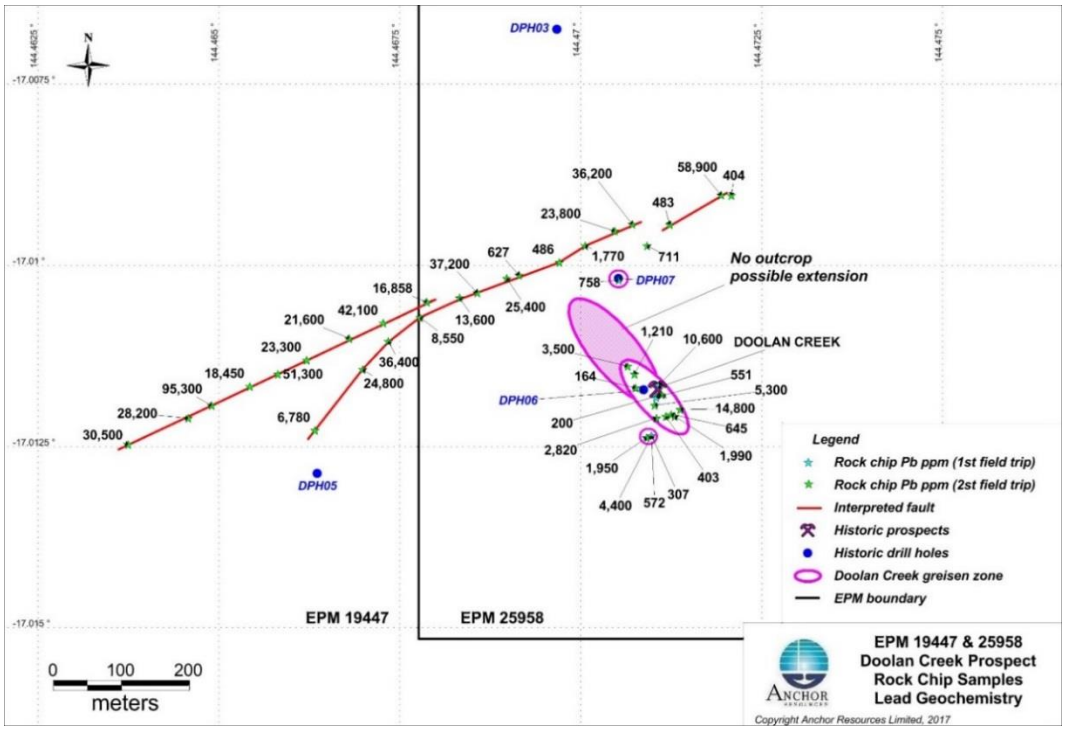



***Figure 10: Doolan Creek lead rock chip geochemistry***

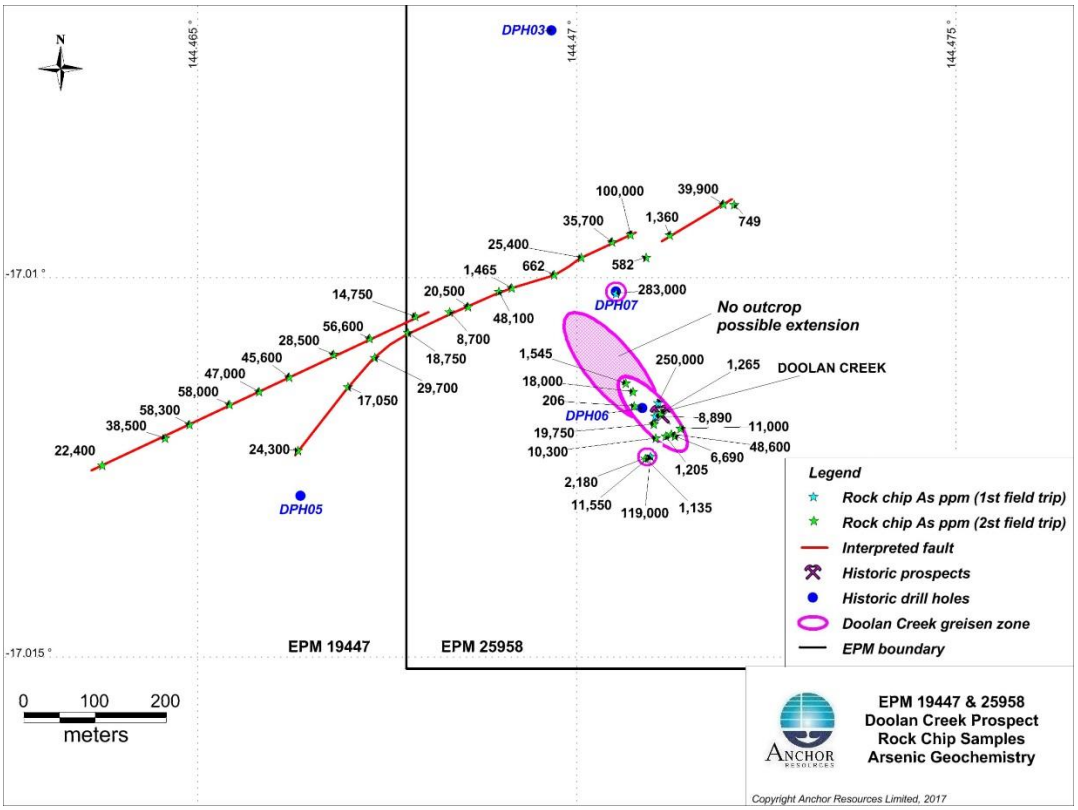



***Figure 11: Doolan Creek arsenic rock chip geochemistry***

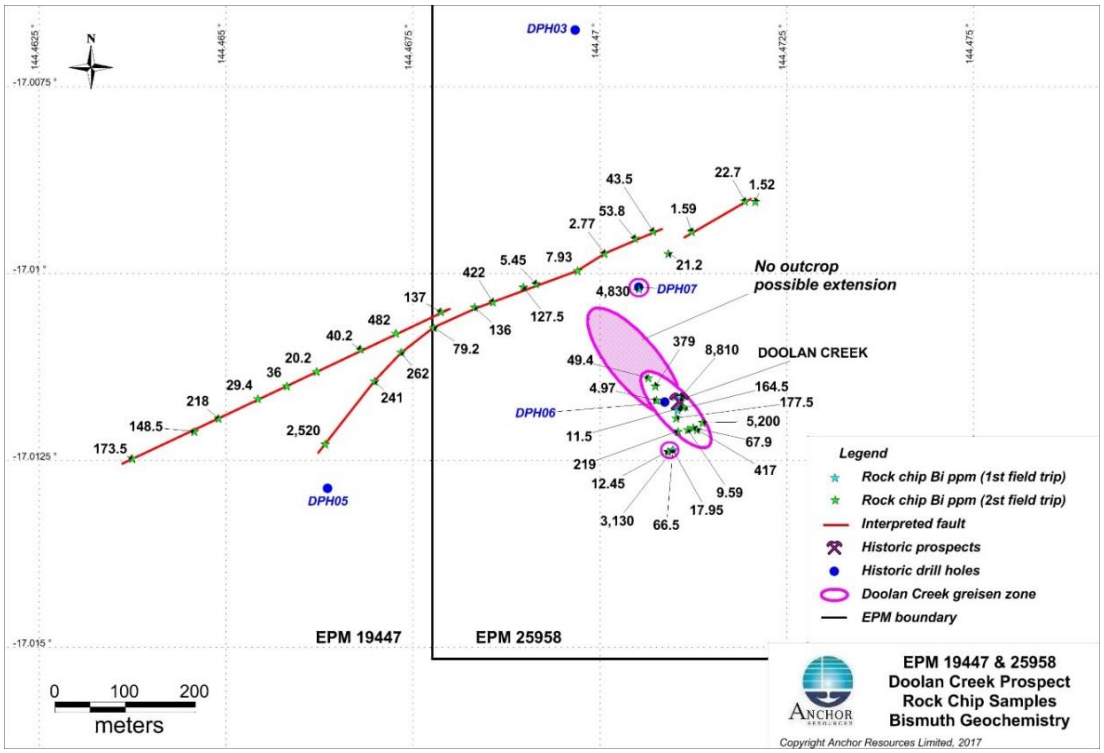



***Figure 12: Doolan Creek bismuth rock chip geochemistry***

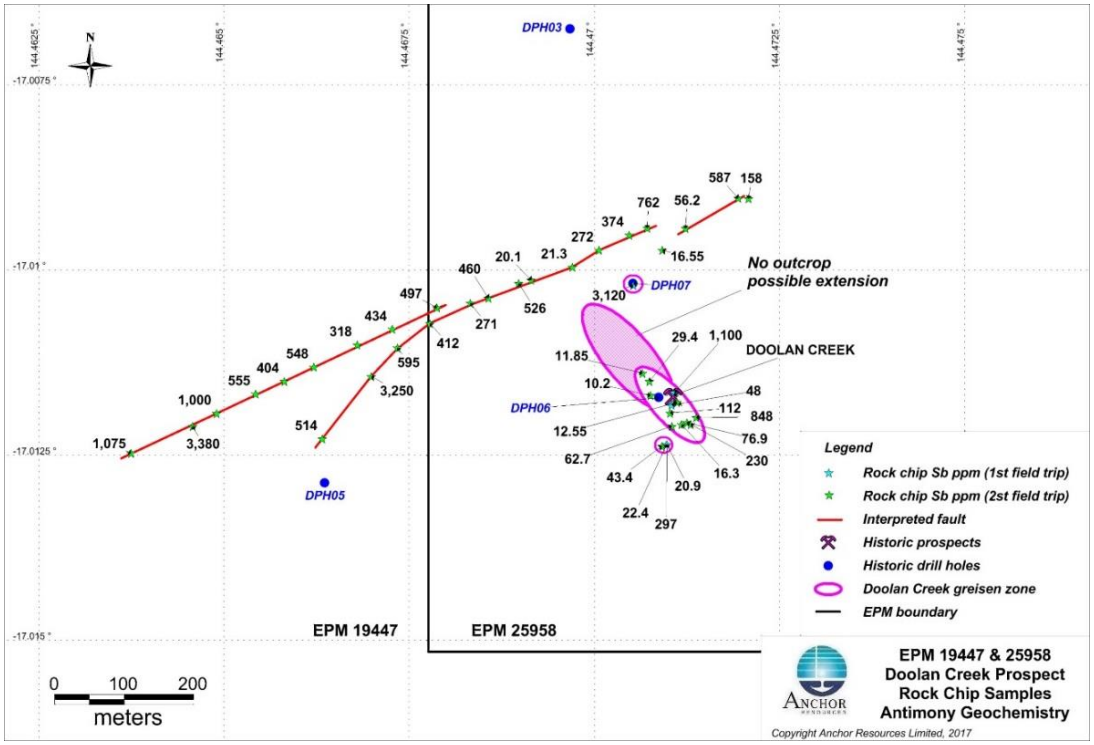



***Figure 13: Doolan Creek antimony rock chip geochemistry***

**Further Work**

Results from the Fluorspar Group of workings and Doolan Creek are both considered encouraging. After the current wet season has finished it is planned to follow up these results with detailed geological mapping, and soil and rock chip sampling to define targets for RC drilling.

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

The Blicks project is located in the Southern New England Orogen in northeast New South Wales, 90km northeast of the major regional center of Armidale. The project's main prospects are the Tyringham prospect (Intrusion-related gold systems), Tuting prospect (Granite-related molybdenum-tungsten), Liberty prospect (Granite-related copper-molybdenum) and Mulligan-Forster prospect (Orogenic quartz-gold veins).

Results of recent exploration work carried out on the Liberty prospect were reported in detail in the Company's ASX announcement of 29 August 2016.

The Liberty copper-molybdenum prospect is centered on an elongate magnetic 'low' that transgresses a magnetic ridge underlain by a felsic (tonalite) intrusion containing up to 2% disseminated fine-grained pyrrhotite and sparsely disseminated chalcopyrite with molybdenite generally found on fractures. The magnetic 'low' correlates with a younger intrusion of similar composition.

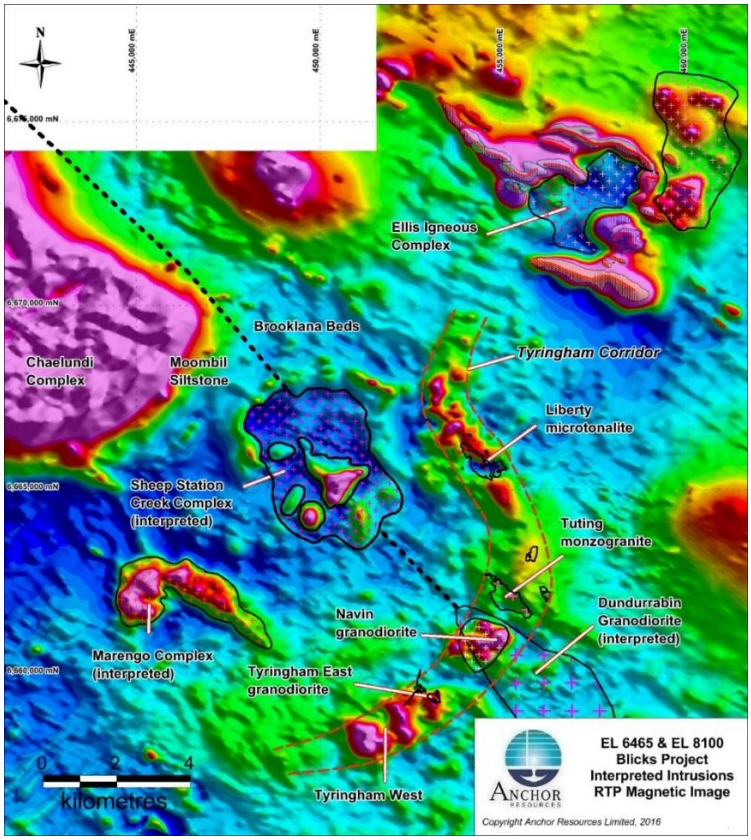


***Figure 11: Tyringham Corridor overlain on reduced-to-pole (RTP) magnetic image***

No field work was carried out in the current Quarter.

Follow up work on the Blicks Project will investigate and assess the geological setting of the Liberty copper-molybdenum prospect in respect of the previously defined Tuting molybdenum-tungsten prospect, Navin arsenic-tin prospect and Tyringham gold ±tungsten prospects which are all located along the Tyringham Corridor (Figure 11). Anchor has identified the Tyringham Corridor as a major northeast trending transverse structural zone.

Exploration Licence EL 8100 was renewed in October 2016 for a period of three years with a statutory reduction in area of 50%. An offer for renewal of Exploration Licence EL 6465 was received in December 2016 for a period of three years with no reduction in area.

## *GEMINI PROJECT, EL 8398 (Anchor 100%)*
## *New South Wales – copper, lead, zinc, gold & silver*

The Gemini project covers a prospective, underexplored area of the Cobar Basin and includes the Blue Mountain base metal (Zn-Pb-Cu) prospect. The Wagga Tank Cu-Pb-Zn-Au-Ag massive sulphide prospect owned by Peel Mining is located 8km southwest of Blue Mountain. The EL area is considered prospective for Cobar-type base metal deposits.

***Blue Mountain Prospect***

Based on Anchor's compilation of previous explorers' data, the Blue Mountain zinc-lead-copper prospect has a strong multi-element geochemical signature extending over a strike length of 2,200m defined by previous RAB drilling. The anomalous multi-element Zn-Pb-Cu geochemistry and anomaly footprint, sphalerite-galena-chalcopyrite association seen in drill core, lensoidal geometry of the mineralisation intersected in drilling, and interpreted structural architecture of the Blue Mountain zinc-lead-copper prospect has many similarities to other Cobar-type deposits, including the major producing CSA mine at Cobar.

During the December Quarter a field program of prospect identification and validation of historic data was planned for the Gemini project area however ground access was restricted due to continued high seasonal rainfall and the program continued to be suspended. Anchor is currently planning to complete the program in 2017 as soon as more favourable conditions prevail.

Native Title was identified as potentially not extinguished on a portion of the tenement covering a "travelling stock route". The right to negotiate process was commenced in December 2016.

## *BIELSDOWN PROJECT, EL 6388 (Anchor 100%)*
## *New South Wales - antimony*

The Bielsdown Land Access Arbitration was completed with the final determination handed down on 29 March 2016. The new Land Access Arrangement will enable Anchor to remediate former drill sites and access for further exploration however, the landowner has not yet provided access to commence the remediation program.

The exploration licence for the Bielsdown project (EL 6388) was renewed in August 2016 for a further three year term.

No field work was carried out during the Quarter.

***Birdwood Project, EL 6459 (Anchor 100%)***
***New South Wales – copper & molybdenum***

No field work was carried out during the Quarter.

## *New Ventures*

Anchor continues to review opportunities to acquire an interest in new ventures.

## *Corporate*

In December, Mr Jiangiang Wang became Non-executive Chairman of the Company and Mr Ian Price became an Executive Director.

**Ian L Price**
**Executive Director**
**Anchor Resources Limited**

**Contact: +61 438 937 644**
**Email**: ian.price@anchorresources.com.au

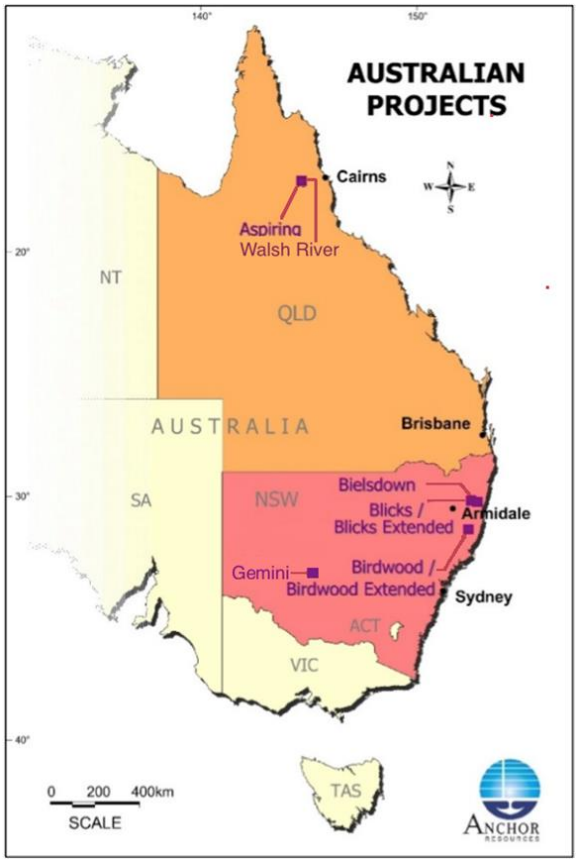
**Competent Person Statement**

The information relating to the Exploration Results and geological interpretation for the Blicks project, Bielsdown project, Birdwood project and Aspiring project 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 as at 31 December 2016

| TENEMENT NUMBER | NAME | LOCATION | HOLDER | DATE OF FIRST GRANT | DATE RENEWED | TERM | AREA km² |
|---|---|---|---|---|---|---|---|
| EL 6388 | BIELSDOWN | NSW | Anchor Resources Limited | 04.03.05 | 4.3.16 | 3 Years | 35 |
| EL6465 | BLICKS | NSW | Scorpio Resources Pty Ltd | 29.09.05 | Renewal application pending, Renewal offered December 2016 | 3 Years | 80 |
| EL 8100 | BLICKS EXTENDED | NSW | Scorpio Resources Pty Ltd | 11.06.13 | 11.6.16 | 3 Years | 150 |
| EL 6459 | BIRDWOOD | NSW | Scorpio Resources Pty Ltd | 08.08.05 | 07.8.16 | 2 Years | 36 |
| EL 8398 | GEMINI | NSW | Scorpio Resources Pty Ltd | 07.10.15 | - | 3 Years | 290 |
| EPM 19447 | ASPIRING | QLD | Sandy Resources Pty Ltd | 08.07.13 | - | 5 Years | 144 |
| EPM 25958 | WALSH RIVER | QLD | Sandy Resources Pty Ltd | 07.12.15 | - | 5 Years | 190 |

***Note: Scorpio Resources Pty Ltd and Sandy Resources Pty Ltd are wholly owned subsidiaries of Anchor Resources Limited***



## Reporting of Exploration Results – EPM 19447 (Aspiring) and EPM 25958 (Walsh River) Project, Queensland

## JORC Code, 2012 Edition – Table 1 Report

The following section is provided to ensure compliance with the JORC (2012) requirements for the reporting of Exploration Results for the Aspiring-Walsh River project.

### Section 1 - Sampling Techniques and Data

| Criteria | JORC Code Explanation | Commentary |
|---|---|---|
| *Sampling techniques* | • *Nature and quality of sampling (e.g. 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.* | • Rock chip samples were selected on the basis of lithology and visible mineralization for standard analysis at a commercial laboratory to identify prospective areas where further work is warranted. |
| | • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* | • Rock chip samples are representative of mineralisation styles and host lithology and collected in a consistent manner at each sample location. Each rock chip sample represents many sub-samples of visually similar material. |
| | • *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 (e.g. '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 (e.g. submarine nodules) may warrant disclosure of detailed information.* | • Rock chip sampling is useful as a preliminary exploration tool for gold and base metal mineralisation to identify areas of interest for further investigation. |
| *Drilling techniques* | • *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. 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).* | • n/a. |
| *Drill sample recovery*<br><br>*Drill sample recovery (continued)* | • *Method of recording and assessing core and chip sample recoveries and results assessed.*<br>• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*<br>• *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.* | • n/a.<br>• n/a.<br>• n/a. |

| Criteria | JORC Code Explanation | Commentary |
|---|---|---|
| *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.* | • Rock chip samples are routinely qualitatively described by an experienced exploration geologist at the point of sample collection. Rock chip samples of high interest are collected for further petrographic investigation by a consultant. |
| | • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* | • n/a. |
| | • *The total length and percentage of the relevant intersections logged.* | • n/a. |
| *Sub-sampling techniques and sample preparation* | • *If core, whether cut or sawn and whether quarter, half or all core taken.* | • n/a. |
| | • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* | • n/a. |
| | • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* | • Rock chip samples are dried, crushed and pulverised in the laboratory prior to sample dissolution for assay. |
| | • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* | • Field QAQC procedures involve the selection of samples representative of rock types in the area. |
| | • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* | • Sampling is considered representative of the style of mineralisation present. No field duplicate rock chip samples have been collected. |
| | • *Whether sample sizes are appropriate to the grain size of the material being sampled.* | • Sample size is considered appropriate given the style of mineralisation and previous success in discovering gold mineralisation in bedrock at this region. |
| *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.* | • ALS, Townsville. ALS Geochemistry is a leading full-service provider of analytical geochemistry services to the global mining industry. ALS Geochemistry is accredited to ISO/IEC 17025:2005 and ISO 9001:2001 standards.<br>Procedures for rock chip samples: crush to >70% passing -6mm then approximately 1kg pulverised to 85% passing 75 µm with gold determination on a 30 gram fire assay with ICP-AES finish (ALS Au-AA25 Method), and 48 other elements determined following a four acid “near total” digestion on a sample size of 1 gram with ICP-AES finish (ALS ME-MS61 Method). High grade assay results confirmed using ALS “ore grade” methods, including ALS Methods ME-OG62 for Ag, As, Cu and Pb, and ME-XRF1Sb for Sb. |
| | • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and* | • n/a. |

| Criteria | JORC Code Explanation | Commentary |
|---|---|---|
| | *model, reading times, calibrations factors applied and their derivation, etc.*<br>• *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.* | • No company standards or blanks used. ALS run internal QAQC protocols. High grade gold values checked by re-assaying sample pulps using different methods. |
| *Verification of sampling and assaying* | • *The verification of significant intersections by either independent or alternative company personnel.*<br>• *The use of twinned holes.*<br>• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*<br>• *Discuss any adjustment to assay data.* | • Graeme Rabone & Associates Pty Ltd supervised the rock chip sampling program.<br>• n/a.<br>• Primary data is recorded electronically into a hand held GPS unit and downloaded onto a PC each day. Data back-up is completed on a routine basis.<br>• No adjustments are made to assay data. |
| *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.*<br>• *Specification of the grid system used.*<br>• *Quality and adequacy of topographic control.* | • Sample points located by GPS with a ±5 meter error.<br>• Anchor data is in MGA94 Zone 54.<br>• Coordinate information includes easting, northing and elevation. |
| *Data spacing and distribution* | • *Data spacing for reporting of Exploration Results.*<br>• *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.*<br>• *Whether sample compositing has been applied.* | • Rock chip sampling is focused on old workings and outcrop in the vicinity of the old workings.<br>• Rock chip sampling is designed to establish the style of mineralisation present in the area and detection of large mineralised systems for potential further work.<br>• No sample compositing has been undertaken. |
| *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.*<br>• *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.* | • Rock chip sampling along veins and structures used to determine potential of veins and structures to host mineralisation. Rock chip sampling also focused on hydrothermally altered rocks.<br>• n/a. |
| *Sample security* | • *The measures taken to ensure sample security.* | • Chain of custody is managed by Anchor staff. Samples are stored in a company vehicle which is locked at night. Samples are then delivered directly by Anchor staff to ALS (Townsville). Samples are submitted to the laboratory using a |

| Criteria | JORC Code Explanation | Commentary |
|---|---|---|
| | | standard “ALS Sample Submittal Form”. |
| *Audits or reviews* | • *The results of any audits or reviews of sampling techniques and data.* | • No audit or review completed. |

## 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.* | • Exploration Permit for Minerals 19447 (Aspiring) and Exploration Permit for Minerals 25958 (Walsh River) are held 100.0% by Sandy Resources Pty Ltd, a wholly owned subsidiary of Anchor Resources Limited. The tenement is located 200 km west of Cairns. The small village of Chillagoe lies within 15km of the tenement boundary. The main areas of interest are located on a 30 year rolling term lease extended to 31/03/2048. The company has current Notices of Entry with the landowner and land occupier which is sufficient for the type of work undertaken. There are no registered native title interests or historical sites covering the area. |
| | • *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.* | • Tenement is current and in “good standing”. |
| *Exploration done by other parties* | • *Acknowledgement and appraisal of exploration by other parties.* | • Historic prospecting activities, early mining for fluorspar at the Perseverance Lode, geological mapping by the Queensland Geological Survey, and exploration, including drilling, by Samedan of Australia. No resources were identified. Current tenure explored by Anchor with no other parties involved. |
| *Geology* | • *Deposit type, geological setting and style of mineralisation.* | • Conceptual low sulphidation epithermal gold-silver and granite-related gold-base metal mineralisation system exploration models. |

<table>
<tr><th>Criteria</th><th>JORC Code Explanation</th><th>Commentary</th></tr>
<tr><td>Drill hole Information</td><td>• 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:<br>○ easting and northing of the drill hole collar<br>○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar<br>○ dip and azimuth of the hole<br>○ down hole length and interception depth<br>○ hole length.<br><br>• 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.</td><td>• Previous drilling results completed at Doolan Creek prospect in 1984 under ATP 3645M held by Samedan of Australia and reported in CR 14321 below.<br><br><table><tr><th>Hole_ID</th><th>East_MGA</th><th>North_MGA</th><th>Elevation</th><th>Azi</th><th>Dip</th><th>Depth</th></tr><tr><th></th><th>Zone 55</th><th>Zone 55</th><th>m</th><th></th><th></th><th>m</th></tr><tr><td>DPH06</td><td>230735</td><td>8117409</td><td>298</td><td>0</td><td>-90</td><td>100</td></tr><tr><td>DPH07</td><td>230696</td><td>8117578</td><td>298</td><td>0</td><td>-90</td><td>50</td></tr></table><br><table><tr><th>Hole ID</th><th>From</th><th>To</th><th>Interval</th><th>Au</th><th>Cu</th><th>As</th></tr><tr><th></th><th>m</th><th>m</th><th>m</th><th>g/t</th><th>%</th><th>%</th></tr><tr><td>DPH6</td><td>70</td><td>100</td><td>30</td><td>0.2</td><td>0.3</td><td>1.1</td></tr><tr><td>DPH7</td><td>44</td><td>50</td><td>6</td><td>0.31</td><td>0</td><td>1.06</td></tr></table><br>• There is no exclusion of information. Recent exploration is “grass roots” in nature.</td></tr>
<tr><td>Data aggregation methods</td><td>• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.<br><br>• 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.<br><br>• The assumptions used for any reporting of metal equivalent values should be clearly stated.</td><td>• n/a.<br><br>• n/a.<br><br>• No metal equivalents used.</td></tr>
<tr><td>Relationship between mineralisation widths and intercept lengths</td><td>• These relationships are particularly important in the reporting of Exploration Results.<br><br>• If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.<br><br>• If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. ‘down hole length, true width not known’).</td><td>• Not known.<br><br>• Geometry of mineralised zones currently not known.<br><br>• Down hole length, true width not known.</td></tr>
<tr><td>Diagrams</td><td>• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include,</td><td>• Plan of work area shown in current report.</td></tr>
</table>

| Criteria | JORC Code Explanation | Commentary |
|---|---|---|
| | *but not be limited to a plan view of drill hole collar locations and appropriate sectional views.* | |
| *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.* | • Reporting of exploration results is balanced and comprehensive. |
| *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.* | • Rock chip sampling used to identify areas of interest in stage 1 exploration. Soil sampling has proved to be a successful technique in locating gold and base metals in bedrock. Geological mapping and structural analysis are used in conjunction with soil geochemical results and are important attributes in selecting potential targets. |
| *Further work* | • *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).*<br>• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.* | • Follow up work is planned to determine the prospectivity of the preliminary targets identified. Detailed geological mapping together with rock and soil sampling are planned.<br>• Insufficient work completed to determine possible mineralisation extensions however Doolan Creek may extend into an area of soil cover and no outcrop. Extensions to the Fluorspar Group gold-silver mineralisation along the Perseverance Fault is yet to be determined. |

*+Rule 5.5*

# 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**

Anchor Resources Limited

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| 49 122 751 419 | 31 December 2016 |

| **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 | (236) | (395) |
| | (b) development | | |
| | (c) production | | |
| | (d) staff costs | (46) | (117) |
| | (e) administration and corporate costs | (75) | (207) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | 10 | 13 |
| 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** | **(347)** | **(706)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | | (2) |
| | (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 | | |
| | (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** | | **(2)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of shares | | |
| 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 | 350 | 900 |
| 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** | **350** | **900** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,000 | 811 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (347) | (706) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | | (2) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 350 | 900 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| **4.6** | **Cash and cash equivalents at end of period** | **1,003** | **1,003** |

| 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 | 28 | 100 |
| 5.2 | Call deposits | 975 | 900 |
| 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)** | **1,003** | **1,000** |

| 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 | 47 |
| 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

Salary and director fees paid to directors and director related entities.

| 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 | 3 |
| 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

Payroll tax liability paid to related entity

| **8.** | **Financing facilities available**<br>*Add notes as necessary for an understanding of the position* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 8.1 | Loan facilities | 13,000 | 12,150 |
| 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.

The finance facility is provided by China Shandong Jinshunda Group Co Limited, the company's major shareholder. The facility has a maximum drawdown of $13,000,000 and is repayable by 31 March 2019. The finance facility bears interest at the Commonwealth Government Bond Yield (GSBE19 maturing 15 March 2019) + 250 bps per annum.

| **9.** | **Estimated cash outflows for next quarter** | **$A'000** |
|---|---|---|
| 9.1 | Exploration and evaluation | 185 |
| 9.2 | Development | |
| 9.3 | Production | |
| 9.4 | Staff costs | 60 |
| 9.5 | Administration and corporate costs | 68 |
| 9.6 | Other (provide details if material) | |
| **9.7** | **Total estimated cash outflows** | **313** |

| **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 | | | | |

## 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: ..... Date: .....25/1/17.....
(Director/Company secretary)

Print name: Guy Robertson.....

**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.