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(ASX: QUR)

ASX and Media Release

12 May 2016

QUANTUM ENTERS TERMS SHEET TO ACQUIRE RIGHTS TO ADVANCED LITHIUM PROPERTY IN MANITOBA, CANADA

Highlights

- Quantum Resources to acquire rights to earn an interest in up to 95% of the Thomson Brothers Lithium Project in Manitoba, Canada – ranked as one of the top mining jurisdictions in the World.
- Project comprises 18 contiguous claims covering 1829 acres in Manitoba, Canada.
- Drill indicated and possible total resource calculation of 4,305,000 tonnes @ 1.3% LiO₂ for the deposit. These estimates are historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources and/or reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.
- Claims had until recently been privately held by local prospector for twenty years.
- Binding commitments received for a placement to sophisticated investors of \$288,000 (before expenses of the offer).
- The Company has assembled a team of Canadian based technical consultants to commence exploration and development activities upon completion with a priority on conducting exploration works to seek to verify, and enable reporting of, historical works in accordance with the JORC code as soon as possible.

Quantum Resources to Acquire Manitoba Metals Pty Ltd

Quantum Resources Limited (ASX: QUR) ("QUR" or the "Company") is pleased to announce that it has signed a binding Terms Sheet ("Terms Sheet") to acquire 100% of Manitoba Minerals Pty Ltd ("MMPL"). The Terms Sheet remains subject a number of conditions precedent including the entry into formal share sale agreement with the MMPL vendors, completion of due diligence, shareholder and all regulatory and third-party consents and approvals (including approvals under the ASX Listing Rules) and the completion by the Company of two capital raisings totalling \$688,000 (before costs).

MMPL is a private company which holds the rights to earn up to a 95% ownership interest in the Thompson Bros. Lithium Property in Wekusko Lake, Manitoba (the "Project") from Ashburton Ventures Inc. ("ABR"), by financing ABR's commitments under an Option Agreement with the current holder of the Project, Strider Resources Ltd ("SRL").

Project Location



About the Thompson Bros. Lithium Project

The Thompson Bros. Lithium Project is located 20 kilometres east of the mining community of Snow Lake, Manitoba. The main highway between Thompson and Flin Flon and rail connecting Winnipeg and the seaport of Churchill both pass 40 km south of the property.

The project consists of 18 contiguous claims covering 1829 hectares. Manitoba is consistently ranked one of the top mining jurisdictions in the world and electricity costs are amongst the lowest in North America.

The lithium mineralisation is hosted in a spodumene-rich pegmatite dike dipping subvertically and defined over a strike length greater than 800 meters. The dike was originally drilled in 1955 and 1956 by Combined Developments Limited, with two additional, small drilling campaigns in 1979 and 1997; resulting in a total of 32 drill holes. An historical estimation of the extent of mineralization (not in accordance with JORC Code) made by B. Ainsworth, P. Eng. in 1998, resulted in an "undiluted drill indicated mineral resource" of 3,968,000 tonnes with a weighted average value grade @ 1.29% LiO₂ to the 130 metre level, and an average width of 10 metres. Ainsworth suggested that a further 337,000 tonnes is indicated by the deepest hole (D.H. Car-97-2), to the 380 metre level, which is over 200 meters from the nearest hole, and which cut a horizontal width of 8 metres @ 1.3% LiO₂. Thus, Ainsworth suggests a total drill indicated and possible total resource calculation of 4,305,000 tonnes @ 1.3% LiO₂ for the deposit (not in accordance with JORC Code), open to depth and along strike (Dufresne, 2009). **These estimates are historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources and/or reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.**

The parameters used to establish the tonnage estimates are largely unknown based on historical reports and sufficient work has not been done to complete the criteria in Table 1 of the JORC Code. Furthermore, the category referred to as "drill indicated", by Mr. Ainsworth in 1998, is not a category of mineralisation defined in the JORC Code and most likely has not been completed to the level of rigour associated with an "Inferred Mineral Resource" for the purposes of the JORC Code. As a result of the uncertainty of the data used the historical estimates are considered to be estimates of low reliability. As noted below, the Company intends to undertake a further exploration program to seek to verify the historic estimates.

Dufresne (2009) also described a metallurgical evaluation of the spodumene deposit by Dr. W. Dressler of Laurentian University which indicated that simple floatation would recover 92% of the spodumene and produce a concentrate grading 6.6% LiO₂ or 89.2% spodumene. Processing the concentrate further with a sulphuric acid roast process, produced lithium carbonate (Li₂CO₃), upgrading the concentrate to 98% Li₂CO₃. Carta Resources completed a business plan to develop the Thompson Bros. Lithium Deposit for the production of lithium carbonate, but a decline in lithium carbonate prices stalled the Project in 1998. The only reported subsequent work conducted after 1998 was a single day field visit with a few due diligence grab sampling in historic trenches by Mr. Dufresne, which yielded assay results comparable with historically reported samples (Dufresne, 2009). This cursory sampling was not sufficient to update any of the historic estimate at that time.

As noted above, a competent person has not done sufficient work to classify the historical estimates as mineral resources or ore reserves in accordance with the JORC Code. However, given the historic work completed at the Project, the Company considers the historic estimate to be of relevance to its decision to proceed with the proposed acquisition of MMPL. This historic estimate assisted the Company to evaluate the exploration potential on the property and, combined with the historic reports available, provided encouraging information for the potential further exploration of the Project. Further work will be required to seek to verify the historic findings and this is one of the main objectives of the Company in respect of the Project. An outline of the Company's intended exploration program is set out below.

The Company is delighted to have entered into a Terms Sheet to acquire MMPL as the means to obtaining rights to earn up to a 95% interest in the Thompson Bros. Property. The Board is confident that given the outlook for Lithium, there is a unique opportunity at the Thompson Bros. Property to follow up on previous historical results and rapidly advance the Project.

Proposed Exploration Program

The Company intends to undertake the following steps in exploration and development, with the goal of verifying the existing historic estimate as a mineral resource in accordance with JORC Code.

- A high-resolution airborne magnetic survey over the entire property.
- Due diligence drilling over the known dikes.

- Additional exploration drilling along strike and potentially to test new targets identified.
- Property-scale mapping, prospecting and sampling to explore larger property for other dikes / continued dike corridor.
- Take additional sample material for further metallurgical study.
- Resource estimate from drilling campaign and JORC-compliant report.

Due to the vintage nature of >80% of the drilling, evaluation of the drilling results, as they are collected, will be required to evaluate if additional infill drilling will be required, or if the above work plan is sufficient to verify the historical estimate in accordance with JORC.

The Company intends to fund the above program from the capital raisings to be completed in connection with the proposed acquisition and will aim to complete the program progressively over the next 12 months. This timeline should, however, be considered indicative and the Company will provide updates on progress in due course.

As noted above, it is uncertain that following the evaluation and further exploration work that the historical estimate will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code. Any further information or change to plans will be updated as they occur.

Key Acquisition Terms

The vendor consideration payable by the Company to the Manitoba Minerals Pty Ltd shareholders (the “**MMPL Vendors**”) for the acquisition is the issue of 100,000,000 fully paid ordinary shares at a deemed issue price of \$0.02 per QUR share, subject to shareholder approval. These securities are to be issued at settlement of the acquisition, which is to occur no later than 14 days from the satisfaction of the last of the conditions precedent

As noted above, the acquisition of MMPL remains subject to, and conditional upon, each of the following:

- The Company satisfactorily completing a due diligence investigation into MMPL and the Project for the purposes of assessing the feasibility and suitability of the acquisition within 35 days of the execution of the Terms Sheet.
- The Company, MMPL, the MMPL Vendors and the MMPL Directors entering into a Share Sale Agreement within 28 days of the execution of the Terms Sheet. The Share Sale Agreement is to be on terms consistent with the Terms Sheet and otherwise contain terms typical to similar agreement including representations and warranties from the MMPL Vendors and MMPL Directors. MMPL is to procure the execution of the Share Sale Agreement by the MMPL Vendors.
- The Company obtaining all necessary shareholder, third party and regulatory approvals, waivers or consents necessary for implementation of the acquisition and the ancillary transactions and corporate actions contemplated in the Terms Sheet including approvals required under the ASX Listing Rules and Corporations Act by no later than 1 August 2016.
- The Company successfully completing a capital raising of \$688,000 via a share placement to professional and sophisticated investors. It is intended that the capital raising will be completed in two tranches. The first tranche being the \$288,000 placement referred to below and the second tranche of \$400,000 to be completed contemporaneously with settlement of the acquisition and subject to shareholder approval. It is currently proposed that the second tranche placement would be conducted at an issue price of not less than \$0.02 per share (i.e. not more than 20 million shares) however the final issue price (and therefore the exact number of shares to be issued) is yet to be determined. It is intended that funds raised through the placement (after costs) would be applied to the development of both the Project and the Company’s existing projects and otherwise applied to the working capital and administrative costs of the Company. The placement condition may be waived by the Company.

Upon completion of the acquisition it is intended that MMPL will have a right to nominate one new Director to the Board of the Company. Details of this nominee will be provided in due course.

Option Financing Commitment

Assuming the acquisition completes, the Company (through its then wholly owned subsidiary MMPL) will have the right to earn up to a 95% ownership interest in the Project from ABR by satisfying the funding commitments relating to the Option granted to ABR by SRL (the “**Option**”). The terms of the MMPL’s option financing arrangement with ABR provide for the following:

1. MMPL to earn an 80% interest by funding the obligations which ABR must meet to enable it to exercise the Option, specifically:
 - (a) making all cash payments due to SRL in relation to the Option, being up to C\$490,000 paid in tranches over 60 months;
 - (b) funding a work program for a minimum of C\$1,500,000 of expenditure, over 60 months; and
 - (c) a requirement to procure the issue of up to 3,000,000 ABR shares to SRL, issued in tranches over 60 months.

To enable MMPL to satisfy its potential future obligation under (c) above, upon settlement of the acquisition the Company will subscribe for 3,000,000 ABR shares at an issue price of C\$0.05 per share (total subscription sum of C\$150,000) (“**ABR Subscription**”). The Company will hold the shares the subject of the ABR Subscription and transfer them in tranches to SRL as necessary to ensure the terms of the Option are met.

2. MMPL will manage all activities relating to the work program for the Option on behalf of ABR.
3. Subject to item 4 below, ABR will retain a free carried interest over their 20% holding in the Project up to completion of a Pre-Feasibility Study (the “**PFS**”). Following completion of a PFS, MMPL and ABR will enter into a joint venture agreement (the “**Joint Venture Agreement**”), with contribution reflective of each party’s ownership interest.
4. The Company will also have the right to acquire a further fifteen per cent holding (15%) in the Project from ABR for cash consideration of C\$1,000,000, at any time following exercise of the Option and up to the entering of the Joint Venture Agreement. It should be noted that the terms of the Option provide for the grant a 2% net smelter royalty to SRL upon exercise of the Option which may be reduced by half (i.e. to 1%) in consideration of a payment of C\$1,000,000.
5. Should MMPL fail to make any of the payments due by it to ABR under the option financing agreement, ABR will immediately notify MMPL of the breach. MMPL has 15 days from the date of notification to rectify the breach or ABR will have the right, at its discretion, to continue sole funding the Option payments. Upon this election MMPL has no further rights under the option financing agreement.

Finder’s Fee Consideration

As part of the terms of the acquisition, the Company will make certain payments to Bullrun Capital Inc. (“**BRC**”) in satisfaction of fees due to it by MMPL in connection with the introduction and implementation of the proposed acquisition. Those payments are summarised as follows:

- (a) an issue of 5,000,000 QUR shares within 10 days of the execution of the Terms Sheet (which issue will be made without shareholder approval under ASX Listing Rule 7.1);
- (b) a cash payment of C\$35,000 to BRC within 7 days of the execution of the Share Sale Agreement; and

- (c) subject to completion of the acquisition, 2.5 million QUR shares per year for five years with each tranche to be issued on, or before, the annual anniversary of the execution of the Option. MMPL has warranted that under the terms of its arrangement with BRC if MMPL withdraws from the Project and elects not to pursue its earn in rights its obligation to issue any unissued tranches of shares to BRC shall be at an end.

Capital Raising

The Company has received binding commitments for first tranche placement of \$288,000 (before costs of the offer) via the issue of 16,000,000 shares at \$0.018 per QUR share. These shares are proposed to be issued to sophisticated investors under s708 Corporations Act (Cwth) 2001 and pursuant to Chapter 7.1 and 7.1A of ASX Listing Rules. Funds raised are intended to be used for costs associated with the acquisition and development of the Project, the further development of the Company's existing exploration assets, and otherwise applied to the working capital and administrative costs of the Company

Pro Forma Capital Structure

The indicative capital structure of the Company at both settlement of the proposed acquisition and assuming MMPL exercises its earn-in rights in full and acquires an 80% interest in the Project is set out in the table below:

	Capital structure on settlement of proposed acquisition		Capital structure assuming QUR funds Project through to completion of the ABR Option (circa June 2021).	
Existing Shares	168,139,826	54.39%	168,139,826	52.28%
MMPL Consideration Shares	100,000,000	32.35%	100,000,000	31.09%
BRC Share Issue	5,000,000	1.62%	17,500,000	5.44%
First Tranche Capital Raise	16,000,000	5.18%	16,000,000	4.97%
Second Tranche Capital Raise	20,000,000	6.46%	20,000,000	6.22%
TOTALS:	309,139,826	100%	321,639,826	100%

Note to table: The table above assumes the second tranche capital raising is completed at an issue price of \$0.02 per share. The issue price for the second tranche capital raise is yet to be determined and the table above is therefore subject to change in the event that this raising is completed at a price per share which is greater than \$0.02. Further, the indicative capital structure at completion of the earn-in assumes that no other QUR shares are issued between settlement of the acquisition and completion of MMPL earning a 95% interest in the Project (estimated in 2021).

Schedule of Claims

A schedule of all the claims forming part of the Project is set out in Annexure A.

Indicative Timetable

	Activity	Indicative Date
1	Announcement of Terms Sheet to acquire MMPL and completion of Preliminary Capital Raising	12 May 2016
2	Target date for execution of Share Sale Agreement	9 June 2016
3	Date for completion of Due Diligence	16 June 2016
4	Despatch of Notice of Meeting to approve proposed acquisition	16 June 2016
5	General Meeting	18 July 2016
6	Settlement of proposed acquisition	25 July 2016

Dates are subject to change and the Company will provide further updates in due course as the transaction proceeds.

Competent Person Statement

The geologic information in this report is based on and fairly represents information compiled by Mr. Rory Kutluoglu (P.Geol), who is employed as a Consultant to the Company through OCD Consultancy Ltd. Mr Kutluoglu is a Registered Member of the Association of Professional Engineers and Geoscientists of British Columbia and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The information in this market announcement provided under rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the Project. Mr Kutluoglu consents to the inclusion in the report of matters based on information in the form and context in which it appears.

For and on behalf of the board

-ENDS

For further information, please contact:

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References

Dufresne, Richard (2009) "Independent Technical Report NI43-101, Standards of Disclosure for Mineral Projects, Form 43-101F, Strider Lithium, Snow Lake Area, Herb Lake Mining Division, Manitoba, Canada" (August 11, 2009)

Annexure A-Mining Claims

Disp No	Disposition Name	Holder	Lease Type	Map No	Issue Date	Good To	Expiry Date	Area (ha)
MB1052	ADD 1052	100% (11558) STRIDER RES	Mining Claim	63J13SE	2001-07-20	2030-07-20	2030-09-18	235
MB1053	ADD 1053	100% (11558) STRIDER RES	Mining Claim	63J13SE	2001-07-20	2030-07-20	2030-09-18	83
MB6301	ADD 6301	100% (11558) STRIDER RES	Mining Claim	63J13SE	2006-03-24	2030-03-24	2030-05-23	110
MB6303	ADD 6303	100% (11558) STRIDER RES	Mining Claim	63J13NE, 63J13SE	2008-03-17	2030-03-17	2030-05-16	180
MB6305	ADD 6305	100% (11558) STRIDER RES	Mining Claim	63J13NE	2009-02-11	2030-02-11	2030-04-12	224
P2818F	ADD 13	100% (11558) STRIDER RES	Mining Claim	63J13SE	1994-09-30	2030-09-30	2030-11-29	16
P3033F	ADD 3033	100% (11558) STRIDER RES	Mining Claim	63J13SE	1995-04-21	2030-04-21	2030-06-20	32
P3035F	ADD 3035	100% (11558) STRIDER RES	Mining Claim	63J13SE	1995-04-21	2030-04-21	2030-06-20	53
P3203F	ADD 3203	100% (11558) STRIDER RES	Mining Claim	63J13SE	1995-09-11	2030-09-11	2030-11-10	82
P7463B	THOMPSON #2	100% (11558) STRIDER RES	Mining Claim	63J13SE	1964-11-05	2029-11-05	2030-01-04	21
P7464B	THOMPSON #3	100% (11558) STRIDER RES	Mining Claim	63J13SE	1964-11-05	2029-11-05	2030-01-04	21
W47378	THOMPSON 7	100% (11558) STRIDER RES	Mining Claim	63J13SE	1982-07-08	2030-07-08	2030-09-06	16
W47380	THOMPSON 6	100% (11558) STRIDER RES	Mining Claim	63J13SE	1982-07-08	2030-07-08	2030-09-06	16
W49853	ADD 49853	100% (11558) STRIDER RES	Mining Claim	63J13SE	1996-04-22	2030-04-22	2030-06-21	32

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