



Speciality Metals
International Limited

Quarterly Activities Report

Quarter Ended 31 December 2018

HIGHLIGHTS

MT CARBINE

- Speciality Metals International Limited (ASX: SEI, Speciality Metals or the Company) was pleased to announce on 24 December 2018 that it had entered into advanced negotiations with Cronimet Holding GmbH (“CRONIMET”) for a conditional participation in the staged development of its Mt Carbine Tungsten Project and to enable the purchase of the Mt Carbine Quarry and Mining Leases, ML 4867 and ML 4919, by the Company through alternative financial instruments.

The conditional participation by CRONIMET as outlined in the Letter of Intent would consist of a cash advance of US\$3.5 million (~AUD\$4.9 million) by way of an off-take agreement defining the delivery of tungsten concentrate from the Mt Carbine Tungsten Project along with an equity component which is still being negotiated with CRONIMET and institutional investor(s).

CHILE

- A formal exploration program for the Company’s Chilean Exploration Concessions will be finalised within the first quarter of 2019.

CORPORATE

- All resolutions were successfully passed by a show of hands at the Company’s Annual General Meeting held in Melbourne on 29 November 2018.
- Mr Adrien Wing was appointed as Company Secretary as from 1 February 2019.

EXECUTIVE SUMMARY

The 2018 year ended on an extremely positive note with the Company announcing that it had entered into advanced negotiations with Cronimet Holding GmbH for their conditional participation in the staged development of the Mt Carbine Tungsten Project and to enable the purchase of the Mt Carbine Quarry and Mining Leases ML 4919 and ML 4867.

Cronimet's participation was conditional upon certain crushing and tabling tests and assays being satisfactorily completed together with their due diligence on the Company. The test work has taken a little longer to be completed due to the Christmas and New Year holidays with laboratories being closed over this period. This work is now expected to be finalised over the next week. The due diligence is almost completed, and the Company's Lawyers and Accountants are currently preparing all relevant documentation to be forwarded to Cronimet's legal team for their review.

Upon the successful completion of the financing arrangements the Company looks forward to working closely with Cronimet's senior team over the coming months to initially recommission the Tailings Retreatment Plant and then to commence production from the stockpiled material. Cronimet's significant expertise in the recovery of high-quality raw materials through latest technology and production methods will be invaluable in ensuring the true value of the Company's world-class tungsten project is realised.

Speciality Metals has also commenced a marketing campaign with international fund managers to promote the Company. This campaign will be ongoing for the first quarter of 2019.

The Board are also working closely with the Company's Chilean consultants to develop an exploration program for its Exploration Concessions and anticipates that this should be finalised also during the first quarter in 2019.

On behalf of the Board I would like to also welcome Adrien Wing as Company Secretary and we look forward to working with him. The Board would also like to thank the out-going Company Secretary, David Clark, for his contribution to the Company since his appointment in July 2014.

The Board looks forward to finalising the acquisition of the Mt Carbine Quarry and Mining Leases and embarking on the next phase of its development strategy for the Mt Carbine Tungsten Project whilst continuing to actively pursue the discovery of viable resources within its highly prospective exploration portfolio.

EXPLORATION AND DEVELOPMENT ACTIVITIES

QUARTER ENDED 31 DECEMBER 2018

FINANCING ARRANGEMENTS – MT CARBINE QUARRY & MINING LEASES

The Company was pleased to announce on 24 December 2018 that it was in advanced negotiations with Cronimet Holding GmbH for a conditional participation for the staged development of its Mt Carbine Tungsten Project and to enable the purchase of the Mt Carbine Quarry and Mining Leases, ML4867 and ML 4919, by the Company through alternative financial instruments.

The key terms of the conditional participation contained in a letter of intent along with those of the Sale and Purchase Agreement with Mt Carbine Quarries Pty Ltd are as follows:

Letter of Intent – Cronimet Holding GmbH

(a) **Counterparty:** Cronimet Holding GmbH (“CRONIMET”) is the counterparty to the letter of intent and forms part of the Cronimet Group (“Group”) which was founded in 1982 as a raw materials service provider and trader in Karlsruhe, Germany. The Group has grown organically since then to become a diversified commodity group with over 5,200 employees and activities in over 50 countries. CRONIMET operates a global supply chain for stainless steel, specialty steel raw materials and other strategic minerals, while it has significant expertise in the recovery of high-quality raw materials through latest technology and production methods.

(b) **Cash Advance:** CRONIMET will provide a cash advance of US\$3.5 million (~AUD\$4.9 million) by way of an off-take agreement defining the delivery of tungsten concentrate from the Mt Carbine Tungsten Project.

The Tailings Retreatment Plant will be recommissioned, and production will commence from the ~12 million tonnes of stockpiled material. CRONIMET will provide the technical expertise and assist with the refurbishment of the existing Tailings Retreatment Plant as well as sourcing the plant required to commence production from the stockpiled material. Subject to further due diligence, the Tailings and Stockpile projects may be undertaken by a newly formed joint venture company where it is intended that Speciality Metals and CRONIMET will each hold a 50% stake. Speciality Metals will also be entitled to receive a 2.5% royalty on the gross revenue of the newly formed joint venture company.

It is anticipated that production lead times will be minimal as both projects are fully permitted.

(c) **Equity Component:** The Company is also in advanced discussions with CRONIMET and institutional investor(s) on share placement opportunities. The proceeds from this share placement, together with the Cash Advance, will be used to complete the purchase of the Mt Carbine Quarry and Mining Leases, ML 4867 and ML 4919, under the terms and conditions disclosed below.

(d) **Offtake:** CRONIMET will secure the right to all offtake from the Mt Carbine Tungsten Project, including that from the Open Pit, on commercial terms yet to be agreed.

(e) **Conditions Precedent:** The cash advance is conditional upon the successful completion of test work on the tailings material and stockpiled crushed rock which has already been initiated and is expected to be completed within January 2019, further due diligence works by CRONIMET and shareholder approvals from either Party, if any should become necessary.

(f) **Expected Completion Date:** Subject to a favourable outcome as per (e), the Parties will use reasonable endeavours to enter into appropriate agreements within February 2019.

Sale and Purchase Agreement - Mt Carbine Quarries Pty Ltd

- (a) **Agreement Counterparty:** Mt Carbine Quarries Pty Ltd (MCQ) is the Sale and Purchase Agreement counterparty. MCQ is a major supplier and trading partner of the Company and has been since 2008. In September 2008, the Company signed a Sub-lease Agreement with MCQ whereby the Company obtained the right to mine and produce tungsten (and any other metals) from the lease deposit with the intention that the Company and MCQ work together to optimise extraction of metal and production of construction and road aggregate. The initial 2008 agreement covered two granted Mining Leases, ML 4867 and 4919, totalling approximately 366.39 ha.
- (b) **Asset Purchase Description:** The conditional Sale and Purchase Agreement is for the purchase and 100% ownership of the Mt Carbine Quarry, as a going-concern including all plant and equipment, along with Mining Leases ML 4867 and ML 4919. The business of Mt Carbine Quarry is to crush rock from the mine waste stockpile and make different grades of road metal and construction material. The quarry will provide the Company with an invaluable source of cash flow from the existing quarry business and the associated quarry infrastructure will also be of significant benefit in the development of the Company's future mining operations. Ownership of the Mining Leases is also integral to the successful development of the Company's Mt Carbine Tungsten Project.
- (c) **Conditions Precedent:** Completion of the Sale and Purchase Agreement is conditional on the Company obtaining finance to complete the transaction. If finance is not obtained the Company and MCQ will be released from their respective obligations under the Sale and Purchase Agreement. The Company has undertaken to use its best endeavours to ensure that the condition precedent is satisfied and using debt as the principle source of funding, to minimise the transaction's dilutionary impact upon existing shareholders.
- (d) **Purchase Consideration:** Total consideration for the acquisition is AUD\$8,000,000. A deposit of AUD\$130,000 has been paid.

Executive Chairman of Speciality Metals, Mr Russell Krause stated:

"The Board are excited to have the opportunity to partner with one of the world's leading mining and raw material supply companies to assist with the acquisition of the Mt Carbine Quarry and Mining Leases and the development of its world class tungsten project."

"Both parties are committed to finalising these arrangements within the shortest possible timeframe and are aiming to be in production by the end of the first half of 2019. In line with the Company's staged development approach, Speciality Metals will also pursue the necessary permitting and approvals for its Open Pit Hard Rock Project."

"As announced previously the management team for the quarry are already in place to ensure a seamless hand-over and the Company looks forward to not only maintaining but also building upon this segment's earning potential."

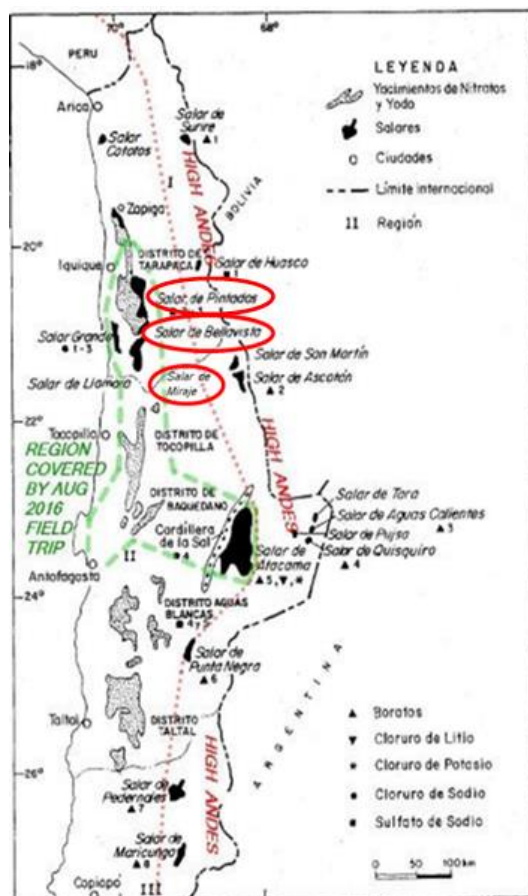
Mr Krause added:

"These are exciting times for the Company and its shareholders and the Board looks forward to working closely with Cronimet in realising the value of its Mt Carbine Tungsten Project."

"The Board would also like to thank all shareholders for their patience and look forward to announcing the finalisation of the above financing arrangements early in the New Year," Mr Krause concluded.

CHILE

The below map shows the location of Speciality Metals' Chilean Exploration Concessions for which the Company plans to finalise a formal exploration program during the first quarter of 2019.



Summary map of Northern Chile, showing location of Salars de Miraje, Bellavista & Pintados

CORPORATE

SUBSEQUENT TO QUARTER ENDED 31 DECEMBER 2018

CHANGE OF COMPANY SECRETARY

The Board of Directors of Speciality Metals International Limited (ASX:SEI, Speciality Metals or the Company) is pleased to announce the appointment of Mr Adrien Wing as Company Secretary for the Company, effective from 1 February 2019.

Mr Wing is a certified practicing accountant. He previously practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the ASX as a corporate and accounting consultant and Company Secretary.

The Board also notes that Mr David Clark will cease in his role as Company Secretary effective from 31 January 2019. The Board would like to thank Mr Clark for his dedication and service since his appointment to the role of Company Secretary in July 2014 and wish him every success in his future endeavours.

TENEMENT INFORMATION REQUIRED UNDER LISTING RULE 5.3.3

In accordance with Listing Rule 5.3.3 the following information is submitted with respect to the tenements held 100% by Speciality Metals or its wholly owned subsidiaries:-

Tenement Number	Tenement Location
Queensland, Australia	
EPM 14871	Mt Carbine
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ML 4867	Mt Carbine (Sub-lease)
ML 4919	Mt Carbine (Sub-lease)
New South Wales, Australia	
EL 6648	Crow Mountain
EL 8024	Broken Hill
Chile	
Miraje 1 – 5*	Salar de Miraje
Bellavista 1 – 5*	Salar de Bellavista
Pinta 1 – 15*	Salar de Pintados

* Exploration concessions are held by Speciality Metals' wholly owned Chilean subsidiary company, Special Metals Chile SpA.

No farm-in or farm-out agreements were entered into during the period.

R H Krause
Executive Chairman

SPECIALITY METALS INTERNATIONAL LIMITED AT A GLANCE

Directors

Mr R.H. (Russell) Krause, Executive Chairman
Mr R.W. (Rolly) Nice, Non-Executive Director
Mr S. (Stephen) Layton, Non-Executive Director

Company Secretary - Mr David Clark

Registered Office

Level 17, 500 Collins Street, Melbourne VIC 3000
Telephone: +61 3 9614 0600

Principal Place of Business

6888 Mulligan Highway, Mt Carbine QLD 4871
Telephone: +61 7 4094 3072 | Fax: +61 7 4094 3036

Website and Emails

Please visit Speciality Metals' website for the latest announcements and news: www.specialitymetalsintl.com.au. To receive Speciality Metal's announcements by email, email to: info@specialitymetalsintl.com.au.

General Enquiries

Contact Mr Russell Krause on (03) 9614 0600

Issued Capital and Market Capitalisation

At 22 January 2019 Speciality Metal's issued capital was 554,876,418 ordinary shares. At a share price of \$0.024 on 22 January 2019 the market capitalisation was \$13.317 million.

Number of Shareholders and Major Shareholders

At 22 January 2019 Speciality Metals had 1,429 shareholders. The share register records the following as major shareholders at 22 January 2019 accounting for 42.39% of the issued shares:

Shareholder	%
Dr Leon Eugene Pretorius	6.43
Covenant Holdings (WA) Pty Ltd <The Boyd No 3 A/C>	5.46
Bodie Investments Pty Ltd	5.23
Baglora Pty Ltd <Mott Family Super Fund A/c>	3.62
Mota Engil Minerals & Mining Investments BV	2.88
TBB NSW Pty Ltd <The Watson No 1 A/C>	2.47
Mr Malcolm John McClure	2.11
Turbine Capital Limited	1.80
Mr Keith Pires	1.44
WGS Pty Ltd	1.39
Holland Strategic Wealth Pty Ltd <Hollands Family A/C>	1.21
Alan Scott Nominees Pty Ltd <Superannuation Fund>	1.17
Andrew Hewlett White and Associates	1.00
Max Mobile Auto Clinic Pty Ltd	0.94
Mr Paul Marchetti	0.91
Mr Gregory James Donnellan	0.90
JFSF Holdings Pty Ltd <The Jane Family S/F A/C>	0.90
JA Johnstone Pty Ltd <Waterhouse Super Fund A/C>	0.89
Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C>	0.87
Christina Mildren Pty Ltd <Mildren Family A/C>	0.77

Cash Balance

At 31 December 2018 Speciality Metals' cash balance was approximately \$454,000.

Shareholder Enquiries

Matters relating to shares held and changes of address should be directed to the share registry:

Computershare Investor Services Pty Limited | Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
Telephone (within Australia): 1300 850 505 | Telephone (international): +61 3 9415 4000

ASX Listing Code

The Company's ASX listing code is SEI.