



Speciality Metals

International Limited

ABN: 77 115 009 106 (ASX: SEI)

30 October 2020

Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Quarterly Activities and Cash Flow Report for September 2020

In compliance with ASX Listing Rule 5.3 Speciality Metals International Limited (ASX:SEI) is pleased to provide its Quarterly Activities and Cash Flow Reports for the period ended 30 September 2020.

Authorised by Resolution of the Board:

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Speciality Metals International Limited

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About the Company

Speciality Metals International Limited is an ASX-listed company transforming its world-class tungsten assets at Mt Carbine in North Queensland; leveraging advanced technology, historical stockpiles and unexploited resource with the aim of being the pre-eminent tungsten producer in Australia. The Company also holds gold exploration licences in New South Wales. The Company aims to create shareholder value through the exploration and development of its current portfolio whilst continuing to evaluate corporate and exploration opportunities within the new economy and critical minerals sector.



Speciality Metals International Limited

Quarterly Activities Report

Quarter ended 30 September 2020

HIGHLIGHTS

- Excellent early results from XRT Sorter pilot plant with concentrate grade of up to 1.89% WO₃ and throughput rates of up to 80tph achieved, supporting the Company's plans to commercialise historical waste rock stockpiles and become Australia's emerging low-cost and sustainable tungsten producer.
- Mt Carbine mine waste transformation initiative received \$220,000 government grant approval via METS Ignited.
- First 20,000 tonnes of quarry products from Mt Carbine delivered to Bama under the \$4 million contract, with the ramp up of quarry operation continuing (including additional crushing capacity) to build inventory stockpiles and increase market responsiveness to support upcoming infrastructure projects in Far North Queensland.
- King-vein interpretation at Mt Carbine confirming 1.2km extension, supported by re-logging and re-assaying of historic drill core.

MT CARBINE OPERATIONS

XRT Sorter Pilot Plant

Speciality Metals International Limited (**Company**) announced excellent early results from its XRT Sorter Pilot Plant test program as part of the ongoing METS Ignited Australia Ltd (**METS**) program in the consortium led by CRONIMET Australia Pty Ltd (**CRONIMET**). For further details, see the Company's 7 September 2020 announcement ([here](#)) and additional information in the Corporate section below.

Test work conducted in early September 2020 indicated a more significant upgrade for sorting the 10-25mm size fraction when compared to the 25-50mm fraction which is believed to be due to the liberation of the tungsten-bearing particles and increased associated waste in the 25-50mm fraction.

Assays of the individual feedstock samples and the XRT Sorter concentrate were completed by independent laboratory, Australian Laboratory Services Pty Ltd (**ALS**) in Brisbane. Test work was completed on the Optical Ore Sorter Rejects (+/-5.5-million tonnes, used purely for quarry feedstock to date) and the Low-Grade (mineralised waste) Stockpile (+/-12-million tonnes).

Historical test work at Mt Carbine published by the Company (as ICON Resources Ltd) on 23 March 2011 using an XRT Sorter from Applied Sorting Technologies had an upgrade ratio of 7.7:1 on the Low-Grade (mineralised waste) Stockpile and 3.6:1 on the Optical Ore Sorter Rejects Stockpile. These tests were conducted several years ago on a larger size range of material and with a different XRT sorter technology which is the likely reason for the significantly higher upgrade ratios now being achieved.

The Company has planned further test work on the crushing and screening of the particle size range of materials to optimise liberation and sorter concentrate grade while reducing mass for further downstream processing. Mt Carbine Retreatment Management Pty Ltd (being the manager of the unincorporated joint venture with CRONIMET for the Retreatment Plant), has appointed additional on-site staff to operate the XRT Sorter plant and conduct bulk test work as material becomes available for processing to allow test work to continue without disrupting ongoing production activities for the quarry and retreatment operation.



Figure 1 – XRT Sorter Pilot Plant

As reported in July 2020, sample materials from around the site were used to customise and optimise the sorting algorithms. In addition to this, the interface with the Company's quarrying operations at site was considered in the development of a production schedule designed to ensure the quarry would receive approx. 80% (by weight) from the XRT Sorter waste material for the quarry's commercial production. During initial batch production cycles, the XRT Sorter pilot plant performed at its design capacity of up to 80 tonnes per hour of feed material.

Retreatment Plant

In July 2020, Company announced that the retreatment operation had achieved a stable production profile with a significant reduction in unplanned maintenance stops. Since April 2020, plant production and availability has been continuously increasing, with the long-term availability target set at 80-85%. During the month of August 2020, the operations achieved a 73% overall running time and processed a head feed of 20,965 tonnes of tailings material through the plant. Taking into account the actual running time, an improvement of the average throughput of 30 tonnes per hour (in quarter ending June 2020) compared to 38 tonnes per hour (in quarter ending September 2020) had been achieved.

As the Retreatment Plant operations have continued to scale up, certain bottlenecks were identified limiting further increases in throughput capacity for the operations, as well as to reduce wearing of certain equipment and to improve liberation of the feed material (i.e. considering future feedstock coming from the XRT Sorter operation). The operations team installed a large impact crusher as its primary crusher and a hammer mill as the secondary crusher for the operations. These two crushers along with the relevant modifications to the processing plant were installed in September 2020 leading to a 14 days' loss of production for a long-term production gain.

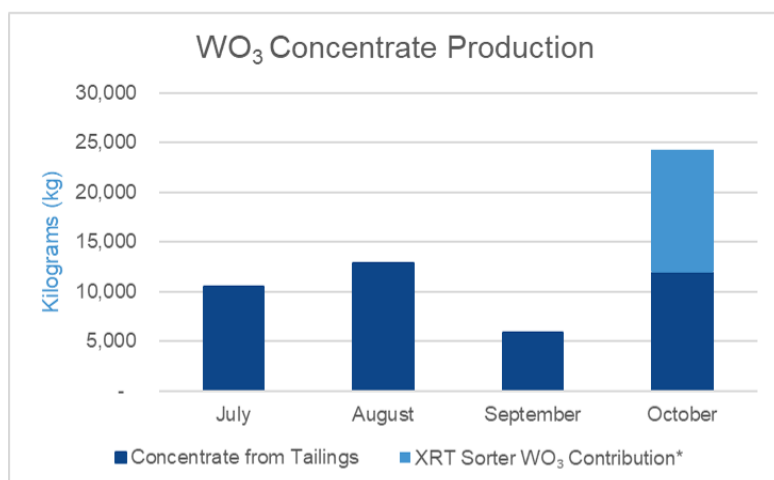


Figure 2 - Concentrate Production (*XRT Sorter output as concentrate equivalent)

During the reporting period, CRONIMET Asia accepted delivery of approximately 40 tonnes of concentrate, while continuing to distribute samples to customers in Asia, Europe, US and South America in order to determine the best offtake application. The feedback received so far from various Ammonium Paratungstate (APT) producers and a ferrotungsten producer were positive.

Quarry Operations

In September 2020, the Company announced its subsidiary, Mt Carbine Quarrying Operations Pty Ltd had started delivering quarry products to Bama Civil Pty Ltd (**Bama**) under the \$4 million contract announced on 1 July 2020. BAMA is using the material for a major road construction project, being the Queensland Government's Peninsula Development Road in Far North Queensland.



Figure 3 – Quarry Screening Plant

The Company will make additional deliveries over the remainder of the year with the majority of the revenue to be recognised in the December 2020 quarter. By the time of release of this quarterly report the Company had delivered approximately 30% of the contracted tonnage for the Bama contract and having receivables against Bama of approximately \$1.1 million (including GST) due within the coming days. The quarry has been able to produce significant stockpiles ahead of Bama beginning the product drawdowns. This positively positions the quarry to continue to satisfy the Bama contract and in parallel, meet the demands of other local clients.

During this period and to align with the requirements of the Bama contract, the Company accelerated the modernisation of the quarry including the expansion of its crushing capacity to increase overall production outputs. Continued alignment of the XRT sorting operations with the quarry production will allow the Company to reduce overall production costs, improve profitability, while reducing the environmental footprint at its Mt Carbine site.

EXPLORATION ACTIVITIES

Mt Carbine, Qld

The focus during this quarter, which is ongoing, has been on the *King-vein* underground interpretation and review of the core library compiled by on-site geologists. On 16 October 2020, the Company announced on ASX ([here](#)) that its resource redefinition has identified high-grade tungsten envelopes at its Mt Carbine project in Queensland over a 1.2km strike length. Consultation has commenced with the Mines Inspectorate and contractors to set out detailed planning for reopening of decline for further underground testing.



Figure 4. Drill Core Samples

Panama Hat – Broken Hill, NSW

The Company has received and accepted renewal conditions for EL8024 for a further term to 29 November 2024. The Company will review its work program once the COVID-19 inter-state travel restrictions are eased.

Crow Mountain – New England, NSW

A six-year renewal application for the Company's Crow Mountain tenement (EL6648) has been submitted following quarter-end, and receipt of the renewal application has been acknowledged by Regional NSW - Mining, Exploration and Geoscience (Division) on 19 October 2020. The Company expects to receive further information from the Department in due course, in order to likewise re-establish a work program.

Expressions of interest have been received from parties looking to exploit both these historic high-grade gold fields. The Board has not yet progressed these enquiries.

Tenement Interests

In accordance with ASX Listing Rule 5.3.3 the following table is submitted with respect to tenements held by the Company and its controlled entities:

Location	Holding Entity	Area	Expiry Date
Queensland, Australia			
ML 4867	Mt Carbine Quarries Pty Ltd	358.5 ha	31/07/2022
ML 4919	Mt Carbine Quarries Pty Ltd	7.891 ha	31/08/2023
EPM 14871	Company	10 sub-blocks	12/12/2020
EPM 14872	Company	21 sub-blocks	11/12/2020
EPM 27394	Company	4 sub-blocks	01/06/2025

New South Wales, Australia

EL 6648	Company	9 Units	19/10/2020 ¹⁾
EL 8024	Company	19 Units	29/11/2024

ML = Mining Lease; **EPM** = Exploration Permit for Minerals (Qld); **EL** = Exploration Licence (NSW)

1) Renewal application submitted and acknowledged (subsequent to this quarterly reporting period).

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

CORPORATE

Safety Performance at Mt Carbine

The Company continues to focus on enhancing safety culture and plant upgrades at its multi-site operations at Mt Carbine. We are refining our Health and Safety Management System to ensure its efficacy for enabling health and safety practices and outcomes, and to embed a culture of learning. We have engaged mining safety consultancy, Impress Solutions, to assist us to embed our value of “**Act Safe. Feel Safe**” in our operations and to meet and exceed Resources Safety & Health Queensland’s vision of “**zero serious harm**”.

Environmental Activities at Mt Carbine

During the Quarter, the Company secured a minimal increase to their Estimated Rehabilitation Cost for its Environmental Authority EPML00956913. The Company continues to engage with the Department of Environment and Science regarding the increase of quarry and sorter production allowances (to the targeted 300,000 tonnes per annum) as set out in the Project Timeline shown in the [Company’s Annual Report](#).

Government Support

As reported last quarter, the Company received in July 2020, a \$220,000 grant from METS Ignited Australia under the Queensland METS Collaborative Projects Fund for its mine waste transformation project at Mt Carbine. The project objectives include establishing the physical controls on separation efficiency of Low-Grade Stockpile materials at Mt Carbine to develop new mine planning and scheduling models as well as optimise scale-up application of ore sorting technologies.



Figure 5 – Low Grade Stockpile

A consortium comprising the Company, CRONIMET, the University of Queensland (WH Bryan Mining and Geology Research Centre), TOMRA Sorting Pty Ltd and DAS Mining Solutions Pty Ltd, are undertaking a nine-month work program to develop technology that can sort up to 1 million tonnes of waste per year.

The work will be documented under the formal METS Ignited reporting requirements. In addition, it will also form part of the Company’s internal study being conducted to determine the viability of a large-scale sensor-based sorting operation.

This METS program officially kicked-off on 4 September 2020 with the holding of the first set of official planning meetings attended to by project partners. Initial site visits by those partners not constrained by travel restrictions were also held. The early stages of the program will see the execution of a desktop study on available information, focusing on the mineralogical properties of the deposit and stockpiles. In parallel, surveying of the stockpiles around site is set to take place in early Quarter 4 along with a site visit by representatives from the University of Queensland.

Part of the early works program will see the Company excavate several sample areas around the stockpiles at Mt Carbine for bulk testing. These tests will focus on the optimisation of the size fractions for processing over the life of project, throughput capacity, concentrate grade and recovery.

In parallel with investigations into development projects, the Company is investigating suitable government grants and loan facilities.

Board Change

Immediately following this reporting quarter, on 1 October 2020, the Company appointed Kim Cavallaro as an Executive Director. It followed Ms Cavallaro's appointment as Chief Commercial Officer (CCO) on 1 July 2020 in which role she will continue until she assumes the role of Chief Executive Officer (CEO) and Managing Director of the Company, expected to be near the end of 2020.

Change of Company Secretary/Registered Office

The Company announced the appointment of Suzanne Irwin as Company Secretary, effective 1 September 2020 following the resignation of Adrien Wing from the role.

Ms Irwin is a Fellow of the Governance Institute of Australia with nearly 10 years' company secretarial experience with ASX300 member, ERM Power Limited which was delisted from the ASX upon its acquisition by Shell Energy Australia in November 2019. Prior to this, having completed CPA certification, Ms Irwin gained more than 10 years' financial experience in business and commercial analyst roles at various BHP mining and minerals extraction operations encompassing underground coal, iron ore, lead and zinc mining operations as well as nickel refinery processing operations located in NSW, Western Australia and Queensland.

The Company also advised its registered office had changed, with effect from 1 September 2020 to:

Office 06-110
Level 6, 25 King Street
Bowen Hills QLD 4006

Annual General Meeting

The Company will hold its 2020 Annual General Meeting virtually on Thursday, 26 November 2020 at 3:00pm (AEDT).

Related Party Payments

In line with its obligations under ASX Listing Rule 5.3.5, the Company has advised in the Appendix 5B for the period ended 30 September 2020, that the only payments to related parties of the Company pertain to payments to Directors and Senior Executive for salaries, fees and consultancy including expense reimbursements.

Appendix 5B
Production entity or oil and gas exploration entity
Quarterly cash flow report

SPECIALITY METALS INTERNATIONAL LIMITED ABN: 77 115 009 106		Quarter ended 30 September 2020	
Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.0 Cash flows from operating activities			
1.1 Receipts from customers		318	318
1.2 Payments for			
(a) exploration & evaluation (if expensed)		(41)	(41)
(b) development		(250)	(250)
(c) production		(447)	(447)
(d) staff costs		(571)	(571)
(e) administration and corporate costs		(167)	(167)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		8	8
1.5 Interest and other costs of finance paid		(3)	(3)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other			
- Diesel Fuel Rebates		20	20
- ATO Cash Flow Boost		56	56
1.9 Net cash from / (used in) operating activities		(1,077)	(1,077)
2.0 Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) tenements		-	-
(c) property, plant and equipment		(299)	(299)
(d) exploration & evaluation (if capitalised)		-	-
(e) investments		-	-
(f) other non-current assets		-	-
2.2 Proceeds from the disposal of:			
(a) entities		-	-
(b) tenements		-	-
(c) property, plant and equipment		-	-
(d) investments		-	-
(e) 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		(299)	(299)
3.0 Cash flows from financing activities			
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		-	-
3.2 Proceeds from issue of convertible debt securities		-	-
3.3 Proceeds from exercise of options		-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities		-	-
3.5 Proceeds from borrowings		-	-
3.6 Repayment of borrowings		(2)	(2)
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Working Capital Loan (unincorporated joint venture)		(48)	(48)
3.10 Net cash from / (used in) financing activities		(50)	(50)

4.0 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,990	4,161
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,077)	(1,019)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(299)	(138)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(50)	(3)
4.5 Effect of movement in exchange rates on cash held	(9)	(11)
4.6 Cash and cash equivalents at end of period	1,555	2,990

5.0 Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	1,555	900
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term Deposits	-	2,000
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,555	2,900

6.0 Payments to related parties of the entity and their associates	Current quarter	
	\$A'000	
6.1 Aggregate amount of payments to related parties and their associates included in item 1	96	
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-	
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		
Payments to Directors and Senior Executives for salaries, fees, and consultancy including expense reimbursements.		

7.0 Financing facilities	Total facility amount at quarter end	Amount drawn at quarter end
	\$A'000	\$A'000
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities	20	20
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	20	20
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether		
Secured 3 year Equipment Finance Loan at an Interest Rate of 4.91% p.a.		

8.0 Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,077)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,077)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,555
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,555
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.4
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Speciality Metals International Limited (the **Company**) does not expect that it will continue to have the current level of net operating cash flows because much of the capital costs for the modernisation and ramp-up of both the quarry and the retreatment plant have been incurred and for the quarter ending December 2020, there will be increased revenues from the fulfilment of the \$4m Bama quarry contract, and from the increased tungsten tonnages resulting from the addition of sorter feed to the retreatment plant.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

With the expectation of an underlying improvement of revenue generation for the quarter ending December 2020 (as outlined above), the Company has not taken any steps, nor does it propose to take any steps with regards to a capital raising to fund its operations.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, the Company expects to be able to continue its operations and to meet its business objectives from the revenue derived from its Mt Carbine operations (ie. from the scale up of the quarry business and the tungsten retreatment plant operations).

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.

Date: 30 October 2020

Authorised by:

Board of Directors of Speciality Metals International Limited

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow 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 cash flow 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.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
- 5