



Quarterly Activities Report

Quarter Ended 30 September 2019

HIGHLIGHTS

MT CARBINE

- Speciality Metals International Limited (ASX:SEI) (Speciality Metals or Company) was pleased to announce on 2 July 2019 that it had completed the 100% acquisition of Mt Carbine Quarries Pty Ltd (Mt Carbine Quarries) an entity that owned and operated the Mt Carbine quarry and holds Mining Leases ML 4867 and ML 4919 (Acquisition). SEI's wholly owned subsidiary, Mt Carbine Quarrying Operations Pty Ltd, commenced operating the quarry as from 1 July 2019 with the handover transitioning smoothly from both an operational and customer perspective (refer ASX Announcement "Mt Carbine Acquisition Update" dated 10 July 2019).
- Unincorporated Joint Venture (JV) between Cronimet Asia Pte Ltd (Cronimet) and Speciality Metals has commenced.
- The refurbishment of the Tailings Retreatment Plant is progressing well with all equipment now delivered to Mt Carbine. Installation of the newly arrived equipment is underway, and everything is on schedule for the finalisation of commissioning and the commencement of production during the 4th quarter of 2019.
- Current tenement holdings have been reviewed and additional subblocks applied for.
- Mt Carbine mapping program and core sample review underway.

CHILE

- Significant geotechnical work completed by Santo Tomas University and the Company's Chilean consultants on the Tamarugal Basin. Recommendations are in the process of being finalised.

GOLD

Panama Hat (EL8024)

- Further surface sampling and interpretative work in progress. Relevant samples will be sent for assaying.

Crow Mountain (EL6648)

- Applications underway for further trenching and surface sampling.

CORPORATE

- On 2 July 2019 Speciality Metals announced that it would be undertaking a pro-rata non-renounceable shareholder entitlement offer (“Offer”) to raise up to approximately \$2.9 million under which all eligible shareholders would be entitled to 1 new share for every 5 existing shares held in the Company at 0.018 cents per share. The offer was fully underwritten by Rymill Global Ventures Ltd.

The offer closed on 23 July 2019 with the following results:

| EVENT | NO OF SHARES | APPLICABLE FUNDS |
|---|---------------------|-------------------------|
| Shares on issue before the Offer | 798,107,881 | |
| Total shares applied for under the Offer | 112,733,514 | \$2,029,203 |
| Shortfall shares remaining after close of the Offer | 46,888,236 | \$843,988 |

All Shortfall shares were placed by Rymill Global Ventures Ltd.

The 25,000,000 Performance Rights granted to Directors at the General Meeting on 22 June 2018 were also issued to Directors on 2 August 2019 due to the vesting condition relating to the purchase of Mt Carbine Quarries Pty Ltd being met.

- Mr Oliver Kleinhempel and Mr Yeo Zhui Pei were appointed as Directors to the Speciality Metals’ Board on 12 August 2019.
- The JV Management Committee has been established comprising of two members each from Cronimet and Speciality Metals.
- The Full Year Audit has been completed with the Company releasing its Full Year Statutory Accounts on 26 September 2019.
- IT and system upgrade completed at Mt Carbine.
- The Notice of Annual General Meeting (“AGM”) and Proxy Forms were distributed to shareholders on 16 October 2019. The AGM will be held on Monday 18 November 2019 at Thomson Geer, Level 39, Rialto South Tower, 525 Collins Street, Melbourne commencing at 10.00am (Melbourne time).

EXECUTIVE SUMMARY

I am pleased to provide the following update for what has proved to be another particularly busy quarter for Speciality Metals:

EXPLORATION AND DEVELOPMENT ACTIVITIES

MT CARBINE QUARRY

To date the Quarry has been operating well with sales expected to increase as we head into the last quarter of the year. Historically this is the busiest period of the year with much of the pre-wet season work being undertaken by State and Local Councils during this time. The Mt Carbine Quarry has also tendered on a number of significant revenue generating projects, however the timing of these is uncertain due to them being dependent upon the various Government Departments' expenditure budgets. The usual equipment maintenance and repair work is ongoing.

The Mt Carbine Quarry is a fully permitted and established business which has operated within the Mt Carbine Mining leases for over 20 years. It has significant growth potential and provides a revenue stream. The synergies between the quarry and the Company's future mining activities are invaluable. It is also worth noting that it is the largest and most northern hard rock quarry in Queensland.

UNINCORPORATED JOINT VENTURE & MT CARBINE RETREATMENT PLANT REFURBISHMENT

The unincorporated JV with Cronimet was established during the last quarter following the successful completion of the acquisition of Mt Carbine Quarries Pty Ltd and the associated Mining Leases. A four-person JV Management Committee has been established with its first meeting being during the quarter. This management team along with various engineers and technical personnel from Cronimet, Speciality Metals and certain external parties have overseen the design of the Mt Carbine Retreatment Plant refurbishment.

Work is well advanced on this project and as previously reported framework and concrete work has been completed. Existing conveyors are being refurbished and significant electrical upgrades and rewiring is underway. All new plant and equipment has now been delivered to site and is in the process of being assembled. The new equipment consists of a Feed Hopper and Grasshopper Conveyors, Jig, Wet Screen, Rolls Crusher, VSD, various pumping and piping along with the prefabricated steel framework supports for the newly arrived plant and equipment. Cranes have also been arranged for the final positioning of the heavy equipment and then the final phase of installation will commence. We are on target for commissioning during the 4th quarter of this year.

REFURBISHMENT PHOTO GALLERY





Process Water Pumps Installed



Wet Screen



Jig



Grasshopper Conveyors

Rolls Crusher



Hopper Fabrication



Steel Framework Support – Wet Screen

GOLD EXPLORATION LICENCES

Panama Hat – Broken Hill District

The Company holds 100% of EL 8024, Panama Hat, located 20km south east of Broken Hill in NSW. EL 8024 covers approximately 80% of the historical gold workings in the Broken Hill district. The Company's previous mapping and sampling program had identified rock chip samples of bonanza grade up to 83 g/t gold. This target, whilst drill ready and permitted, is not sufficiently geologically understood to proceed with a drilling campaign. Consequently, our geological team is currently on the ground in the area conducting further sampling and mapping work. Once this exercise is completed and results are known, we will determine if further work is required prior to initiating a drilling program. The Company remains optimistic about this region's prospects.

Crow Mountain- New England Region NSW

Crow Mountain (EL 6648) covers part of the Great Serpentine Belt in western New England province of north eastern NSW. The dominate geological structure is the north-south trending Peel Fault which has hosted numerous shallow gold workings dating from the 1860's. The Company's geological team have reviewed all available data and is in the process of applying for permits for a detailed trenching, sampling and mapping program within this exploration licence. Landholder approvals to undertake this work have been obtained and we will proceed with this work program once the NSW Government application process has been finalised.

CORPORATE

NON-RENOUNCEABLE ENTITLEMENTS OFFER COMPLETED

On 2 July 2019 Speciality Metals' announced that it would be undertaking a pro-rata non-renounceable shareholder entitlement offer (Offer) to raise up to approximately \$2.9 million under which all eligible shareholders would be entitled to 1 new share for every 5 existing shares held in the Company at 0.018 cents per share. The offer was fully underwritten by Rymill Global Ventures Ltd.

The Offer closed on Tuesday 23 July 2019 with the below results:

| EVENT | NO OF SHARES | APPLICABLE FUNDS |
|---|---------------------|-------------------------|
| Shares on issue before the Offer | 798,107,881 | |
| Total shares applied for under the Offer | 112,733,514 | \$2,029,203 |
| Shortfall shares remaining after close of the Offer | 46,888,236 | \$843,988 |

All shares applied for by shareholders under the Offer were issued on Tuesday 30 July 2019.

As the Offer was fully underwritten by Rymill Global Ventures Ltd, the shares not subscribed for by shareholders under the Offer (Shortfall Shares) were subscribed for by Rymill Global Ventures with all Shortfall Shares issued on 2 August 2019.

The 25,000,000 Performance Rights granted to Directors at the General Meeting on 22 June 2018 were also issued to Directors on 2 August 2019 due to the vesting condition relating to the purchase of Mt Carbine Quarries Pty Ltd being met.

CHANGE OF DIRECTORS

The Company announced on 12 August 2019 that subsequent to the Acquisition of Mt Carbine Quarries Pty Ltd the following Director appointments were made:

Mr Oliver Kleinhempel – Non-Executive Director

Mr Kleinhempel is a representative of Cronimet and started his career at Outotec, a leading Minerals & Metals Processing Technology Company, where he spent several years in Europe, South America and Southeast Asia on various assignments. In the recent 8 years Mr Kleinhempel held various Executive Management positions in the project development, finance and commodity trading sector, with a regional focus on Asia-Pacific.

Mr Kleinhempel holds a Bachelor's Degree in Business Administration from the Cooperative State University Baden-Wuerttemberg (Germany) and obtained a Master's Degree from the Mining Institute of the Clausthal University of Technology (Germany).

Mr Kleinhempel is also a Managing Director of CRONIMET Holding GmbH.

Mr Yeo Zhui Pei – Non-Executive Director

In 2012, Mr Yeo graduated with first class honours from the Imperial College London in Electrical and Electronic Engineering. Since then, Mr Yeo has been working at a leading system integrator in the telecommunications industry in South-East Asia. Over the years, he has taken on executive, management and supervisory roles. This has allowed him to gain a wide range of experience from project planning to resource management to commercial negotiations. Mr Yeo is also a Director of a steel-product manufacturer.

As part of the Board changes, Mr Roland Nice resigned as a Director. Mr Nice has provided 6 years of valuable service to the Company in his role as Director. The Company greatly appreciates his contribution to date and will remain as an active consultant moving forward.

JOINT VENTURE MANAGEMENT COMMITTEE

The JV Management Committee has been established and comprises of two members each from Cronimet and Speciality Metals. The charter of the JV Management Committee is to decide on all matters relating to the conduct of the Joint Venture activities, such as establishing policies, the acquisition of goods and services, allocation of contracts, etc, and to ensure the successful operation of the Mt Carbine Tailings and Stockpile Retreatment Projects. The first meeting of the Committee was held during the quarter at which the schedule of future meetings was agreed upon.

AGM NOTICE OF MEETING & PROXY FORM

The full year audit was finalised during the quarter with the Company releasing its Full Year Statutory Accounts on 16 October 2019.

IT & SYSTEM UPGRADE – MT CARBINE

As previously announced all administrative functions have now been relocated to the Mt Carbine site and to accommodate the additional staff and the sites increased information/data sharing requirements the existing IT system has been replaced with the latest hardware and software to enable connectivity across the site and its various operations.

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 |
| EPM 14872 | Mt Carbine |
| ML 4867 | Mt Carbine** |
| ML 4919 | Mt Carbine** |
| New South Wales, Australia | |
| EL 6648 | Crow Mountain |
| EL 8024 | Broken Hill |
| Chile | |
| 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.

** Acquired as part of the Mt Carbine Quarries Pty Ltd acquisition which was settled on 28 June 2019.

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 O. (Oliver) Kleinhempel, Non-Executive Director (Appointed 12 August 2019)
 Mr S. (Stephen) Layton, Non-Executive Director
 Mr Y. (Yeo) Zhui Pei, Non-Executive Director (Appointed 12 August 2019)

Company Secretary - Mr Adrien Wing

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 24 October 2019 Speciality Metal's issued capital was 982,729,631 ordinary shares. At a share price of \$0.055 on 24 October 2019 the market capitalisation was \$54.05 million.

Number of Shareholders and Major Shareholders

At 24 October 2019 Speciality Metals had 1,459 shareholders. The share register records the following as major shareholders at 24 October 2019 accounting for 54.47% of the issued shares:

| Shareholder | % |
|--|------|
| Hilux Resources Pty Ltd | 7.12 |
| Whitfords Holding Investments Ltd | 6.61 |
| Lynewood Holdings Ltd | 4.76 |
| Bodie Investments Pty Ltd | 4.17 |
| Covenant Holdings (WA) Pty Ltd <The Boyd No 3 A/c> | 3.77 |
| Shawlane Capital Ltd | 3.76 |
| Dr Leon Eugene Pretorius | 3.09 |
| Baglora Pty Ltd <Mott Family Super Fund A/c> | 2.54 |
| Ang Kay Tiong | 2.07 |
| TA Securities Holdings Berhad | 2.05 |
| Archer Pacific Holding Limited | 2.04 |
| Mr Malcolm John McClure | 1.91 |
| Penause Pty Ltd | 1.65 |
| Mota Engil Minerals & Mining Investments BV | 1.63 |
| Sonnenallee Investments Pty Ltd | 1.56 |
| BNP Paribas Noms Pty Ltd <DRP> | 1.49 |
| Hemmingway United Investment Ltd | 1.43 |
| Turbine Capital Limited | 1.22 |
| Vision Tech Nominees Pty Ltd | 0.81 |
| Alan Scott Nominees Pty Ltd <Alan Scott Super A/c> | 0.79 |

Cash Balance

At 30 September 2019 Speciality Metals' consolidated cash balance was approximately \$1,574,000.

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.

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

SPECIALITY METALS INTERNATIONAL LIMITED

ABN

77 115 009 106

Quarter ended ("current quarter")

30 September 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 47 | 47 |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (48) | (48) |
| (b) development | (763) | (763) |
| (c) production | (72) | (72) |
| (d) staff costs | (98) | (98) |
| (e) administration and corporate costs | (264) | (264) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 4 | 4 |
| 1.5 Interest and other costs of finance paid | (23) | (23) |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refund | - | - |
| 1.8 Other – Diesel fuel rebate | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,217) | (1,217) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (434) | (434) |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |
| 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 | - | - |
| 2.6 Net cash from / (used in) investing activities | (434) | (434) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 3,003 | 3,003 |
| 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 | (260) | (260) |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | (200) | (200) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Offtake & Working Advance | 455 | 455 |
| 3.10 Net cash from / (used in) financing activities | 2,998 | 2,998 |

| | | |
|---|---------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 218 | 218 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (1,217) | (1,217) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (434) | (434) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,998 | 2,998 |
| 4.5 | Effect of movement in exchange rates on cash held | 9 | 9 |
| 4.6 | Cash and cash equivalents at end of period | 1,574 | 1,574 |

| 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 | 1,574 | 218 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,574 | 218 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

62

-

Payment for consulting services at commercial rates and reimbursement of travel expenses.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

-

-

N/A

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other | - | - |
| 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. | | |

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| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|------------|
| 9.1 Exploration and evaluation | 55 |
| 9.2 Development | 400 |
| 9.3 Production | 80 |
| 9.4 Staff costs | 150 |
| 9.5 Administration and corporate costs | 250 |
| 9.6 Other (Provide details if material) | - |
| 9.7 Total estimated cash outflows | 935 |

| 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 | N/A | N/A | N/A | N/A |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | N/A | N/A | N/A | N/A |

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:



Executive Chairman

Date: 30 October 2019

Print name: Russell H. Krause

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.