



# Quarterly Activities Report

Quarter Ended 30 June 2020

***MT CARBINE PRODUCTION RAMP-UP CONTINUES HAVING ACHIEVED FIRST SHIPMENT OF MATERIAL  
EXPANSION ACTIVITIES ON WASTE ROCK STOCKPILE & QUARRY INITIATED  
ASSESSMENT OF THE HIGH-GRADE UNDERGROUND DEPOSIT COMMENCING***

## KEY TAKEAWAYS

### PRODUCTION AND DEVELOPMENT ACTIVITIES

- In relation to the JV's Retreatment Plant at Mt Carbine, an additional re-crushing circuit has been added to achieve higher mineral liberation and thus better tungsten recovery. This circuit included a wet screen and two secondary rolls crushers that were installed and commissioned.
- Further testing and assaying of the existing concentrate batches was undertaken by the CRONIMET team in preparation for final export. The production data from the ramp-up of operations shows a continuous 15% month-on-month improvement on plant availability with a 70% target set for July 2020 and a long-term target set at 80%-85%.
- The installation and commissioning of the X-Ray Ore Sorting Plant has been completed with trial operations continuing to allow for the efficient recovery of tungsten units from the quarry feedstock which will lead to a sustainably lower OPEX and environmental footprint.
- As part of a project consortium led by CRONIMET, the Company submitted a grant funding application to METS Ignited Australia Limited ("METS Ignited") for \$220,000 under the Queensland METS Collaborative Projects Fund. This was in relation to a mine waste transformation initiative titled "*Optimized X-Ray Ore Sorting Technologies and Material Handling Concepts for Historic Tungsten Mine Waste Transformation*". Subsequent to the quarter end, METS Ignited awarded the grant to the project consortium and the parties are currently finalising the formal funding agreement which is expected to be signed in the coming days from the release of this report.
- A \$4 million contract has been awarded to the Mt Carbine Quarry for the supply of various quarry materials for a major road construction project on the Queensland Government's Peninsula Development Road located within the Cook Shire in Far North Queensland. Delivery of the material and the corresponding revenue recognition is scheduled to progressively occur during quarter three and four of 2020.

### EXPLORATION ACTIVITIES

- A detailed review of the geology of Mt Carbine has given new insights into the mineralisation. In a recent review by the Company and by using careful computer modelling, high-grade veins have been traced to depth. Core intercepts of these veins have been labelled 'King Veins' in recognition of their high-grade and robust mineralisation.
- Areas for infill drilling are already emerging and will be key follow-up work. Once high-grade zones have been confidently identified, planning can begin for a low tonnage but high-grade deposit. To this end, the Company has now engaged a full-time geologist to redefine the underground resource at Mt Carbine.

## CORPORATE UPDATE

- In line with the Company's transition from a junior explorer to an emerging sustainable metals and minerals producer, key organisational changes came into effect including the resignation of the previous Executive Chairman and CEO, and the appointments of Kevin MacNeill as Interim-CEO and Senior Technical Advisor, and Kim Cavallaro as Chief Commercial Officer and CEO-Designate.
- The Board has continued to guide the Company's corporate strategy and long-term vision, seeking to leverage the Company's core competencies and existing flagship project to meet societal challenges including the need for critical raw materials driven by the global shift to a hi-tech and lower carbon future.
- With the restructured leadership team now in place, the Company expects to accelerate the articulation of the Company's purpose, values and principles in the coming quarter, and to implement a framework to embed the Company's purpose into its strategy, operations and people-related efforts, and in turn, drive innovation and opportunities.
- The team has commenced identifying opportunities for mutually reinforcing social and business value through the Company's activities relating to its products, operations and role in the community.

*"At the conclusion of my first quarter as CEO of Speciality Metals International Limited, I'm proud to report that the production team have increased availability and recovery steadily. We were pleased to be awarded the \$4 million Bama contract which enables activities such as hiring a highly qualified Quarry Manager to increase production and aid the recapitalisation and purchase of new equipment for the quarry. We look forward to seeing the results of the test work and pilot operation of the XRT sorting plant in the upcoming quarter."*

— Kevin MacNeill, Interim-CEO and Senior Technical Advisor

*"The Mt Carbine operations set up the Company's strategy to achieve business success by seizing the opportunities presented by the increasing demand for critical minerals and embracing resource efficiency, advanced technologies, multi-disciplinary teamwork and collaborative partnerships. In the short time since joining the Company and working with Kevin and the Board, it is clear we are aligned that business success can occur at the same time as social success. We are looking for opportunities in our core business to make a positive social and environmental impact."*

— Kim Cavallaro, Chief Commercial Officer

## PRODUCTION AND DEVELOPMENT ACTIVITIES

### MT CARBINE DEVELOPMENTS - OVERALL PLANNING

The Company is continuing to develop the operational and execution strategy for its Mt Carbine assets. Figure 1 (pictured below) outlines the anticipated timeline for scaling up the four development projects at Mt Carbine. The timeline was prepared having regard to the environmental permitting requirements for the relevant activities:

1. Ongoing operation of reprocessing historical tailings currently stockpiled on-site;
2. Development of Sensor Based Sorting (XRT Pilot Plant) on historical waste dumps and any future mining waste, simultaneously preparing the material for barren quarry feed;
3. Resource exploration (re-definition) targeting high-grade envelopes for underground mining with minimal impact; and
4. Ongoing operation and development of an expanded and steady supply pipeline for quarry materials that is in line with the scale-up of permitting and Sensor Based Sorting operations.

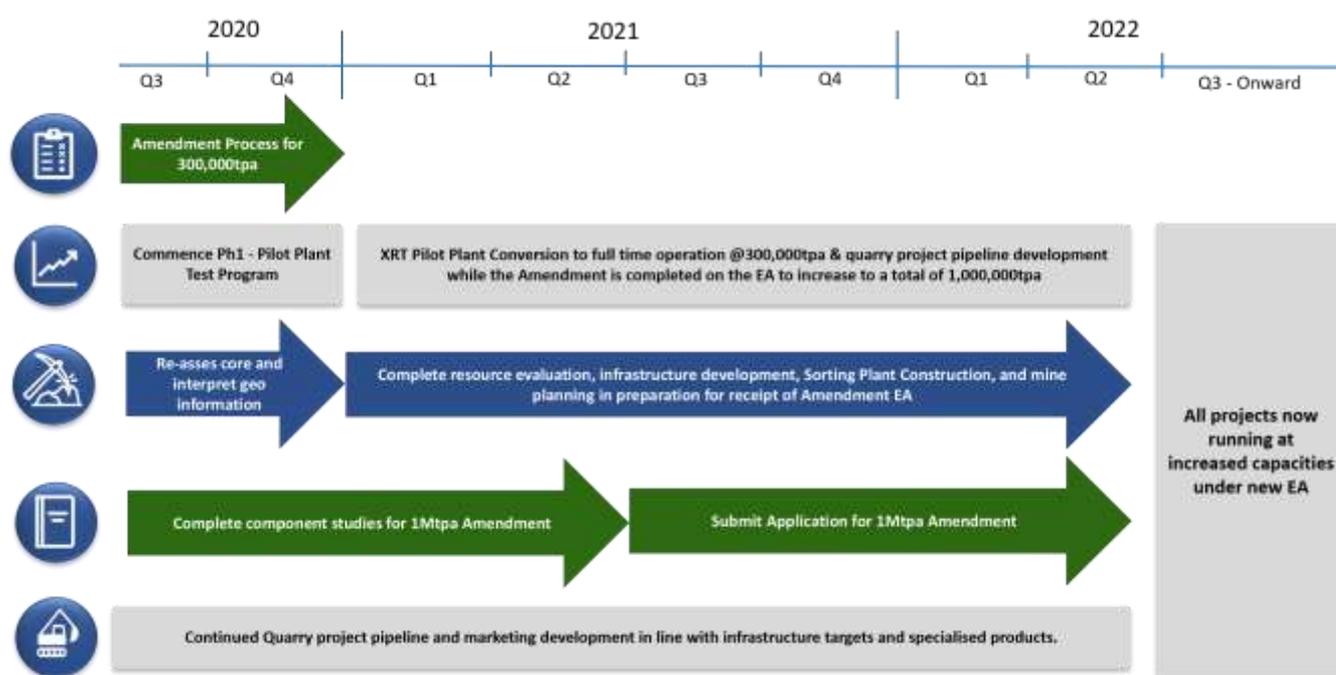


Figure 1: Mt Carbine - Development Projects Timeline

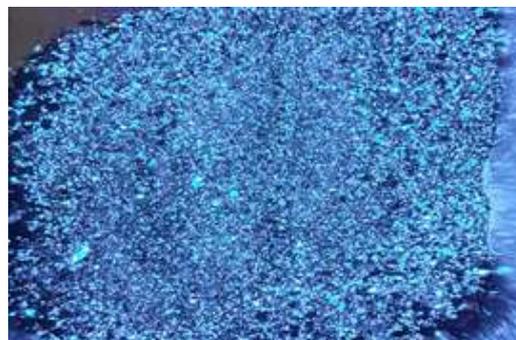
### RETREATMENT PLANT UPDATE

The Mt Carbine Retreatment Plant underwent modifications during the ramp-up and optimisation phase which has led to further improvements of the plant and process design. An additional re-crushing and wet stage has been added to achieve a higher mineral liberation, and thus better tungsten recovery. The wet screen and secondary rolls crushers were installed and commissioned (refer to ASX announcement released on 8 April 2020, [Mt Carbine Retreatment Plant Commissioning and X-Ray Sorter Installation Update](#)).

Prior to final export, the CRONIMET team has performed further testing and assaying around the existing concentrate batches which have been produced. Those investigations are related to a separation of clean wolframite and scheelite concentrates, representing the two main tungsten minerals at the Mt Carbine deposit.

Production activities at the Retreatment Plant continue to improve. The production data from the ramp-up of operations shows a continuous 15% month-on-month improvement on plant availability with a 70% target set for July and a long-term target set at 80%-85%. In accordance with the Offtake Agreement between the JV partners and CRONIMET Asia Pte Ltd ("CRONIMET Asia"), CRONIMET Asia has, at the end of June, taken delivery of the May and

June production. Following quarter end, first material has been transported from site to Brisbane, Queensland, for export to an Asian customer (refer to ASX announcement released on 20 July 2020, *Operational Update on Retreatment Plan and X-ray Pilot Production Schedule*).



*Figure 2: Mt Carbine mixed tungsten concentrate*

Global tungsten pricing, as evidenced by the ammonium paratungstate (APT) market, faded in recent months due to the reduced demand from industrial and manufacturing sectors, triggered by the COVID-19 economic contraction. Supply is held tightly and sources suggest that trading has been limited as sellers hold onto concentrate stock in the belief that the current low price will shift as market starts to improve. Tungsten is not easily substitutable in its various applications and the prevailing view is that a price upturn, whilst it may take some time, will occur.

### **X-RAY SORTER DEVELOPMENT**

Installation and commissioning of the X-Ray Sorter Pilot Plant has been completed. Bulk testing of several stockpiles around the Mt Carbine site has commenced to determine the economic optimisation of XRT Sorting on the material. This is the first step in the process of scaling up the processing operations at Mt Carbine to the targeted 1,000,000 tonnes per annum. Using XRT and gravity processing, the Company can recover historical tungsten units left behind in the waste rock stockpiles and scale up operations in line with the timeline set out in Figure 1. The trial operations synchronise the recovery of tungsten units at the same time as preparation of quarry feedstock which will lead to a sustainably lower OPEX and environmental footprint.

The test work results from the XRT Plant are being compiled for a collaborative project study titled “*Optimized X-Ray Ore Sorting Technologies and Material Handling Concepts for Historic Tungsten Mine Waste Transformation*”. The study assesses the optimisation of scaling up the sorting solution for Mt Carbine and the related benefits. The project consortium is led by CRONIMET and consists of the Company, CRONIMET, The University of Queensland - WH Bryan Mining and Geology Research Centre, TOMRA Sorting Pty Ltd and DAS Mining Solutions Pty Ltd.

Following the quarter end, the project consortium’s application to METS Ignited Australia Limited (“METS Ignited”) for \$220,000 under the Queensland METS Collaborative Projects Fund has been awarded. The parties are currently finalising the formal funding agreement which is expected to be signed in the coming days. This is a positive endorsement by both the Commonwealth and Queensland Governments (facilitated by METS Ignited) and the work completed under this grant program (expected to take nine months) will be a contributor to the ongoing development of the sorting operation. The project will establish the physical controls on separation efficiency of the low-grade stockpile materials at Mt Carbine to develop new mine planning and scheduling models and optimise scale-up application of ore sorting technologies (refer to ASX announcement released on 24 July 2020, *Government Support for Mt Carbine Mine Waste Transformation Initiative*).

The Company has commenced the necessary work to assess relevant amendments to current permitting requirements to allow the operation scale-up to take place.



*Figure 3: Sensor Based Sorting (XRT Pilot Plant)*

## **QUARRY OPERATIONS UPDATE**

During the quarter, the Company's wholly-owned subsidiary, Mt Carbine Quarrying Operations Pty Ltd, received its largest purchase order to date for approximately \$4 million (including GST) from Bama Civil Pty Ltd ("Bama") for the supply of various quarry materials. Delivery of the material and the corresponding revenue recognition is scheduled to progressively occur during the half-year ending December 2020, as Bama completes a major road construction project on the Queensland Government's Peninsula Development Road located within the Cook Shire in Far North Queensland (refer to ASX announcement released on 1 July 2020, *\$4 Million Contract Enhances Order Intake for the Mt Carbine Quarrying Operations*).

The Company's order intake improved throughout May and June 2020, with the easing of COVID-19 travel restrictions and the recommencement of various construction projects around Far North Queensland. These orders come at a time where there is a renewed focus on the quarrying operation becoming a consistent cash generating business unit for the Company. Given the positive feedback, preparation of additional quarry material stockpiles has begun with several products produced and ready for despatch. The Company is also purchasing certain new equipment in preparation for the Bama contract to ensure output targets are met and the quarry continues its modernisation and steady scale-up of the operation.

The Mt Carbine quarry continues to look for innovative development solutions for the quarry operations that allow for sustainable and continuous income, while in parallel, continue to prove its capability and reliability in the supply of large infrastructure contracts such as the upcoming Bama contract. With significant infrastructure funding being made available by the Queensland Government, the Mt Carbine quarry will target the supply of quarry products to Government-funded infrastructure projects as well as continuing to develop its project pipeline in the private sector.

Following the quarter end, the Company has appointed a new Quarry Manager, Mr Michael Bartlett who will start in mid-August 2020 and support the continued growth and development of the quarry. Mr Bartlett holds tertiary qualifications in Commerce and current quarrying management and Site Senior Executive certifications. He has significant experience in quarrying operations in diverse industries including in mining, transport and local government. The Company sees this appointment as a positive step to continue the steady growth and development of the quarry operations.

## **COVID-19 UPDATE**

To date, COVID-19 has had minimal impact on our operations at Mt Carbine. The Company has put additional preventative health measures in place around the site and continues to take advice from State and Federal Governments, including the Department of Natural Resources, Mines and Energy.

## **EXPLORATION ACTIVITIES**

### **MT CARBINE**

A detailed review of the geology of Mt Carbine has given new insights into the mineralization. Since the discovery of the mine in 1895, Mt Carbine has always attracted old-time miners who produced a significant amount of tungsten by hand from mining rich veins of tungsten in narrow tunnels and shafts. The miners were able to follow these narrow high-grade veins for hundreds of metres. By using careful computer modelling, the Company has highlighted these high-grade veins can be traced to depth. Core intercepts of these veins have been labelled 'King Veins' in recognition of their high grade and robust mineralisation (pictured below in Figure 5).

Mt Carbine is one of the world's large tungsten resources and was previously treated as a large bulk target with a significant development cost. However, within this large resource, considerable tungsten is contained in high-grade structural zones.



*Figure 4: High-Grade Mineralisation*

When identified, these are being named after the veins that the old-timers mined (*the Bluff, Johnson, Lolanthe, Wayback and Dazzler*) and are vein lodes that have been traced to depth. In each of these lodes, the tungsten mineralisation is predominantly within narrow, but extremely high-grade vertical wolframite/scheelite bearing quartz veins. The veins branch, pinch and swell but evidence suggests that the stronger lodes zones can be traced over hundreds of meters, similar to the surface mined extents. The definition of these King Veins will require a different approach of detail. Currently intercepts are 50-75m apart within the larger resource (47Mt @ 0.13% WO<sub>3</sub>) and further closer spaced drilling will be required to confirm their continuity.

Some of the Mt Carbine drill core dates back over 40 years and it is was necessary to do a clean-up and re-log for the Company's new database. At the same time, new high-resolution core photography is being completed that will be computer linked to their intervals. This is a start in the re-evaluation of the database to provide the necessary data to undertake an evaluation of this high-grade target.



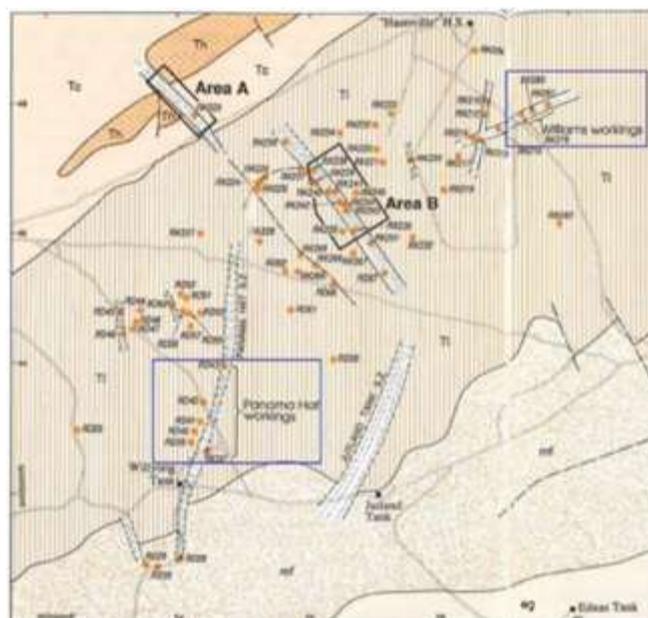
Areas for infill drilling are already emerging and will be key follow-up work. Once high-grade zones have been confidently identified, planning can begin for a low tonnage but high-grade deposit. To this end, the Company has now engaged a full-time geologist to redefine the underground resource at Mt Carbine.

**Figure 5: King Vein Mineralisation**

## **PANAMA HAT – BROKEN HILL**

Panama Hat has been the focus of past detailed exploration with a line of gold workings stretching over an 8km strike length. This zone is known as the Huonville Gold Field and sits entirely with the Company's tenement. Gold located to date has been in high-grade narrow quartz veins that are hosted in the Willyama Supergroup Formation, with the largest mine being the Panama Hat Mine.

Exploration in this area has been hampered by extensive calcrete cover and recent developments in science has shown that sampling of this calcrete can allow underlying tracing of gold deposits. The initial orientation test sampling showed anomalies in the calcrete emerging and showed a strong trend across the know 'line of lodes'. Given the success of this approach, the Company will complete the survey over the entire gold field and then review for drill targets.



**Figure 6: EL8024 Panama Hat, Willyong Tank and William prospects hosted by shear zones (after Burton 1992)**

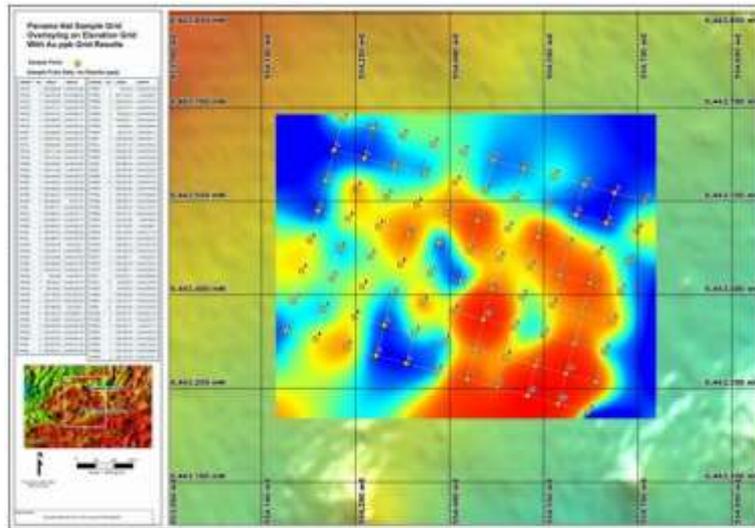


Figure 7: Plot of gold values (ppb) obtained in calcrete samples of Panama Hat Grid,  $\geq 5\text{ppb}$  is the threshold for gold anomalous value

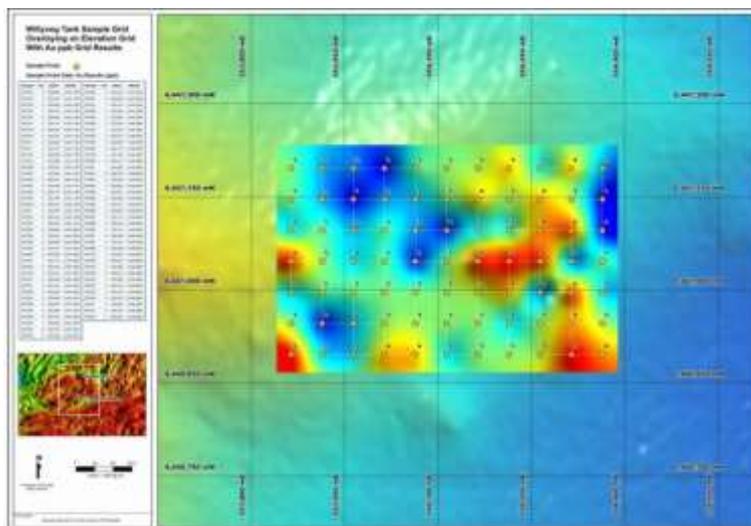
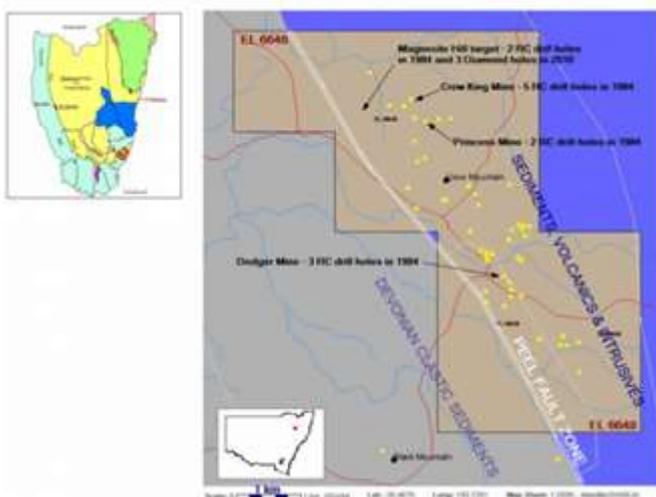


Figure 8: Plot of gold values (ppb) obtained in calcrete, Willyong Tank,  $\geq 5\text{ppb}$  is the threshold for gold anomalous value

## CROW MOUNTAIN – NEW ENGLAND



This tenement has a long extension of gold mineralization associated with the major regional rift called the Peel Fault.

Historical work has shown that mineralisation occurs within this structure and is likely the conduit for much of the mineralisation surrounding the fault.

Targeting for drilling will concentrate on this conduit, however a mapping program will initially be undertaken, as the first step in the process, during the fourth quarter of 2020.

Figure 9: Peel fault and associated know gold occurrences

## CORPORATE UPDATE

### ORGANISATIONAL UPDATE

During the quarter, the Company secured key leadership appointments as part of an organisational alignment to support the Company's transition from a junior explorer to an emerging and sustainable metals and minerals producer. The resignation of the previous Executive Chairman and CEO, Mr Russell Krause took place in April 2020 (refer to ASX announcement released on 24 April 2020, [\*Executive Chairman/ CEO Resignation\*](#)) and the appointment of two senior executives were made in the following month. This included the appointment of Mr Kevin MacNeill as Interim CEO and Senior Technical Adviser, and Ms Kim Cavallaro as Chief Commercial Officer and CEO-designate (refer to ASX announcement released on 13 May 2020, [\*Leadership Appointments and Organisational Update\*](#)). At the same time, it was announced that Mr Oliver Kleinhempel would assume the role of Non-Executive Chairman for a transition period.

Mr MacNeill commenced with the Company on 7 May 2020 and has focused on the day-to-day operations at Mt Carbine as well as overseeing the assessment of the Company's project portfolio to outline a strategic roadmap for the Mt Carbine developments and the gold explorations activities in New South Wales.

Following quarter end, Ms Cavallaro commenced with the Company on 1 July 2020, and is undertaking a review of the Company's corporate and commercial processes to support its growth as a sustainable resource management company. Work is in progress to align and agree on the Company's purpose and to embed that in our corporate identity, strategy, operations and people practices.

Additional organisational changes following quarter end include:

- the departure of Mr Chris Godfrey, Chief Operating Officer, effective 31 July 2020. The Company would like to thank Mr Godfrey for his services; and
- the appointment of Mr Michael Bartlett to the newly created Quarry Manager role, commencing in mid-August 2020.

The Company will continue to engage staff, as required, to build capacity and operational efficiencies for the Retreatment Plant, the X-Ray Sorter and Quarry operations at Mt Carbine.

### STRATEGY UPDATE

The Board has continued to guide the Company's corporate strategy and long-term vision. Together with the new Leadership Team and other Senior Managers of the Company, the Board is seeking to leverage the Company's core competencies and existing flagship project to meet societal challenges including the need for critical raw materials driven by the global shift to a hi-tech and lower carbon future. Sustainability as a core value for the Company relates not only to the environment and communities but also to the profitability of the business thereby enabling the Company and its intended societal impact to be self-sustaining.

With the restructured Leadership Team now in place, the Company expects to accelerate the articulation of the Company's purpose, values and principles in the coming quarter, and to implement a framework to embed the Company's purpose into its strategy, operations and people-related efforts, and in turn, drive innovation and opportunities.

The team has commenced identifying opportunities for mutually reinforcing social and business value in the Company's activities listed below:

#### *Products:*

- The Company is currently exploring potential value-add technologies to transform the tailings waste materials into environmentally sustainable and high-strength building products.

#### *Operations:*

- As activities at the Mt Carbine site have ramped up and increased operational complexity, the Company has invested in the provision of both external and internal safety training for our staff. The increased safety training and set training dates have been mandated for all shifts. The Company is committed to the continuous upskilling of employees in areas of safety and beyond.

- The Company is undertaking an assessment of its current energy usage and carbon emissions to identify cost reductions and lower its carbon footprint. Upon completion of assessment, the Company intends to implement meaningful targets and adopt solutions (such as entering a clean energy power purchase agreement, if appropriate).

*Community:*

- The Company is undertaking a review of Native Title claims and obligations in and around Mt Carbine, and areas relevant to the Company's exploration licences in New South Wales. Upon completion of this review, the Company intends to engage with the traditional owners to collaborate and explore opportunities for meaningful Indigenous engagement.
- The Company has commenced engagement with the neighbouring landholder at Mt Carbine, Brooklyn Sanctuary, part of Australian Wildlife Conservancy. The Company intends to support the diversity of native flora and fauna in the Brooklyn Sanctuary, and will be shortly implementing a weed management policy with support from Brooklyn Sanctuary.

Further communications will be made, if and when appropriate, having regard to each of these strategic developments.

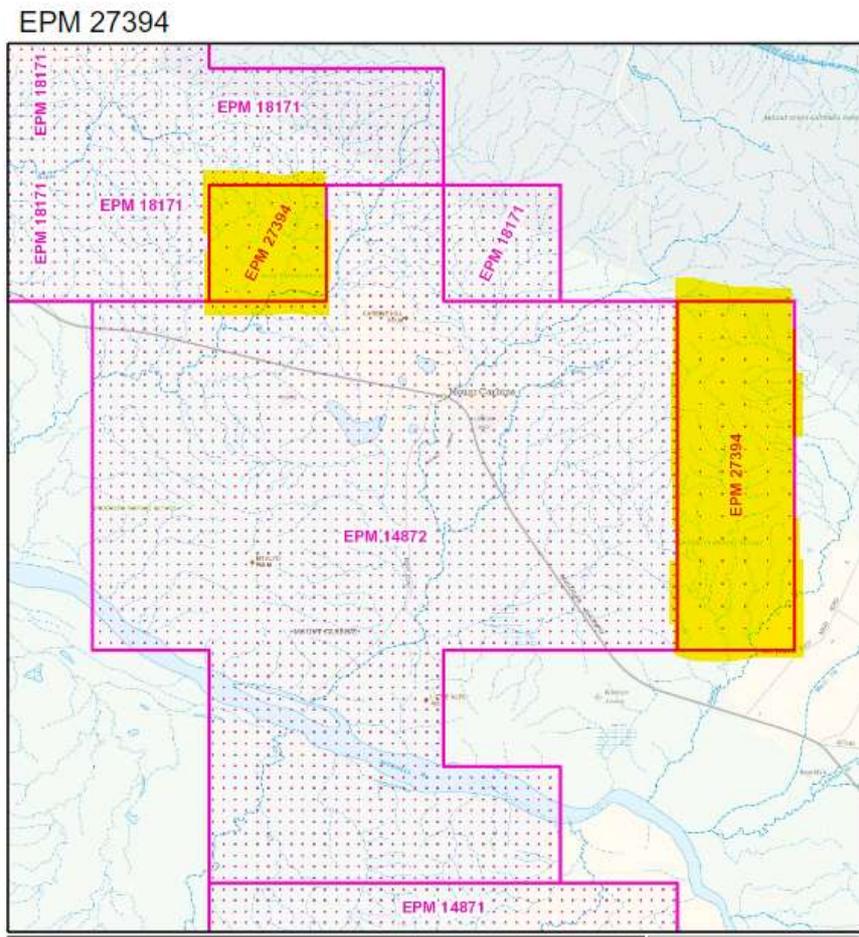
### **TENEMENT INTERESTS**

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

<b>Tenement Number</b>	<b>Tenement Location</b>
<b>Queensland, Australia</b>	
EPM 14871	Mt Carbine
EPM 14872	Mt Carbine
EPM 27394	Mt Carbine (Granted 1 June 2020)
ML 4867	Mt Carbine
ML 4919	Mt Carbine
<b>New South Wales, Australia</b>	
EL 6648	Crow Mountain
EL 8024	Broken Hill (Renewal Application Pending)

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

In relation to EPM 27394 and as per Figure 10, the Company applied for and was granted EPM 27394 on 1 June 2020. The selected area closes the gap with the neighbouring concession (EPM 18171) towards the north-west as well as extending the Company's working area with regards to the two potential prospects, Iron Duke and Petersens Lode.



*Figure 10: EPM 27394 (highlighted)*

## **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 June 2020, that the only payments to related parties of the Company pertain to payments to Directors for fees, salary and superannuation.

## **MISCELLANEOUS**

The Company's registered office and principal place of business changed to Level 2, 480 Collins Street, Melbourne VICTORIA 4000, effective 21 May 2020.

By authority of the Board,

K MacNeill

**Interim CEO and Senior Technical Advisor**

#### **FORWARD-LOOKING STATEMENTS**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

#### **COMPETENT PERSONS' STATEMENT**

The information in this document that relates to exploration results and mineral resources and ore reserves is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists and a consultant to the Company. Dr White has sufficient experience relevant to the style of mineralisation, mining and processing the type of deposit under consideration to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr White consents to the inclusion of the matters based on his information in the form and context in which it appears.

## SPECIALITY METALS INTERNATIONAL LIMITED - AT A GLANCE

### Directors

Mr Oliver KLEINHEMPEL, Non-Executive Director  
 Mr Stephen LAYTON, Non-Executive Director  
 Mr Zhui Pei YEO, Non-Executive Director  
 Mr Russell KRAUSE, Executive Chairman (Resigned 24 April 2020)

**Company Secretary** - Mr Adrien WING

### Registered Office and Principal Place of Business

Level 2, 480 Collins Street, Melbourne VIC 3000 | Telephone: +61 3 9614 0600

### Website and General Enquiries

Please visit the Company's website for the latest announcements and news: [www.specialitymetalsintl.com.au](http://www.specialitymetalsintl.com.au).

To receive Company announcements by email, please contact: [info@specialitymetalsintl.com.au](mailto:info@specialitymetalsintl.com.au).

For general enquiries, please contact Kim Cavallaro, Chief Commercial Officer on [kcavallaro@spmetals.com.au](mailto:kcavallaro@spmetals.com.au).

### Issued Capital and Market Capitalisation

At 28 July 2020, the Company's issued capital was 1,110,229,631 ordinary shares. At a share price of \$0.028 on 28 July 2020 the market capitalisation was \$31.08 million.

### Number of Shareholders and Major Shareholders

At 28 July 2020, the Company had 1,476 shareholders. The share register records the following as major shareholders as at 28 July 2020 accounting for 58.30% of the issued shares:

Shareholder	%
Hilux Resources Pty Ltd	6.31
Whitfords Holding Investments Ltd	5.85
Archer Pacific Holding Limited	4.95
Citicorp Nominees Pty Limited	4.81
Lynewood Holdings Ltd	4.22
Bodie Investments Pty Ltd	3.87
Covenant Holdings (WA) Pty Ltd <The Boyd No 3 A/c>	3.33
Shawlane Capital Ltd	3.33
Dr Leon Eugene Pretorius	2.93
Hemmingway United Investment Ltd	2.80
Ang Kay Tiong	2.33
Baglora Pty Ltd <Mott Family Super Fund A/c>	2.29
TA Securities Holdings Berhad	1.92
Shawlane Capital Ltd	1.62
Mota Engil Minerals & Mining Investments BV	1.44
Sonnenallee Investments Pty Ltd	1.38
Penause Pty Ltd	1.36
BNP Paribas Noms Pty Ltd <DRP>	1.30
Mr Malcolm John McClure	1.18
Turbine Capital Limited	1.08

### Cash Balance

At 30 June 2020 Speciality Metals' consolidated cash balance was approximately \$2,990,000.

### Shareholder Enquiries

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

Automic Group | Level 5, 126 Phillip Street, Sydney NSW 2000  
 Telephone (within Australia): 1300 288 664 / (international): +61 2 9698 5414 | Email: [hello@automic.com.au](mailto:hello@automic.com.au)

### ASX Listing Code

The Company's ASX listing code is SEI.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Speciality Metals International Limited

ABN

77 115 009 106

Quarter ended ("current quarter")

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	110	626
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(54)	(243)
(b) development	(374)	(1,260)
(c) production	(213)	(713)
(d) staff costs	(427)	(973)
(e) administration and corporate costs	(332)	(1,072)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	11
1.5 Interest and other costs of finance paid	(1)	(24)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other		
- Diesel Fuel Tax Credits	7	16
- ATO Cash Flow Boost	60	60
- R & D Tax Offset	203	203
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,019)</b>	<b>(3,369)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	(2)
(c) property, plant and equipment	(138)	(989)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(138)</b>	<b>(991)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,503
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	-	(530)
3.5 Proceeds from borrowings	-	29
3.6 Repayment of borrowings	(2)	(207)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Offtake & Working Advance)	(1)	340
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(3)</b>	<b>7,135</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	4,161	218
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,019)	(3,369)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(138)	(991)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(3)	7,135

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(11)	(3)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,990</b>	<b>2,990</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	990	4,161
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	2,000	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,990</b>	<b>4,161</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

231

-

Payments to Directors for fees and consultancy including travel expense reimbursements.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	23	23
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>23</b>	<b>23</b>

## 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 it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Secured 3 Year Equipment Finance Loan at an Interest Rate of 4.91% p.a.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,019)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,019)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,990
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,990
<b>8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>2.9</b>

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?

Answer:

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?

Answer:

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

Answer:

**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: 29 July 2020

Authorised by: By the Board

**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".
5. 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.