



# Quarterly Activities Report

Quarter Ended 30 June 2018

## HIGHLIGHTS

### MT CARBINE

- Speciality Metals International Limited (ASX: SEI, Speciality Metals or the Company) was pleased to announce on 18 April 2018 the achievement of a significant milestone in the development of the Company's world-class Mt Carbine Tungsten Project with the Sale and Purchase Agreement (SPA) with Mt Carbine Quarries Pty Ltd (MCQ) being executed on that date along with the required deposit being paid. This Agreement covers the acquisition of the Mt Carbine Quarry, as a going-concern including all plant and equipment, along with Mining Leases ML 4867 and ML 4919 and is subject to Speciality Metals obtaining adequate financing.

### CHILE

- The outstanding high lithium values identified as part of the above sampling program were detailed in the Company's announcement dated 11 April 2018. Of particular interest was a main anomalous sample population ranging from 400ppm to 2,360ppm lithium obtained from samples along the western margin of Salar de Pintados and the northern margin of Salar Bellavista. These values fall within or exceed the range of lithium brine concentrations exploited by existing lithium brine producers and are one or more orders greater than lithium values in surface samples from Salar de Atacama, where currently a third of the world's lithium is produced.
- The Company further announced on 9 May 2018 that its Geological Team would be travelling to Chile with the intention of approving new exploration concession applications to extend SEI's footprint in Northern Chile. Also, the team would be interviewing drilling contractors and assessing their availability and drilling technology to safely test the Company's existing brine targets.

### CORPORATE

- A successful General Meeting was held in Melbourne on 22 June 2018 at which members approved all resolutions on a show of hands or by way of poll.

## EXECUTIVE SUMMARY

The June 2018 quarter has been yet another extremely busy period for Speciality Metals with the Company achieving a major milestone in the development of its world-class Tungsten Project with the signing of the SPA with Mt Carbine Quarries Pty Ltd in April 2018 (subject only to financing). Since this time the Board have been working diligently to secure the most cost-effective combination of debt and equity finance to minimise the dilutionary impact upon existing shareholders. Speciality Metals is currently in negotiations with several parties to close these financing arrangements. Consequently, the Company has agreed to a one month, subject to finance/settlement extension, with Mt Carbine Quarries Pty Ltd to 31 August 2018.

Speciality Metals is also negotiating with potential off-take partners to secure a formal offtake agreement for the future production of tungsten concentrate. These negotiations are advanced however it is difficult to predict the exact timing of the finalisation of such agreement.

As at 27 July 2018 the tungsten APT price (Ammonium Paratungstate) has remained relatively firm with the European Tungsten APT price sitting between US\$333 – US\$341 (per 10kg MTU).

As previously advised the Company intends to commence early production, upon the successful completion of the SPA, via the use of ore-sorting technology to high-grade the ore contained within the existing stockpile. Part of the funds received from the Company's quarrying and mineral processing activities will go towards undertaking further exploration within its highly prospective Iron Duke tenement, where previous mapping and sampling activities have indicated an extensive strike length that may be equal to, or even greater than, the existing Mt Carbine open-pit tungsten deposit. A detailed exploration program and budget will be finalised by the Board and its geological team for the Company's entire exploration portfolio once funding has been finalised.

The Company's Geological Team also completed a successful field trip to Chile during the quarter to assess the possibility of expanding the Company's existing exploration portfolio and to interview drilling contractors to assess not only their availability but also their drilling technology to ensure the safe testing the Company's existing brine targets. The Board is extremely pleased with the outstanding sample results it has obtained to date. As a result of the information gathered to date, the Company's technical team are of the view that further hydrogeological work needs to be completed prior to the implementation of an exploratory drilling program. The technical personnel are currently assessing and evaluating possible drill targets and once this work is completed a drilling update will be provided.

The Company holds 25 Exploration Concessions within Northern Chile all of which have now been successfully transferred into Speciality Metals' 100% owned subsidiary company, Special Metals Chile SpA.

The Board looks forward to finalising the acquisition of the Mt Carbine Quarry and Mining Leases over the coming month 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 30 JUNE 2018

### OUTSTANDING HIGH SURFACE LITHIUM VALUES – NORTHERN CHILE SAMPLING PROGRAM

On 11 April 2018 Speciality Metals announced that its latest sampling program obtained some outstanding sample results within its exploration concessions over parts of Salar de Pintados and Salar Bellavista, in the Atacama Region of Northern Chile.

#### Sampling:

SEI has obtained some outstanding sample results in its third round of sampling within its wholly owned concessions in Salars de Pintados and Bellavista in the Atacama region of Northern Chile (Figure 1).



**Figure 1.** Location of SEI concessions Salar de Pintados and Bellavista in northern Chile

Sampling was focused on surface saline crusts showing strong evidence of evaporation of subsurface brines to the surface. In particular, a main anomalous population ranging from **400ppm to 2,360ppm lithium** was obtained from samples along the western margin of Salar de Pintados and the northern margin of Salar Bellavista. These values fall within or exceed the range of lithium brine concentrations exploited by existing lithium brine producers and are one or more orders greater than lithium values in surface samples from Salar de Atacama, where currently a third of the world's lithium is produced.

The areas of very high lithium values are surrounded by larger areas of strongly anomalous lithium values ranging from 150ppm to 400ppm (Table 1). Confirmation of lithium concentrations in the subsurface will depend on drilling results but in the meantime the sample results appear to strongly confirm SEI's exploration model.

**Table 1.** Lithium, Boron, Potassium and Magnesium analyses of all samples taken in Salars de Bellavista and Pintados concessions held by SEI.

| Salar Bellavista | Li ppm | B ppm | K % | Mg % | N (m)   | E (m)  |
|------------------|--------|-------|-----|------|---------|--------|
| L237             | 172    | 130   | 0.5 | 0.7  | 7713613 | 436769 |
| L248             | 171    | 100   | 0.5 | 1.1  | 7714931 | 436292 |
| L236             | 162    | 150   | 0.3 | 1.0  | 7713613 | 436769 |
| L246             | 115    | 490   | 0.6 | 1.0  | 7714931 | 436292 |
| L243             | 103    | 60    | 0.6 | 0.8  | 7711588 | 437493 |
| L244             | 102    | 40    | 0.3 | 0.3  | 7710823 | 437823 |
| L242             | 81     | 70    | 0.2 | 0.4  | 7711588 | 437493 |
| L245             | 77     | 60    | 0.6 | 0.8  | 7710823 | 437823 |
| L238             | 73     | 70    | 0.2 | 0.4  | 7712550 | 437149 |
| L235             | 68     | 60    | 0.2 | 0.2  | 7713613 | 436769 |
| L247             | 40     | 150   | 0.3 | 0.4  | 7714931 | 436292 |
| Salar Pintados   | Li ppm | B ppm | K % | Mg % | N (m)   | E (m)  |
| L455             | 2630   | 180   | 2.0 | 0.1  | 7733769 | 416437 |
| L252             | 1330   | 2240  | 4.4 | 0.7  | 7720461 | 432497 |
| L462             | 1290   | 200   | 3.1 | 0.6  | 7728429 | 422833 |
| L459             | 1080   | 170   | 2.9 | 0.6  | 7729969 | 420971 |
| L460             | 900    | 230   | 1.5 | 0.5  | 7729143 | 421973 |
| L60              | 820    | 3490  | 2.2 | 0.5  | 7725118 | 433196 |
| L253             | 780    | 2420  | 2.0 | 1.0  | 7720838 | 431939 |
| L458             | 590    | 190   | 1.9 | 0.5  | 7730501 | 420330 |
| L468             | 338    | 5760  | 0.8 | 0.7  | 7724166 | 433597 |
| L471             | 311    | 990   | 1.9 | 1.0  | 7722879 | 434151 |
| L450             | 297    | 310   | 0.6 | 0.4  | 7731539 | 419306 |
| L461             | 288    | 150   | 0.7 | 0.9  | 7728807 | 422374 |
| L258             | 191    | 710   | 1.9 | 0.6  | 7727773 | 423627 |
| L470             | 177    | 4420  | 0.6 | 1.0  | 7724166 | 433597 |
| L472             | 151    | 390   | 1.2 | 0.6  | 7722879 | 434151 |
| L454             | 109    | 100   | 0.5 | 0.4  | 7732628 | 417756 |
| L257             | 87     | 590   | 1.4 | 0.4  | 7727027 | 424532 |
| L256             | 55     | 440   | 0.7 | 0.5  | 7724501 | 427599 |
| L456             | 21     | 30    | 0.1 | 0.2  | 7734351 | 415835 |

Refer ASX Announcement dated 14 April 2018 “Outstanding Lithium Values Identified, Northern Chile” for JORC Code 2012 - Table 1.



All samples within Salar Pintados and Salar Bellavista are representative of surficial salt crusts as shown above.



Salar Pintados - sample **L468** (salt crust - young - with cracks) - **338ppm Li combined with 5760ppm B.**

It is anticipated that SEI may apply for more concessions as sampling outside its existing concessions has indicated further opportunities for lithium discovery.

At the same time the sampling has obtained some highly anomalous boron values ranging up to **7,000ppm boron**. Analysis of the sample data indicates that the boron values are not related to lithium, that is, the boron values may indicate boron mineralisation separate to and in addition to potential lithium enrichment. Magnesium values in samples with high lithium content indicate acceptable levels of magnesium which if evaporation is used in any future lithium production, is potentially an important economic factor in lithium recovery.

#### Geophysical interpretation:

SEI has completed a geophysical interpretation of airborne magnetic data which indicates that SEI's concessions (15 over Salar de Pintados and 5 over Salar Bellavista) are ideally situated in the best part of the basins. SEI's interpretation of the magnetic data indicates that the modern salars conceal ancestral closed basins that are smaller than the modern day salars and are now the targets in SEI's lithium search. The ancestral basins were formed between complex basement highs that have a general west-south-west trend. SEI's concessions cover the parts of each ancestral basin where there is the greatest potential thickness of sedimentary fill (Figure 2).

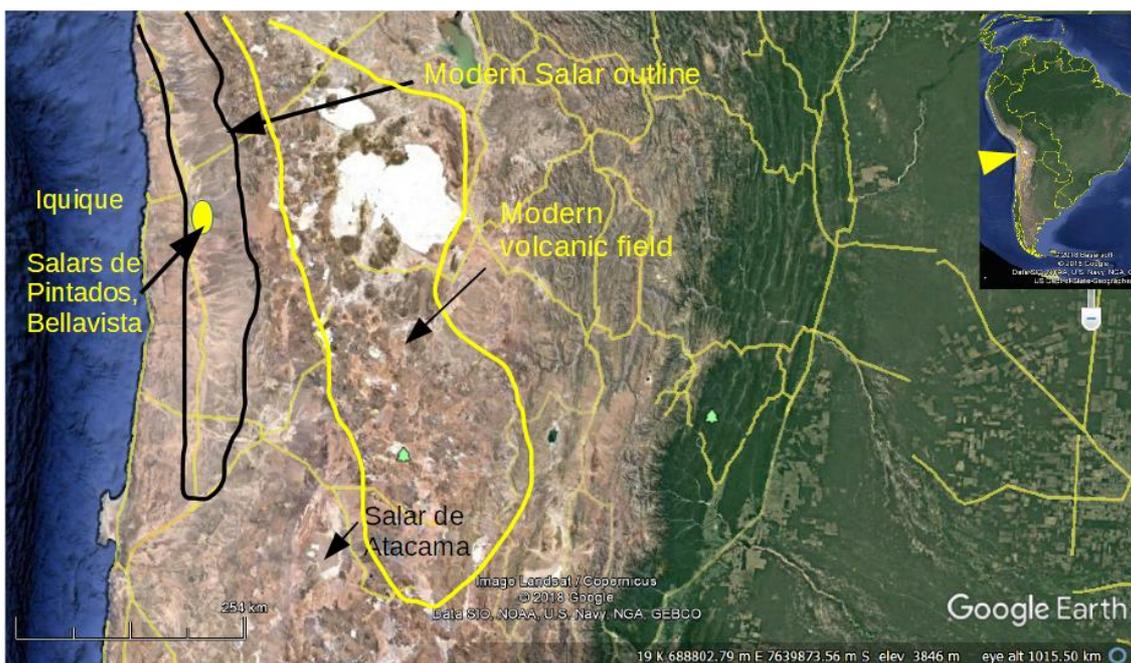


Figure 2. Location of Salars de Pintados and Bellavista with respect to modern salar (the Pampa Tamarugal).

At present, Salar de Pintados lies at the southern end of a very extensive closed basin (the Pampa Tamarugal) that extends north to the Peruvian border (Figure 2) and is separated from Salar Bellavista to the south by a relatively low divide. Both salars are at an elevation of around 1,200m and are receiving sediment from the Andes mountain ranges to the east (which range in elevation from 2,200m to 5,500m).

Field reconnaissance indicates that beneath a relatively thin, recent evaporative and clastic sediment cover, the concealed ancestral basins are likely to contain several hundred metres of Rio Loa Formation, an evaporative, carbonate dominated sequence (Figure 3) that extends throughout the Atacama region as the main sedimentary fill in a series of enclosed basins. One of these, Salar de Atacama, hosts the brines exploited by the two major lithium producers in Chile, SQM and Albemarle. Apart from dominant evaporative carbonates (limestone and dolomite) the Rio Loa Formation contains lenses of coarse sand and gravels, probably laid down during flash flooding events in the past. These clastic lenses are anticipated to be the main aquifer from which any brines might be produced and drilling will be required to establish their extent, however surface exposures indicate that the lenses are likely to have excellent porosity and permeability characteristics for future brine production.



**Figure 3.** Exposure of Rio Loa Formation, southern margin of Salar de Atacama.

#### **Drilling:**

The next step in testing SEI's results will be a drilling program. Work is now focused on the selection of a drilling method that will safely deliver reliable samples and once this is done, identifying competent drilling contractors to tender for the work. The recent sample data and geophysical work will greatly assist planning for drill testing. The preferred drill targets will be the greatest thickness of sedimentary fill coincident with the strongest surface lithium sample anomalies, anticipating that this will provide firstly, a larger subsurface brine reservoir opportunity and secondly, that in general, brine grades as reported by existing producers appear to increase with depth in the sedimentary basin fill.

Executive Chairman of Speciality Metals, Mr Russell Krause, stated:

“The Board is extremely pleased with the latest sampling results, given that they not only appear to strongly confirm the Company’s exploration model and geological theories, but it has also led to the identification other high-grade indicators outside of our existing concessions which the Company will seek to secure over the coming months.”

“The Board will now actively work towards finalising and fine-tuning the targets for its upcoming drilling program and will seek to secure a drilling contractor to undertake this work in the near future.”

“The Board and its geological team are confident that mineable quantities of lithium and other valuable mineral resources are still waiting to be discovered in Northern Chile, something that Speciality Metals is hoping to achieve as part of its exploration model.”

Mr Krause added:

“This is an exciting time for the Company as it continues to prove-up and build upon its diversified exploration portfolio. We look forward to releasing further details regarding our Chilean exploration/drilling activities in the near future.” Mr Krause concluded.

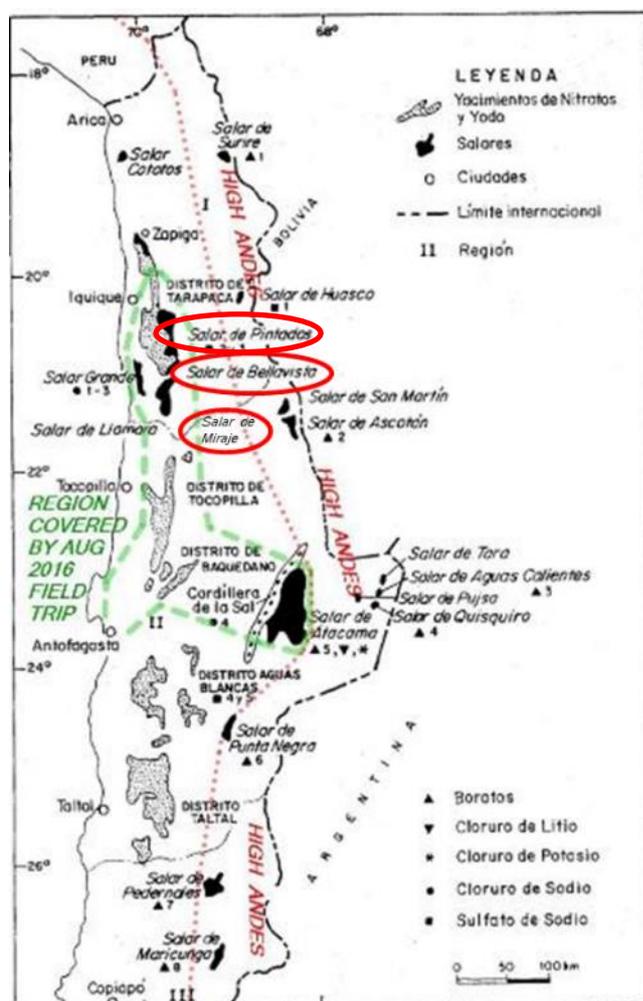
## CHILEAN EXPLORATION UPDATE

Speciality Metals provided the following update on its lithium search in the Atacama region of Northern Chile on 9 May 2018.

As a result of the Company’s sampling program in January 2018, SEI has identified a new style of lithium target to pursue in addition to its very promising lithium brine targets in Salar de Pintados and Salar Bellavista. The Company’s Geological Team is travelling to Chile with the intention of approving new exploration concession applications that will extend SEI’s footprint in Northern Chile. Also, the team will be interviewing drilling contractors and assessing their availability and drilling technology to safely test the Company’s existing brine targets.

The current assumption most favoured by geologists is that lithium brines in rift-associated closed basins, such as Salar de Atacama to the south east of Salar de Bellavista, is likely to have derived from the leaching of acid (silica-rich) volcanics adjacent to the closed basins. In this respect, Salars de Pintados and Bellavista, in which SEI has a total of 20 exploration concessions covering 60km<sup>2</sup>, are adjacent to and just west of the volcanic field that constitutes the altiplano in north eastern Chile that have historically received the drainage from this field. This configuration is similar to that of the salars elsewhere in South America including those in Argentina and Bolivia that are known hosts to lithium brines.

The advantage of the discovery of any brines in SEI’s target salars is that they are at a lower topographic level (~1000m above sea level) than the producing salars in Chile and Argentina, which occur at elevations >2400m. The SEI targets are in a more favourable position for year-round concentration of lithium by evaporation in ponds and also the SEI targets are traversed by the Pan-American Highway and are much closer to the ports on the Pacific Coast.



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

The anticipated host to any lithium brines in SEI's target areas is the Tertiary Rio Loa Formation. The sedimentary rocks that dominate the Rio Loa Formation are carbonates (limestones and dolomites) but include lenses of unconsolidated sands and gravels that are anticipated to be excellent reservoirs for the production of brines. However, SEI has been meticulous in its approach to the selection of a drilling method to ensure both sampling accuracy and the safe management of subsurface hydrological and geological conditions.

#### **CONTRACT OF SALE EXECUTED - MT CARBINE QUARRY & MINING LEASES**

On 18 April 2018 Speciality Metals was pleased to announce the achievement of a significant milestone in the development of the Company's world-class Mt Carbine Tungsten Project with the Sale and Purchase Agreement (SPA) with Mt Carbine Quarries Pty Ltd (MCQ) being executed that day along with required deposit being paid. This Agreement covers the acquisition of the Mt Carbine Quarry, as a going-concern including all plant and equipment, along with Mining Leases ML 4867 and ML 4919 and is subject to Speciality Metals obtaining adequate financing.

The parties have agreed that the specific terms of the Contract are to remain Commercial-In-Confidence and Speciality Metals will advise the market once the SPA becomes unconditional. The Company expects to have the SPA settled by late August 2018 at which time it will take over the operation of the Mt Carbine Quarry and its invaluable revenue stream.

Executive Chairman of Speciality Metals, Mr Russell Krause stated:

"A major milestone has been reached today with the execution of the SPA for the purchase of the Mt Carbine Quarry and Mining Leases with MCQ. Whilst the terms of the SPA cannot be disclosed at this stage the Board is seeking to finance a large portion of this transaction using a combination of offtake and debt funding."

"In this regard negotiations are well advanced with several interested offtake and debt funders in an attempt to minimise the transaction's dilutionary impact upon existing shareholders. The Company is also continuing to progress and refine its plans for the recommissioning the Tailings Retreatment Plant along with its intention to commence early production via the use of ore-sorting technology and high-grading the ore contained within the Low Grade Stockpile. The relatively firm European Tungsten APT price (Ammonium Paratungstate) has also greatly assisted in the negotiation process having restored a degree of confidence in the tungsten market. As at 16 April 2018 the APT price was sitting at US\$323 – US\$328 (per 10kg MTU)."

"Despite the process taking a little longer than initially anticipated both parties are extremely pleased with the progress made to date."

Mr Krause added:

"The Board is extremely excited to have reached this important milestone. We are all working tirelessly to ensure that the SPA is completed within the stipulated timeframes and that the Company is in a position to re-awaken its world-class Mt Carbine Tungsten Project and take full advantage of the synergies between the Quarry and the Company's future mining activities." Mr Krause concluded.

### 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 by Speciality Metals and its wholly owned subsidiaries:-

| Tenement Number                   | Tenement Location      |
|-----------------------------------|------------------------|
| <b>Queensland, Australia</b>      |                        |
| EPM 14871                         | Mt Carbine             |
| EPM 14872                         | Mt Carbine             |
| ML 4867                           | Mt Carbine (Sub-lease) |
| ML 4919                           | Mt Carbine (Sub-lease) |
| <b>New South Wales, Australia</b> |                        |
| EL 6648                           | Crow Mountain          |
| EL 8024                           | Broken Hill            |
| <b>Chile</b>                      |                        |
| Miraje 1 – 5*                     | Salar de Miraje        |
| Bellavista 1 – 5*                 | Salar de Bellavista    |
| Pinta 1 – 15*                     | Salar de Pintados      |

\* All exploration concessions have now been transferred into 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**

#### **COMPETENT PERSON'S STATEMENT**

The information in this report 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 Speciality Metals. 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 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](http://www.specialitymetalsintl.com.au). To receive Speciality Metal's announcements by email, email to: [info@specialitymetalsintl.com.au](mailto:info@specialitymetalsintl.com.au).

### General Enquiries

Contact Mr Russell Krause on (03) 9614 0600

### Issued Capital and Market Capitalisation

At 27 July 2018 Speciality Metal's issued capital was 554,876,418 ordinary shares. At a share price of \$0.021 on 27 July 2018 the market capitalisation was \$11.65 million.

### Number of Shareholders and Major Shareholders

At 27 July 2018 Speciality Metals had 1,518 shareholders. The share register records the following as major shareholders at 27 July 2018 accounting for 38.98% of the issued shares:

| Shareholder                                                                 | %    |
|-----------------------------------------------------------------------------|------|
| Dr Leon Eugene Pretorius                                                    | 6.43 |
| Bodie Investments Pty Ltd                                                   | 5.23 |
| Covenant Holdings (WA) Pty Ltd <The Boyd No 3 A/C>                          | 4.88 |
| Baglora Pty Ltd <Mott Family Super Fund A/c>                                | 3.33 |
| Mota Engil Minerals & Mining Investments BV                                 | 2.88 |
| TBB NSW Pty Ltd <The Watson No 1 A/C>                                       | 2.47 |
| WGS Pty Ltd                                                                 | 1.24 |
| Alan Scott Nominees Pty Ltd <Superannuation Fund>                           | 1.17 |
| HSBC Custody Nominees (Australia) Limited                                   | 1.15 |
| Mr Insaf Liyaul Fouz + Ms Shamila Mohamed Rilla <Insaf Investments Fam A/C> | 1.08 |
| Turbine Capital Limited                                                     | 1.08 |
| Andrew Hewlett White and Associates                                         | 1.00 |
| Max Mobile Auto Clinic Pty Ltd                                              | 0.94 |
| Mr Paul Machetti                                                            | 0.91 |
| Holland Strategic Wealth Pty Ltd <Hollands Family A/C>                      | 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 |
| JP Morgan Nominees Australia Limited                                        | 0.88 |
| Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C>                       | 0.87 |
| Andrew James Morgan                                                         | 0.75 |

### Cash Balance

At 30 June 2018 Speciality Metals' cash balance was approximately \$603,000.

### 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.