



14 May 2019

Company Announcements Office
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BINDING AGREEMENT EXECUTED FOR THE PURCHASE OF MT CARBINE QUARRIES PTY LTD AND JOINT VENTURE WITH CRONIMET ASIA PTE LTD

Highlights

- Speciality Metals International Limited (ASX:SEI) (**Speciality Metals** or **Company**) is pleased to announce that it has signed transaction documents (**Transaction Documents**):
 - for the acquisition of 100% of Mt Carbine Quarries Pty Ltd (**Mt Carbine Quarries**), an entity that owns and operates the Mt Carbine quarry and mining leases ML4867 and ML4919 (**Mining Leases**) (**Acquisition**). Settlement scheduled for 28 June 2019;
 - for the unincorporated Joint Venture between Speciality Metals and Cronimet Asia Pte Ltd (**Cronimet**) for the development of the Mt Carbine Tungsten Tailings Retreatment and Stockpile Projects (**Joint Venture**). Production from the tailings retreatment is expected to commence during the 4th quarter of 2019.

Cronimet is a subsidiary of the privately owned Cronimet Holding GmbH which was founded in 1980 as a raw materials service provider and trader in Karlsruhe, Germany. The Cronimet Group has grown organically since then to become a diversified commodity group with over 5,200 employees and activities in over 50 countries. Further information can be found on the Cronimet website.
- FIRB approval received for the Joint Venture.
- Acquisition to be financed on a 4 step, fully underwritten basis:
 - Tranche 1 – Placement of 83,231,463 ordinary shares at A\$0.018 to raise A\$1,498,166 to be completed on or about 16 May 2019;
 - Tranche 2 – Placement of 160,000,000 ordinary shares at A\$0.018 to raise A\$2,880,000 subject to shareholder approval;
 - Entitlement Offer (Rights Issue) to all shareholders on a 1 for 5 basis at A\$0.018; and
 - Offtake Advance of US\$3,500,000 to be paid by Cronimet.
- Appointment of two Non-executive Directors to the Board of Speciality Metals post completion of the Acquisition, namely Mr Oliver Kleinhempel, Managing Director of Cronimet Holding GmbH, and Mr Yeo Zhui Pei. Their details are provided later in this announcement.

Speciality Metals Executive Chairman, Russell Krause, commented:

“This transaction has been many months in the making and upon completion will enable our Company to properly unlock the long-recognised value of the Mt Carbine Tungsten Project. The Joint Venture with Cronimet and the technical expertise which comes with it, will completely reposition Speciality Metals and project it to the forefront of tungsten miners globally.”

“Over the past few months our team has worked closely and co-operatively with the Cronimet team and believe we are now in a position to shortly commence tungsten concentrate production at Mt Carbine at the lower-end of the production cost curve.”

“I am very excited about the opportunity this arrangement brings and I am looking forward to a long and profitable relationship with Cronimet,” Mr Krause concluded.

Commercial Terms

The key commercial terms of the Transaction Documents for the Acquisition are summarised below:

Documentation:	The Acquisition is documented under the Sale and Purchase Agreement – Mt Carbine Quarries Pty Ltd between Speciality Metals, Geoffrey Nicholson (Vendor) and Mt Carbine Quarries
Date:	14 May 2019
Conditions Precedent:	Completion of the Placements (see detailed below).
Purchase Price:	A\$8,000,000
Deposit	A deposit of A\$250,000 will be paid to the Vendor on or about 17 May 2019. This deposit is refundable to Speciality Metals in the event of default by the Vendor under the Sale and Purchase Agreement – Mt Carbine Quarries Pty Ltd.

The key commercial terms of the Transaction Document for the Joint Venture are summarised below:

Documentation:	<p>The joint venture is documented under the terms of:</p> <ul style="list-style-type: none"> • Offtake Advance Agreement – between Cronimet, CR Australia Pty Ltd (a subsidiary of Cronimet) (Cronimet Australia), Mt Carbine Retreatment Pty Ltd (a subsidiary of Speciality Metals) (Mt Carbine Retreatment); • Retreatment Operations Product Offtake Agreement – between Cronimet, Cronimet Australia and Mt Carbine Retreatment; • Retreatment Operations Unincorporated Joint Venture and Management Agreement – between Cronimet Australia, Mt Carbine Retreatment and Mt Carbine Retreatment Management Pty Ltd (the Manager); • Agreement to Execute between Speciality Metals, Cronimet, Cronimet Australia and Mt Carbine Retreatment for the entry into of the following, immediately following the acquisition of Mt Carbine Quarries: <ul style="list-style-type: none"> ○ Retreatment Operations Sub-Lease between Mt Carbine Quarries, Cronimet Australia and Mt Carbine Retreatment; ○ Tenement Mortgage (Limited Recourse) between Mt Carbine Quarries and Cronimet; and ○ Cross Security Deed – between Mt Carbine Quarries, Cronimet Australia and Mt Carbine Retreatment, • Retreatment Plant Sale Agreement – between Speciality Metals, Cronimet Australia and Mt Carbine Retreatment; and • Cross Security Deed – between Cronimet, Cronimet Australia and Mt Carbine Retreatment, <p>(together the "Joint Venture Documents").</p>					
Date:	14 May 2019					
Conditions Precedent:	<p>The Joint Venture Documents are subject to a number of condition precedents. A number of these have been satisfied. These are detailed below:</p> <table border="1" data-bbox="411 1771 1484 2096"> <thead> <tr> <th>Condition precedent</th> <th>Satisfied / not satisfied</th> </tr> </thead> <tbody> <tr> <td> <p>Transaction Documents Execution of the Transaction Documents and any conditions precedent in those Transaction Documents having been satisfied or waived in accordance with those documents.</p> </td> <td> <p>This condition will be satisfied once the Tranche 1 Placement and Tranche 2 Placement have been completed.</p> <p>Speciality Metals will announce the commencement of the Joint Venture to the ASX.</p> </td> </tr> </tbody> </table>		Condition precedent	Satisfied / not satisfied	<p>Transaction Documents Execution of the Transaction Documents and any conditions precedent in those Transaction Documents having been satisfied or waived in accordance with those documents.</p>	<p>This condition will be satisfied once the Tranche 1 Placement and Tranche 2 Placement have been completed.</p> <p>Speciality Metals will announce the commencement of the Joint Venture to the ASX.</p>
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	<p>FIRB Approval</p> <p>The Treasurer of the Commonwealth of Australia giving written notice of a decision that the Commonwealth Government has no objection to the acquisition of the interests in the Mining Leases by:</p> <ul style="list-style-type: none"> • Cronimet Asia under the Tenement Mortgage (Limited Recourse); or • Cronimet Australia under the Retreatment Operations Sub-Lease <p>and that notice is either free from conditions or subject to conditions that are acceptable to Cronimet Australia (in its absolute discretion).</p>	<p>Satisfied on 17 April 2019.</p>
<p>The Joint Venture</p>	<p>Under the Retreatment Operations Joint Venture and Management Agreement, the Company and Cronimet have agreed to establish an unincorporated Joint Venture for the stockpile and tailings retreatment operations of Mt Carbine Quarries (Retreatment Operations).</p> <p>The Joint Venture is held 50% each by:</p> <ul style="list-style-type: none"> • Mt Carbine Retreatment, a wholly owned subsidiary of Speciality Metals; and • Cronimet Australia, a wholly owned subsidiary of Cronimet, <p>(together the 'Joint Venture Parties').</p> <p>All rights/liabilities/costs of the Retreatment Operations will be owned/paid by the Joint Venture Parties 50:50.</p>	
<p>The Sub-lease</p>	<p>Following completion of the acquisition of Mt Carbine Quarries, Mt Carbine Quarries will enter into the Retreatment Operations Sub-Lease and grant a Sub-lease to the Sub-lease Area to the Joint Venture Parties (Sub-Lease).</p> <p>Under the Sub-lease, Mt Carbine Quarries grants the Joint Venture Parties access and other rights to enable the Joint Venture Parties to conduct the Retreatment Operations within the Sub-lease Area.</p> <p>The Sub-Lease contains a licence back to Mt Carbine Quarries (and otherwise permits Mt Carbine Quarries) to carry out the quarrying operations on the Sub-lease Area.</p> <p>In consideration for the Sub-Lease, the Joint Venture Parties will pay a rental to Mt Carbine Quarries of 2.5% of the value of the minerals extracted from the Sub-lease Area, after deduction of certain direct Sub-lease maintenance expenses.</p>	
<p>Management of the Joint Venture</p>	<p>As detailed in the Retreatment Operations Joint Venture and Management Agreement, the Joint Venture will be managed by the Manager, an entity held 50% each by the Joint Venture Parties.</p> <p>The Manager will conduct the day to day operations of the Joint Venture. The Manager will follow all decisions of the Joint Venture Parties.</p>	
<p>Offtake Advance</p>	<p>Cronimet will provide an offtake advance of US\$3.5 million (Offtake Advance) to each of Mt Carbine Retreatment (US\$1.75 million) and Cronimet Australia (US\$1.75 million) under the terms of the Offtake Advance Agreement.</p> <p>Mt Carbine Retreatment and Cronimet Australia will each pay US\$1.5 million (US\$3 million in total) to Speciality Metals in consideration for the transfer of retreatment assets from Speciality Metals to the Joint Venture Parties and as a pre-payment of rent under the Sub-Lease.</p> <p>The balance US\$500,000 (held by Mt Carbine Retreatment (US\$250,000) and Cronimet Australia (US\$250,000)), will fund the Joint Venture.</p> <p>The Offtake Advance will be payable once the shares under the Tranche 2 Placement have been issued.</p>	

	<p>The Offtake Advance is a component of the Funding and will be used to part fund the purchase price under the Sale and Purchase Agreement for the purchase of Mt Carbine Quarries.</p> <p>Repayment of the Offtake Advance will be from net profits of sale of production from the Retreatment Operations.</p>
Offtake Rights for Open Pit Operations	<p>With the intention of the Company to also develop the open pit and underground operations for production of tungsten concentrate from other parts of the Mining Leases (Open Pit Operations) and once the Open Pit Operations commence, Cronimet is given a once off first right of refusal to enter into an exclusive offtake arrangement for all tungsten concentrate produced from the Open Pit Operations, for the life of all Open Pit Operations.</p>
Securities	<p>Securities for the Offtake Advance are as follows:</p> <ul style="list-style-type: none"> • General Security Deed from Mt Carbine Retreatment over all its present and after acquired assets; • General Security Deed from Cronimet Australia over all its present and after acquired assets; and • Mortgage from Mt Carbine Quarries over Mining Leases 4867 and 4919. This mortgage also includes an interest over 'Featherweight Property' which is all other property of Mt Carbine Quarries other than the mining leases. However, the mortgage over the Featherweight Property only attaches in the event of the voluntary administration of the company and is simply a device used to avoid the moratorium imposed on lenders who do not have interests over all of the property of a company in administration. The mortgage is limited recourse, in that it is limited to the value of the mining leases. <p>Securities in relation to the Joint Venture are as follows:</p> <ul style="list-style-type: none"> • Deed of Cross Security between the Joint Venture Parties and the Manager which secures the performance of their obligations to each other under the Joint Venture. • General Security Deed from Mt Carbine Quarries in favour of the Joint Venture Parties over all present and after acquired property of Mt Carbine Quarries including its rights under the Mining Leases.

Shareholder approval for the Acquisition and/or the Joint Venture is not required.

New Directors

On completion of the Acquisition of Mt Carbine Quarries, Speciality Metals will appoint two new Non-executive Directors to the Speciality Metals' Board, namely Oliver Kleinhempel, a representative of Cronimet and Mr Yeo Zhui. A brief biography of each of these proposed Directors is provided below:

Mr Oliver Kleinhempel	<p>Mr Kleinhempel will be appointed a Non-Executive Director of the Company. Mr Kleinhempel 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.</p> <p>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).</p> <p>Mr Kleinhempel is also a Managing Director of CRONIMET Holding GmbH.</p>
Mr Yeo Zhui Pei	<p>Mr Yeo Zhui Pei will be appointed a Non-Executive Director of the Company. 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.</p>

Funding – Tranched Placements, Entitlement Offer and Offtake Advance

The purchase price for the Acquisition and the general working capital for Mt Carbine Quarries Pty Ltd will be funded from the following:

- **Offtake Advance** - US\$3,000,000 Offtake Advance paid to the Joint Venture Parties under the terms of the Offtake Advance Agreement and then paid by the Joint Venture Parties to Speciality Metals under the Retreatment Plant Sale Agreement and Sub-Lease.
- **Placements** - a two-tranche placement to sophisticated and professional investors to raise in aggregate a total of approximately A\$4,378,166 (before costs) through the issue of approximately 243,231,463 Shares at an issue price of A\$0.018 per Share (together, the **Placements**).
- **Entitlement Offer** - an underwritten non-renounceable entitlement offer on a 1 for 5 basis at an issue price of A\$0.018 per Share to raise approximately A\$2,873,188 through the issue of approximately 159,621,576 Shares (**Entitlement Offer**).

The Offtake Advance, Placements and Entitlement Offer are together referred to as the '**Funding**'.

Placements

The Placements are to be completed in the following two tranches, namely:

Tranche	Number of Shares	Price per share	Condition precedent to issue	Issue date / Proposed issue date
Tranche 1 Placement	83,231,463 Shares	A\$0.018 per Share to raise a total of A\$1,498,166 (before costs)	Nil. Issued under the Company's Listing Rule 7.1 placement capacity.	The Tranche 1 Placement Shares are proposed to be issued on 16 May 2019 following receipt of funds. Please refer to the Timetable detailed in this Announcement below.
Tranche 2 Placement	160,000,000 Shares	A\$0.018 per Share to raise a total of A\$2,880,000 (before costs)	The issue is subject to Shareholder approval under ASX Listing Rule 7.1	The Tranche 2 Placement Shares are proposed to be issued after Shareholder approval under ASX Listing Rule 7.1 is received. It is anticipated that the issue date will be on or about 25 June 2019. Please refer to the Timetable detailed in this Announcement below.

Entitlement Offer

The Entitlement Offer is proposed to proceed on the following terms:

Number of Shares	159,621,576 Shares
Shareholders eligible to take part in the Entitlement Offer	Eligible Shareholders are persons who are registered as a holder of Shares as at the Record Date that: <ul style="list-style-type: none"> • have a Registered Address in Australia, New Zealand, Singapore Malaysia, the United Kingdom or the British Virgin Islands; and; • is not located in the United States and are not a US Person or acting for the account of or benefit of a person in the United States or a US Person; and • are (in all cases) eligible under applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus to be lodged or registered.
Price per share	A\$0.018 per Share
Condition precedent to issue	Nil
Proposed issue date	Please refer to the Timetable detailed in this Announcement below.

Offtake Advance

The Offtake Advance will be paid once the shares under the Tranche 2 Placement have been issued.

Timetable - Funding and the Acquisition

The timetable for the Capital Raisings and the Acquisition is provided below:

Activity	Date
Entry into Transaction Documents	Tuesday 14 May 2019
Issue of the Shares under the Tranche 1 Placement	Thursday, 16 May 2019
General meeting of Shareholders to approve the issue of shares under the Tranche 2 Placement	Monday, 17 June 2019
Issue of the Shares under the Tranche 2 Placement	Tuesday, 25 June 2019
Commencement of the Joint Venture	Tuesday, 25 June 2019
Expected date for completion of the acquisition of Mt Carbine Quarries	Friday, 28 June 2019
Lodgment of documentation for the Entitlement Offer	Tuesday, 2 July 2019
Record Date for the Entitlement Offer	Friday, 5 July 2019
Entitlement Offer opens	Monday, 8 July 2019
Entitlement Offer closes	Friday, 19 July 2019
Issue of Shares issued under the Entitlement Offer	Friday, 26 July 2019
ASX trading for Shares issued under the Entitlement Offer	Monday, 29 July 2019

The above dates are indicative only and may be subject to change, subject to the Corporations Act, the Listing Rules and other applicable laws.

About Speciality Metals International Limited

Speciality Metals plans to be a pre-eminent Australian tungsten producer from the historic Mt Carbine tungsten mine in Far North Queensland.

The Company's exploration portfolio includes the following diversified projects:

- Lithium and other valuable mineral resources such as potassium, iodine and boron contained in subsurface brines within its Chilean exploration concessions; and
- Gold Exploration Licences (Panama Hat and Crow Mt) in New South Wales, Australia,

Concurrently, the Company maintains, with the intention of redeveloping, its world-class tungsten assets at Mt Carbine in Far North Queensland, Australia which consist of the Mt Carbine Tungsten Mine and the Iron Duke and Petersens Lode Exploration Permits.

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 speciality metals sector.



RH Krause
Executive Chairman
Speciality Metals International Limited