



Speciality Metals
International Limited

Quarterly Activities Report

Quarter Ended 31 December 2017

HIGHLIGHTS

- Speciality Metals International Limited's (ASX: SEI, Speciality Metals or the Company) predecessor, Carbine Tungsten Limited, announced the appointment of Mr Stephen Layton as Non-executive Director on 14 November 2017 and the resignation of the Company's CEO & Managing Director, Mr Andrew James Morgan, on the same date. Mr Russell Krause was appointed to the role of Executive Chairman whilst executive replacement options are being explored.
- All resolutions were successfully passed, by the majority of the Company's shareholders at its Annual General Meeting held on 29 November 2017.
- As approved at the 2017 Annual General Meeting, the Company announced on 14 December 2017 that Carbine Tungsten Limited had changed its name to Speciality Metals International Limited as of the same date. The Company also changed its registered office address to Level 17, 500 Collins Street, Melbourne VIC 3000 as of 15 December 2017.
- A binding Heads of Agreement was signed between Speciality Metals and Mt Carbine Quarries Pty Ltd for the purchase of the Mt Carbine Quarry & Mining Leases, ML 4867 and ML 4919, as announced on 20 December 2017. The parties have agreed to have the Contract of Sale executed by mid-March 2018.
- The Company was pleased to announce on 11 January 2018 the granting of an additional five (5) Exploration Concessions over a key area of Salar de Bellavista (Bellavista 1-5) which are currently in the process of being transferred into its wholly owned Chilean based subsidiary, Special Metals Chile.
- Exploration work for lithium brines and lithium (+borate) commenced in the northern Atacama region of Chile in January 2018. As detailed in the announcement dated 17 January 2018 this program is aimed at developing new lithium targets following on from the success of the Company's previous reconnaissance sampling in 2016.
- On 29 January 2018 SEI was placed in a trading halt until the commencement of trading on Wednesday 31 January 2018 at which time the Company announced that it had raised \$1,800,000 before costs through the placement of 72 million fully paid ordinary shares at 2.5 cents to institutional and sophisticated investors.

EXECUTIVE SUMMARY

The end of 2017 saw the Company undergo a number of positive transformations with it not only welcoming Stephen Layton to the Board as a Non-executive Director on 14 November 2017 but also the changing of its name from Carbine Tungsten Limited to Speciality Metals International Limited, to better reflect the diversified nature of the Company's newly expanded exploration portfolio. Mr Russell Krause also assumed the role of Executive Chairman on 14 November 2017 until suitable executive replacement options could be explored for the recently vacated CEO/Managing Director position. The Board welcomes Stephen as part of the SEI team and looks forward to working closely with him in realising the Company's diversification and shareholder wealth creation strategies.

The signing of a binding Heads of Agreement for the purchase of the Mt Carbine Quarry and Mining Leases, ML 4867 and ML 4919, with the quarry and leaseholder, Mt Carbine Quarries Pty Ltd during December 2017 marked another significant achievement for the Company. The quarry will not only provide Speciality Metals with an invaluable source of cash flow from the existing quarry business, but its associated infrastructure will also be of significant benefit in the development of the Company's future mining operations.

The Mt Carbine Tungsten Project is a low cost, near-term tungsten concentrate supply source and the Board strongly believes that it remains the most viable, project ready, western tungsten project available internationally today. The Board looks forward to finalising the Contract of Sale with Mt Carbine Quarries Pty Ltd by mid-March 2018. In anticipation of this, preliminary discussions are being held with a number of globally represented potential offtake parties along with the Company actively investigating not only the viability of recommissioning the Tailings Retreatment Plant but also the possibility of ore sorting and high-grading the ore contained within the Low Grade Stockpile in an attempt to commence early production to take advantage of the recent tungsten APT (Ammonia Para Tungstate) price increases. At the end of January 2018, the APT price was between US\$315-\$320 (per 10kg MTU).

2018 has also started off well with the Company expanding its Chilean exploration portfolio via the granting of a further five (5) exploration concessions over a key area of Salar de Bellavista (Bellavista 1-5) which are currently in the process of being transferred into SEI's wholly owned Chilean based subsidiary, Special Metals Chile. The Company is also eagerly awaiting the granting of a further group of exploration concessions within Salar de Pintados during the first quarter of 2018. During January 2018 the Company also initiated a further sampling program within northern Chile for lithium brines and lithium (+borate). The information from these samples and those taken during the Company's initial reconnaissance in 2016 will assist the Company's geological team in preparing a drilling program to test these target areas.

In order to fund these initiatives, the Company has raised a total of \$1,800,000 before costs through the placement of 72 million fully paid ordinary shares at 2.5 cents to institutional and sophisticated investors as announced on 31 January 2018. The Board would like to thank those existing and new shareholders who participated in the placement for their support.

The Company looks forward to an exciting year ahead as it actively pursues the discovery of viable resources within its highly prospective exploration portfolio along with the development of its world-class Mt Carbine Tungsten Project.

EXPLORATION AND DEVELOPMENT ACTIVITIES

SUBSEQUENT TO QUARTER ENDED 31 DECEMBER 2017

CHILEAN EXPLORATION CONCESSIONS GRANTED – BELLAVISTA 1-5

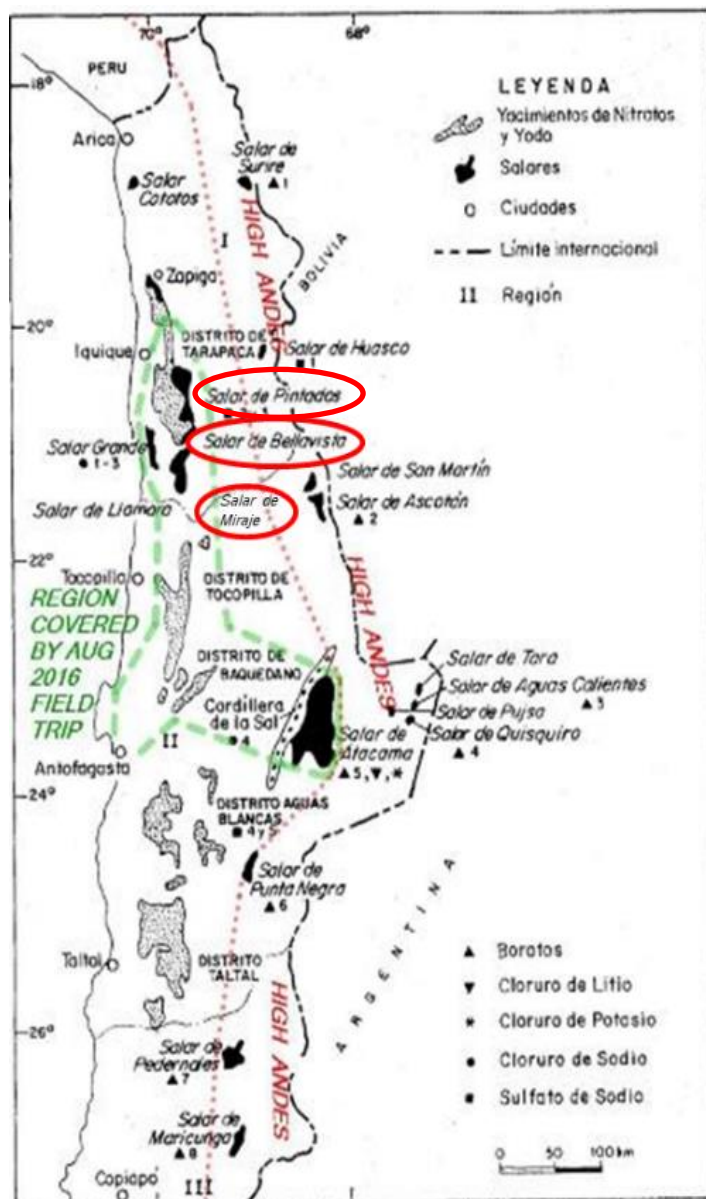
Speciality Metals was pleased to announce on 11 January 2018 that an additional five (5) Exploration Concessions over a key area of Salar de Bellavista (Bellavista 1-5), have been granted by the Chilean Courts and the Company is currently in the process of arranging for the transfer of these exploration concessions into its wholly owned Chilean based subsidiary, Special Metals Chile.

These concessions cover a significant portion of the western part of Salar de Bellavista, in a situation tectonically analogous to, but north-west of, Salar de Atacama in Northern Chile, where two companies, Albemarle Corp and SQM S.A. produce a third of the world's lithium from lithium brines. They are also well situated to existing infrastructure being close to the Pan American Highway and lithium processing infrastructure at the port of Antofagasta.

As previously announced, five (5) exploration concessions have already been granted in Salar de Miraje during 2016 and the Company has made application for a further fifteen (15) exploration concessions within Salar de Pintados with this application process now well advanced.

Speciality Metals has focused on salars geologically older but at a lower topographic elevation than the salars where lithium is produced by evaporation of brines pumped from the subsurface, anticipating that evaporation at the lower elevations will favour lower operating costs if SEI's exploration for lithium brines in the salar is successful. Salar de Bellavista is at an elevation of ~1000m, at which elevation evaporation is expected to be year-round and faster than at Salar de Atacama (elevation ~2000m). Except for this difference, the salars that are the focus of SEI's exploration are geologically similar to the salars already producing lithium or that are known to contain lithium resources. SEI's target salars appear to be fed in part from hot springs and the evaporite minerals already produced from the target salars (nitrates and borates) indicate the typical salar closed hydrological basin dominated by evaporation. In addition, the host sediments within the target salars are identical to the sediments that host the lithium brines at higher altitudes and consist of evaporative carbonate-dominated sediments.

Strongly anomalous lithium and boron values have been obtained from surface sampling of salt crusts and brines in surface depressions in the area surrounding the Salar de Bellavista and the adjacent Salar de Miraje concessions where the Company has already been granted 5 exploration concessions. Of the 10 salt crust samples taken in Salar de Bellavista during the Company's initial research and reconnaissance in 2016, all but two were anomalous, containing from 50 to 274ppm lithium and of these, four had associated elevated boron values ranging from 850 to 1820ppm boron (Refer Table 1 below).



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

Table 1. Summary of analyses of salt crust samples, Salars de Miraje and Bellavista

Element	Li	Mg	K	Na	B	Ca	S	As	Sb	Mo	Cu	Zn	Pb	Ag	Fe	P	Mn	Al
Measure	ppm	%	%	%	ppm	%	%	ppm	ppm	ppm	ppm	ppm	ppm	ppm	%	ppm	ppm	%
Salar de Miraje																		
L16	90	0.39	0.18	0.22	110	9.69	8.33	46	0.79	1.9	22	30	8	0.02	2.15	490	421	0.65
L17	51	1.02	0.73	9.96	1240	3.9	3.95	33	0.66	2.9	21	29	6	0.18	1.47	280	293	1.27
L18	79	1.58	1.07	>10.0	1920	1.29	9.34	68	0.31	9.7	11	17	5	0.02	0.86	220	311	0.35
L19	94	2.25	2.35	>10.0	1060	2.34	7.98	44	0.32	5.8	20	36	5	0.06	0.89	270	206	0.7
Salar de Bella Vista																		
L35	274	0.42	0.98	>10.0	660	3.48	5.48	108	0.6	2.6	8	17	3	0.05	0.48	640	110	0.29
L36	31	0.23	0.77	>10.0	140		4.52	31	0.15	2.1	4	7	1	0.02	0.18	190	32	0.09
L56	38	0.62	0.33	>10.0	1390	6.45	6.84	26	0.32	3.9	9	17	4	0.13	0.95	500	162	0.35
L57	68	0.18	0.27	>10.0	310	3.36	3.48	9	0.05	0.9	4	25	1	0.34	0.33	90	58	0.11
L58	71	0.86	0.31	2.01	480	15.25	>10.0	11	0.47	0.8	12	33	6	0.03	1.5	280	156	0.62
L67	50	0.41	0.45	>10.0	160	12.05	>10.0	3680	3.36	0.4	4	8	1	0.32	0.03	30	9	0.02
L71	131	0.64	0.27	>10.0	1820	8.01	>10.0	523	2.04	1.3	17	18	4	0.18	0.92	1130	139	0.33
L72	127	0.19	0.45	>10.0	340	11.95	>10.0	264	0.59	0.6	5	17	0	0.07	0.06	140	81	0.04
L73	75	0.4	0.27	>10.0	1480	12.2	>10.0	748	8.04	0.4	7	7	3	0.88	0.17	350	36	0.09
L74	23	0.22	0.09	>10.0	120	1.79	3.3	95	2.35	0.4	4	13	2	-3.85	-2.85	-1.85	-0.85	0.15

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

“The granting of these concessions marks the start of an exciting new chapter with the Company now in a position to deliver upon its lithium diversification strategy.”

“The Board’s strategy will be to position the Company as a low-cost lithium producer, using its key geological insights into the discovery of lithium brines. Due to lithium brines typically having a lower cost of production, the Board believes that this will be the Company’s key differentiator in the rapidly expanding lithium supply and demand markets. The Company also intends to incorporate other valuable mineral resources such as potassium, iodine and boron, contained within subsurface brines, within its Chilean exploration program.”

Mr Krause added that:

“Chile is a country with very favourable mining investment opportunities and is endowed with great mineral wealth not only in hard rock mines, but also in the numerous salars or evaporative closed sedimentary basins in the Atacama Desert region of northern Chile. For a century and a half Chile was the only producer of nitrates and is currently a globally important producer of lithium, potassium, borates and iodine from some of these salars. Major lithium production comes from the Salar de Atacama, where Chile produces over one third of the world's lithium from brines in the Salar.”

“Given the encouraging results from the Company’s initial research and reconnaissance in 2016, the Board looks forward to announcing its targeted exploration program within the coming week”, Mr Krause concluded.



Refer ASX Announcement dated 11 January 2018 “Chilean Exploration Concessions Granted, Bellavista 1-5” for JORC Code 2012 - Table 1.

PLANNED EXPLORATION – CHILEAN LITHIUM EXPLORATION CONCESSIONS

On 17 January 2018 Speciality Metals advised that it would shortly be undertaking further exploration work for lithium brines and lithium (+borate) in northern Chile. This program, in the northern Atacama region, will commence on or about 17 January 2018. The program is aimed at developing new lithium targets following on from the success of its previous reconnaissance sampling in 2016 (see last week's announcement and July 2017 Quarterly Activities Report).

To date SEI has been granted 10 exploration concessions in two salars in the Atacama region and is awaiting the grant of a further group of exploration concessions by the Chilean Courts. SEI has been advised by its Chilean lawyers that this process is well advanced and expects that these concessions will be granted in the not too distant future. The applications and granted concessions are in salars in the central belt of northern Chile, all at an altitude of around 1000m and the salars typically have a surface salt crust. The salars are formed in hydraulically closed basins formed by uplift and rifting of the western margin of South America. The search for lithium brines is focused on the salars because it is anticipated that evaporation over time has concentrated lithium in ground waters trapped in these salars. The fact that this evaporation has taken place is confirmed by the presence of modern salt crust and the historic nitrate and borax mining operations in the salars, both deposit types being the result of evaporation. The salars offer ideal situations for the construction of evaporation ponds on their flat surfaces, with the intention of pumping lithium bearing ground waters to the surface and concentrating the lithium by further evaporation in the ponds, prior to shipment to processing facilities.

SEI will use its previous work and the upcoming assays from the current work program to plan a drilling program. The drilling program will test each salar to sample the ground waters at depth. The drilling is intended initially to confirm that lithium-bearing ground waters occur in the subsurface in areas where SEI's previous surface sampling found conspicuously anomalous lithium, boron and potassium values in surface crusts and brines accumulated in surface depressions. Typically, the lithium content in ground waters in these salars increases in concentration with increasing depth therefore SEI plans to take the initial drill holes to depths exceeding 100m. It is anticipated that the ground waters will be hosted by the Rio Loa Formation, which is composed of limestones, dolomites, sands and gravels. This formation was deposited during the Tertiary period in all the enclosed basins throughout this region and is itself partly evaporative in origin.

Executive Chairman, Russell Krause stated:

"The additional sampling program, designed by the Company's geological team, will provide important insights into where the best locations for lithium brines exist within the Company's Chilean exploration concessions. This will enable the geological team to prepare a drilling program to test these target areas."

"The Board eagerly awaits the results from this reconnaissance work and to the commencement of its drilling program once these results have been received," Mr Krause concluded.

CORPORATE

QUARTER ENDED 31 DECEMBER 2017

BOARD AND MANGEMENT RESTRUCTURE

Speciality Metals' predecessor, Carbine Tungsten Limited, announced on 14 November 2017 the appointment of Mr Stephen Layton as Non-executive Director, as of the same date.

Mr Layton has over 35 years' experience in Equity Capital Markets in the UK and Australia. Starting as a Jobber (market marker) with BZW on the floor of the London Stock Exchange from 1980 to 1986, Mr Layton became a Member of the London Stock Exchange in 1985. Since migrating to Australia in 1986 Mr Layton has worked with various stockbroking firms and/or AFSL regulated Corporate Advisory firms and is currently Head of Equity Capital Markets with Fiscus Capital Pty Ltd, an associate of Nexia Australia. Having raised capital for many ASX listed companies, including Carbine, Mr Layton has a depth of knowledge that only comes from a thorough immersion in the industry. Mr Layton specializes in capital raising services and opportunities, corporate advisory, facilitation of ASX listings and assisting companies grow. Mr Layton has held both Principal and Director roles in his advisory career, with his most recent role as a Director and Principal of Melbourne Capital Limited and his Professional Associations include Master Stockbroking – MSAFAA.

The Board welcomes Mr Layton as a Non-executive Director and believes that his longstanding experience in capital raising and corporate advisory will be an asset to the CNQ Board. Mr Layton has been an active supporter of the Company and became a substantial holder on 12 October 2017 through his company Bodie Investments Pty Ltd. The Board looks forward to working with Mr Layton in developing and realising the full potential of the Company's recently diversified exploration portfolio.

The Board also advised that Mr Andrew James (Jim) Morgan resigned from his position as CEO and Managing Director and concluded his Consultancy Agreement with the Company effective from 14 November 2017. The Board thanked Mr Morgan for his contributions to the Company over the last 5 years and believes that Mr Morgan leaves the Company well positioned to take full advantage of its exciting new exploration prospects in the specialty and battery metals exploration field. The Board wishes Mr Morgan well in his future endeavours.

Mr Russell Krause, the Company's current Chairman, will assume the role of Executive Chairman whilst executive replacement options to complement the Company's diversification and growth opportunities are completed.

CHANGE OF COMPANY NAME & REGISTERED OFFICE ADDRESS

As approved at the 2017 Annual General Meeting, Carbine Tungsten Limited (ASX: CNQ) changed its name to Speciality Metals International Limited as from 11 December 2017 and as of today commenced trading today under its new ASX Code: SEI.

The Board welcomes this change and believes that the new Company name more accurately represents its newly diversified exploration portfolio.

The Company will also change its registered office address to the following as from Friday 15 December 2017 however its principal place of business and main operational activities will remain at the Mt Carbine Mine site:

Level 17, 500 Collins Street
Melbourne VIC 3000
Phone: (03) 9614 0600
Fax: (03) 9614 0550

MT CARBINE QUARRY & MINING LEASES – BINDING HEADS OF AGREEMENT

Speciality Metals was pleased to announce on 20 December 2017 that it had entered into a binding Heads of Agreement for the purchase of the Mt Carbine Quarry and Mining Leases, ML 4919 and ML 4867, with the quarry and leaseholder, Mt Carbine Quarries Pty Ltd.

Whilst the ownership of the Mining Leases is integral to the successful development of the Company's Mt Carbine Tungsten Project, the quarry will also provide Speciality Metals with an invaluable source of cash flow from the existing quarry business. The associated quarry infrastructure will also be of significant benefit in the development of the Company's future mining operations.

Executive Chairman of Speciality Metals, Mr Russell Krause commented:

"The purchase of these Mining Leases will enable Speciality Metals to extend its footprint at a time when demand for Tungsten continues to rise."

In the third quarter of 2017, the tungsten APT (ammonia para tungstate) reached a high of US\$335 (per 10kg MTU). Factors affecting the tungsten price include restriction of supply in China leading to increased production costs for tungsten concentrates and speculation surrounding the military escalation in North Korea.

"Given the rise of the tungsten price, Speciality Metals has engaged in preliminary discussions with several interested offtake parties, whilst investigating the viability of recommissioning and recommencing production at its Tailings Retreatment Plant."

“The cash flow generated from the successful development of the Mt Carbine Tungsten Project will enable Speciality Metals to take full advantage of improving market conditions,” Mr Krause concluded.

The Mining Leases sit within Speciality Metals’ Iron Duke prospect (see figure 1 below), where mapping and sampling have indicated extensive strike length.



Figure 1

The Mt Carbine project covers ~367 hectares, with the historical Mt Carbine mine located 130km by sealed highway from the port of Cairns.

The parties have agreed to have the Contract of Sale executed by mid-March 2018.

PLACEMENT CLOSES FULLY SUBSCRIBED

Speciality Metals was pleased to announce on 31 January 2018 that it had raised A\$1.8 million through a placement of shares to institutional and sophisticated investors (the “Placement”). The Placement of 72 million shares at 2.5 cents per share, received strong support from existing and new shareholders and will raise \$1.8 million before costs.

As a result of the Placement the Company is now in a position to further develop its Chilean exploration and NSW Gold programs. The Company will also use these funds to part settle the purchase of the Mt Carbine Quarry and Mining Leases.

It is anticipated the majority of the Placement, namely 68,000,000 shares, will be allotted on 7 February 2018 and the Appendix 3B lodged on that date. The remaining 4,000,000 shares in the Placement are proposed to be allotted to Mr Stephen Layton, a director of the Company, through his investment company Bodie Investments Pty Ltd. Pursuant to Section 10.11 of the ASX Listing Rules, allotment of these shares is subject to shareholder approval at a general meeting of shareholders. The date for this meeting will be advised in due course.

Sanlam Private Wealth Pty Ltd are Advisers to the Placement which will be completed under ASX Listing Rule 7.1.

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
Queensland, Australia	
EPM 14871	Mt Carbine
EPM 14872	Mt Carbine
ML 4867	Mt Carbine (Sub-lease)
ML 4919	Mt Carbine (Sub-lease)
New South Wales, Australia	
EL 6648	Crow Mountain
EL 8024	Broken Hill
Chile**	
Concessions 1 – 5	Salar de Miraje
Concessions 1 - 5	Salar de Bellavista

** Exploration Concessions are in the process of being transferred into Speciality Metals' wholly owned Chilean subsidiary company, Special Metals Chile.

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. 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 25 January 2018 Speciality Metal's issued capital was 482,876,418 ordinary shares. At a share price of \$0.030 on 25 January 2018 the market capitalisation was \$14.49 million.

Number of Shareholders and Major Shareholders

At 25 January 2018 Speciality Metals had 1,513 shareholders. The share register records the following as major shareholders at 25 January 2018 accounting for 40.38% of the issued shares:

Shareholder	%
Dr Leon Eugene Pretorius	7.44
Bodie Investments Pty Ltd	5.18
New Medical Enterprises Pty Ltd	4.37
Baglora Pty Ltd <Mott Family Super Fund A/c>	3.51
Mota Engil Minerals & Mining Investments BV	3.31
TBB NSW Pty Ltd <The Watson No 1 A/C>	2.84
WGS Pty Ltd	1.33
Andrew Hewlett White and Associates	1.15
Alan Scott Nominees Pty Ltd <Superannuation Fund>	1.14
Max Mobile Auto Clinic Pty Ltd	1.08
Silva Pty Ltd	1.06
Mr Paul Machetti	1.04
JFSF Holdings Pty Ltd <The Jane Family S/F A/C>	1.04
JA Johnstone Pty Ltd <Waterhouse Super Fund A/C>	1.02
Aslan Equities Pty Ltd <Aslan Equities A/C>	0.91
Andrew James Morgan	0.87
Z&M Consolidated Pty Ltd <The Z and M Super Fund A/C>	0.83
Bridge Point Pty Ltd <Dwyer Superannuation A/C>	0.76
Nicholson Super Pty Ltd <Nicholson Family S/F A/C>	0.75
Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C>	0.75

Cash Balance

At 31 December 2017 Speciality Metals' cash balance was approximately \$462,000.

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.