



ASX ANNOUNCEMENT

24 December 2018

Company Announcements Office
ASX Limited
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SYDNEY NSW 2000

FINANCING ARRANGEMENTS

MT CARBINE QUARRY & MINING LEASES – SALE AND PURCHASE AGREEMENT

Speciality Metals International Limited (ASX:SEI, “Speciality Metals” or “the Company”) is pleased to announce that it is in advanced negotiations with Cronimet Holding GmbH for a conditional participation for the staged development of its Mt Carbine Tungsten Project and to enable the purchase of the Mt Carbine Quarry and Mining Leases, ML4867 and ML 4919 by the Company through alternative financial instruments.

The key terms of the conditional participation contained in a letter of intent along with those of the Sale and Purchase Agreement with Mt Carbine Quarries Pty Ltd are as follows:

Letter of Intent – Cronimet Holding GmbH

- (a) **Counterparty:** Cronimet Holding GmbH (“CRONIMET”) is the counterparty to the letter of intent and forms part of the Cronimet Group (“Group”) which was founded in 1982 as a raw materials service provider and trader in Karlsruhe, Germany. The Group has grown organically since then to become a diversified commodity group with over 5,200 employees and activities in over 50 countries. CRONIMET operates a global supply chain for stainless steel, specialty steel raw materials and other strategic minerals, while it has significant expertise in the recovery of high-quality raw materials through latest technology and production methods.
- (b) **Cash Advance:** CRONIMET will provide a cash advance of US\$3.5 million (~AUD\$4.9 million) by way of an off-take agreement defining the delivery of tungsten concentrate from the Mt Carbine Tungsten Project.

The Tailings Retreatment Plant will be recommissioned, and production will commence from the ~12 million tonnes of stockpiled material. CRONIMET will provide the technical expertise and assist with the refurbishment of the existing Tailings Retreatment Plant as well as sourcing the plant required to commence production from the stockpiled material. Subject to further due diligence, the Tailings and Stockpile projects may be undertaken by a newly formed joint venture company where it is intended that Speciality Metals and CRONIMET will each hold a 50% stake. Speciality Metals will also be entitled to receive a 2.5% royalty on the gross revenue of the newly formed joint venture company.

It is anticipated that production lead times will be minimal as both projects are fully permitted.

- (c) **Equity Component:** The Company is also in advanced discussions with CRONIMET and institutional investor(s) on share placement opportunities. The proceeds from this share placement, together with the Cash Advance, will be used to complete the purchase of the Mt Carbine Quarry and Mining Leases, ML 4867 and ML 4919, under the terms and conditions disclosed below.
- (d) **Offtake:** CRONIMET will secure the right to all offtake from the Mt Carbine Tungsten Project, including that from the Open Pit, on commercial terms yet to be agreed.

- (e) **Conditions Precedent:** The cash advance is conditional upon the successful completion of test work on the tailings material and stockpiled crushed rock which has already been initiated and is expected to be completed within January 2019, further due diligence works by CRONIMET and shareholder approvals from either Party, if any should become necessary.
- (f) **Expected Completion Date:** Subject to a favourable outcome as per (e), the Parties will use reasonable endeavours to enter into appropriate agreements within February 2019.

Sale and Purchase Agreement - Mt Carbine Quarries Pty Ltd

- (a) **Agreement Counterparty:** Mt Carbine Quarries Pty Ltd (MCQ) is the Sale and Purchase Agreement counterparty. MCQ is a major supplier and trading partner of the Company and has been since 2008. In September 2008, the Company signed a Sub-lease Agreement with MCQ whereby the Company obtained the right to mine and produce tungsten (and any other metals) from the lease deposit with the intention that the Company and MCQ work together to optimise extraction of metal and production of construction and road aggregate. The initial 2008 agreement covered two granted Mining Leases, ML 4867 and 4919, totalling approximately 366.39 ha.
- (b) **Asset Purchase Description:** The conditional Sale and Purchase Agreement is for the purchase and 100% ownership of the Mt Carbine Quarry, as a going-concern including all plant and equipment, along with Mining Leases ML 4867 and ML 4919. The business of Mt Carbine Quarry is to crush rock from the mine waste stockpile and make different grades of road metal and construction material. The quarry will provide the Company with an invaluable source of cash flow from the existing quarry business and the associated quarry infrastructure will also be of significant benefit in the development of the Company's future mining operations. Ownership of the Mining Leases is also integral to the successful development of the Company's Mt Carbine Tungsten Project.
- (c) **Conditions Precedent:** Completion of the Sale and Purchase Agreement is conditional on the Company obtaining finance to complete the transaction. If finance is not obtained the Company and MCQ will be released from their respective obligations under the Sale and Purchase Agreement. The Company has undertaken to use its best endeavours to ensure that the condition precedent is satisfied and using debt as the principle source of funding, to minimise the transaction's dilutionary impact upon existing shareholders.
- (d) **Purchase Consideration:** Total consideration for the acquisition is AUD\$8,000,000. A deposit of AUD\$130,000 has been paid.

Executive Chairman of Speciality Metals, Mr Russell Krause stated:

"The Board are excited to have the opportunity to partner with one of the world's leading mining and raw material supply companies to assist with the acquisition of the Mt Carbine Quarry and Mining Leases and the development of its world class tungsten project."

"Both parties are committed to finalising these arrangements within the shortest possible timeframe and are aiming to be in production by the end of the first half of 2019. In line with the Company's staged development approach, Speciality Metals will also pursue the necessary permitting and approvals for its Open Pit Hard Rock Project."

"As announced previously the management team for the quarry are already in place to ensure a seamless hand-over and the Company looks forward to not only maintaining but also building upon this segment's earning potential."

Mr Krause added:

"These are exciting times for the Company and its shareholders and the Board looks forward to working closely with Cronimet in realising the value of its Mt Carbine Tungsten Project."

"The Board would also like to thank all shareholders for their patience and look forward to announcing the finalisation of the above financing arrangements early in the New Year," Mr Krause concluded.

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;
- Gold Exploration Licences (Panama Hat and Crow Mt) in New South Wales, Australia;

Whilst

- Maintaining 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.

R H Krause

Executive Chairman

Speciality Metals International Limited