



Quarterly Activities Report

Quarter Ended 31 March 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 being the Sale and Purchase Agreement (SPA) with Mt Carbine Quarries Pty Ltd (MCQ) 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.

CHILE

- On 11 January 2018, Speciality Metals announced that an additional five (5) Exploration Concessions in Northern Chile had been granted to the Company over a key area of Salar de Bellavista (Bellavista 1-5). This was followed by a further announcement on 14 March 2018 regarding the granting of an additional 15 (fifteen) Exploration Concessions over a key area of Salar de Pintados (Pinta 1-15). All exploration concessions are in the process of being transferred into the Company's wholly owned Chilean based subsidiary, Special Metals Chile SpA. The Company now holds a total of 25 Exploration Concessions within Northern Chile on which it intends to commence a selective drilling program within the coming months.
- Further exploration for lithium brines and lithium (+borate) was undertaken in the northern Atacama region of Chile during January 2018. As detailed in the Company's announcement dated 17 January 2018 this program was aimed at developing new lithium targets following on from the success of the Company's previous reconnaissance sampling in 2016.
- 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.

CORPORATE

- On 29 January 2018, Speciality Metals 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 first quarter of 2018 has been an extremely busy and eventful period for Speciality Metals. After many months of negotiations, the Company was extremely pleased to announce on 18 April 2018 that it had executed the SPA for the Mt Carbine Quarry and Mining Leases ML 4867 and ML 4919. The Board expects to have the SPA settled by late July 2018 at which time it will take over the operation of the Mt Carbine Quarry, as a going-concern including all plant and equipment, along with its valuable revenue stream. This is a significant milestone for the Company in its quest to re-awaken its world-class Mt Carbine Tungsten Project.

The Board will be working diligently over the coming months to ensure the SPA is completed within the stipulated timeframes and will continue to progress negotiations with several interested offtake and debt funders in an attempt to minimise the transaction's dilutionary impact upon existing shareholders. The relatively firm 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 European Tungsten APT price was sitting at US\$323 – US\$328 (per 10kg MTU)."

Upon the successful completion of this transaction the Company intends to commence early production via the use of ore-sorting technology to high-grade the ore contained within the Low Grade 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 is also in the process of being developed by the Board and its geological team for the Company's entire exploration portfolio.

The Company also completed a successful capital raise in January 2018 with it raising 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.

These funds are continuing to be well utilised with a portion being used to part-fund the purchase of the Mt Carbine Quarry and Mining Leases as well as funding the extremely successful sampling program undertaken in January 2018 within the Company's exploration concessions over parts of Salar de Pintados and Salar Bellavista, in the Atacama Region of Northern Chile. The Board and its geological team are extremely excited by what has been identified to-date and are confident that mineable quantities of lithium and other valuable mineral resources, such as boron, are still waiting to be discovered in Northern Chile. The Company's exploration portfolio in Northern Chile now consists of 25 Exploration Concessions on which it intends to conduct a targeted drilling program within the coming months.

The Board looks forward to finalising the acquisition of the Mt Carbine Quarry and Mining Leases over the coming months 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 31 MARCH 2018

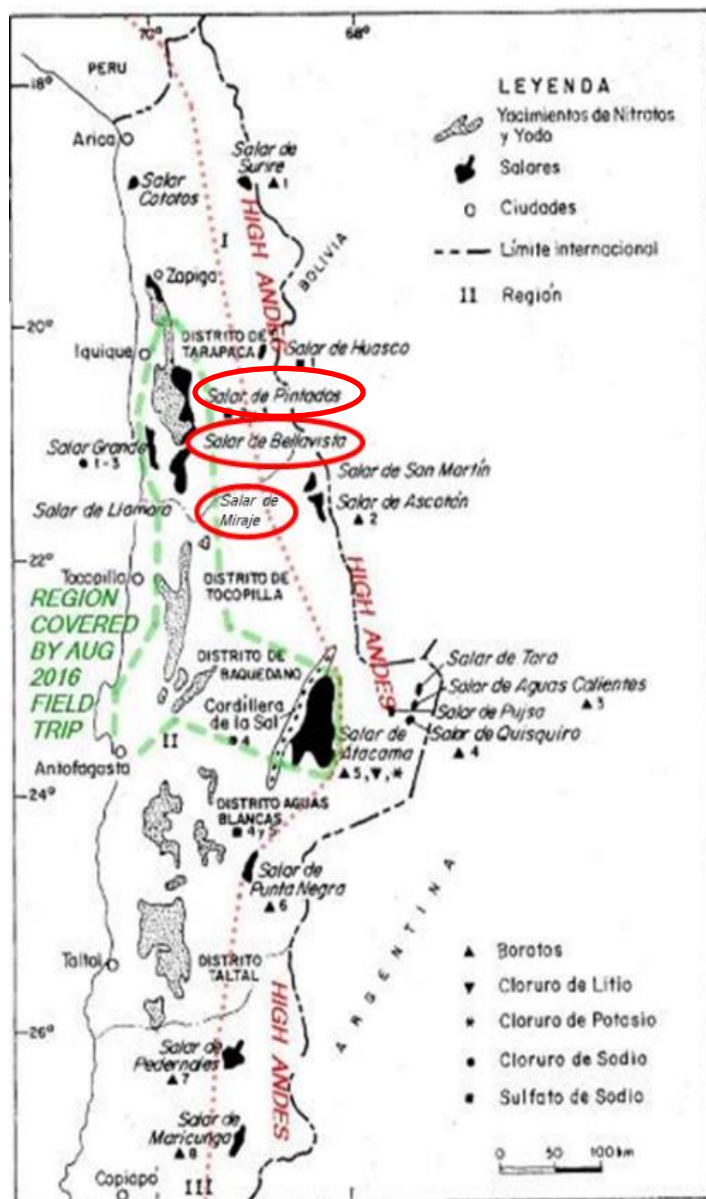
CHILEAN EXPLORATION CONCESSIONS GRANTED – BELLAVISTA 1-5

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), had been granted by the Chilean Courts and the Company was 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 region 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.

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 ~1,000m, at which elevation evaporation is expected to be year-round and faster than at Salar de Atacama (elevation ~2,000m). 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 1,820ppm boron (Refer Table 1 below).



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

Table 1. 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 |

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

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.



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, was carried out in January 2018 and was aimed at developing new lithium targets following on from the success of its previous reconnaissance sampling in 2016 (see announcement dated 11 January 2018 and the July 2017 Quarterly Activities Report).

The Company's exploration concessions are in salars located in the central belt of northern Chile, all at an altitude of around 1,000m; 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 assays from its 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.

EXPLORATION UPDATE

On 8 February 2018, the Company provided the following progress update on its lithium search in Chile and gold exploration in NSW.

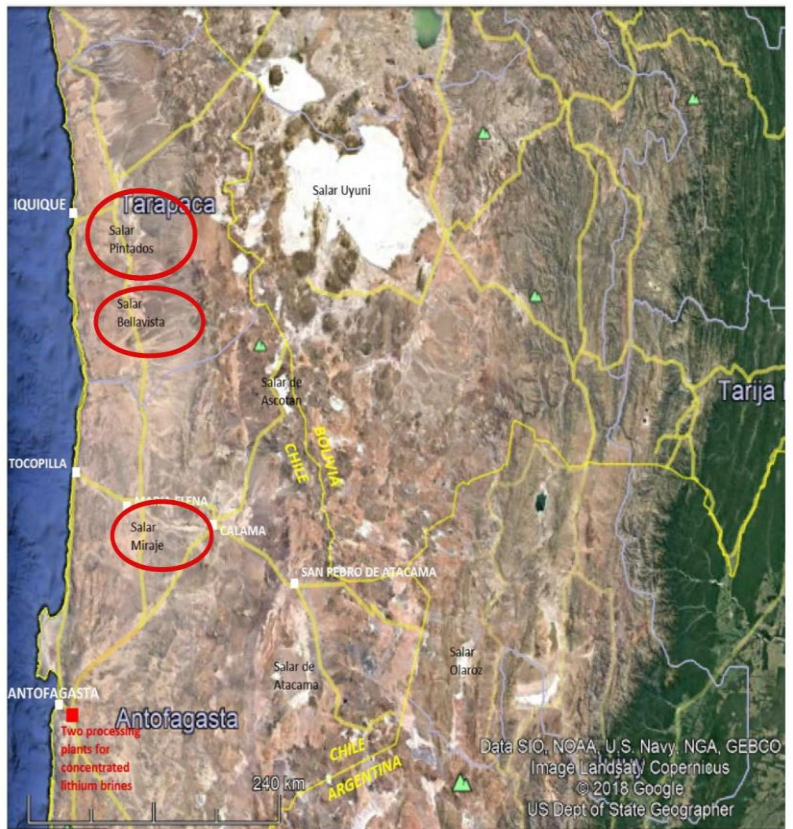
Lithium search:

As announced on 17 January 2018 the Company announced it would be undertaking further lithium exploration within its granted concessions and concession applications as well as wide ranging reconnaissance in the "lithium triangle" of Northern Chile and Argentina. SEI's ongoing research into the habitats of lithium in the geological environment exemplified by that of the Atacama region has led to a rapid expansion of its lithium search beyond brine-hosted lithium resources to take advantage of its newly generated IP.

A detailed sampling program was undertaken in January 2018 to delineate new lithium targets within its areas of interest, and the Company plans to carry-out a targeted drilling program for lithium brines within its concessions within the coming months. Previous sampling (see announcements 17 January 2018 and 18 July 2017) has provided strong encouragement, from anomalous lithium content in surface evaporative crusts and brines that lithium brines will be found to occur in the subsurface. The current sampling is aimed at determining possible lithium occurrences in hard rock in the same environment.

Google Earth map showing main salars (=salt lakes) in Chile-Bolivia-Argentina “lithium triangle”, the areas of interest for SEI and the location of two processing plants in which concentrated lithium brines from Salar de Atacama are being converted into products exported through Antofagasta and Mejillones ports. SEI decided to explore for new lithium resources in Chile because of the following obvious advantages:

- Much higher evaporation rates than in Bolivia and Argentina;
- Lower elevations (1,000–2,300m, compared with 3,600 – 4,100m in Bolivia and Argentina); and
- Considerably better infrastructure (ports, multi-lane highways, railways, power generation and powerlines, a full range of contractors and skilled workforce servicing copper mining industry that produces 1/3 of World copper).



An additional 132 samples were collected as part of the sampling program with the geophysical interpretation confirming that SEI’s current concessions are well placed to test for basinal brines.

Details on the outstanding high lithium values identified from this sampling program can be found in the Company’s announcement dated 11 April 2018.

Gold search:

SEI was also pleased to announce that its 100% owned gold prospect Crow Mountain, EL6648 in northern NSW, has been renewed for a further three years from the 2 February 2018. The Crow Mountain prospect covers an old gold field first worked from 1868. Work completed in the current term involved a comprehensive review of the geological, geochemical and geophysical data acquired in the licence over the last 10 years which indicates that the licence area contains three important potential gold mineralisation targets:

- Carlin style gold deposition in the Early Carboniferous west of the Peel Fault.
- Bulk mining grades of gold disseminated in quartz veins associated with late phyllic alteration of a belt of partly serpentinised ultramafics in a north-north-west-trending corridor east of the Peel Fault.

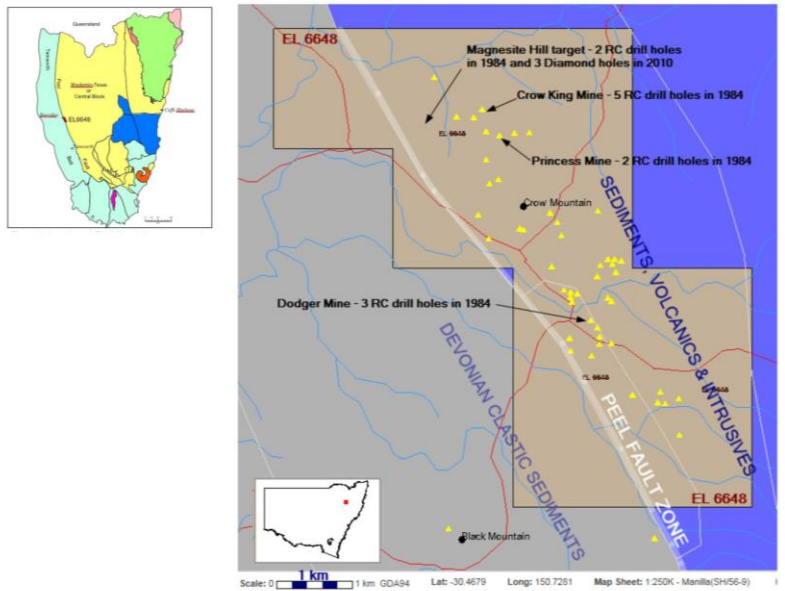


Figure 1. Location of EL6648

- Potential for intrusion-related or “porphyry” gold mineralisation in altered dolerite/quartz monzodiorite intrusions.

None of these targets have been tested in the license area. The latter two targets have potentially been defined in-part by the chargeability anomalies found in a 2008 IP survey, but not tested. The first target type is known only from drill core from the 2010 drilling by the Company’s predecessor, Icon Resources Limited; no surface sampling or geophysics has been carried out to follow up this important discovery.

The current term investigations found potential gossans in the form of limonitic Jasper breccia that may reflect intrusion related mineralisation, showed that gold is likely leached from the surface and confirmed phyllic alteration associated with historic gold workings.

A more rigorous approach to exploration in the EL6648 based on these findings is planned with the intent of defining drill targets.

Executive Chairman Russell Krause commented:

“The Board is confident that the newly generated IP developed by the Company’s geological team will provide important insights into the identification and location of prospective lithium bearing deposits within its key areas of interest within Chile. The Company looks forward to commencing a targeting drilling program once the results from the current sampling program have been analysed.”

Mr Krause added:

“The Company is also pleased that EL6648 has been renewed for a further 3 years and based on the findings of the recent comprehensive review a more rigorous exploration and drilling program will be developed over the coming months for this licence area.”

“2018 will be an exciting year for Speciality Metals as the Company actively works towards achieving its diversification, exploration and shareholder wealth creation strategies,” Mr Krause concluded.

CHILEAN EXPLORATION CONCESSIONS GRANTED, PINTA 1 - 15

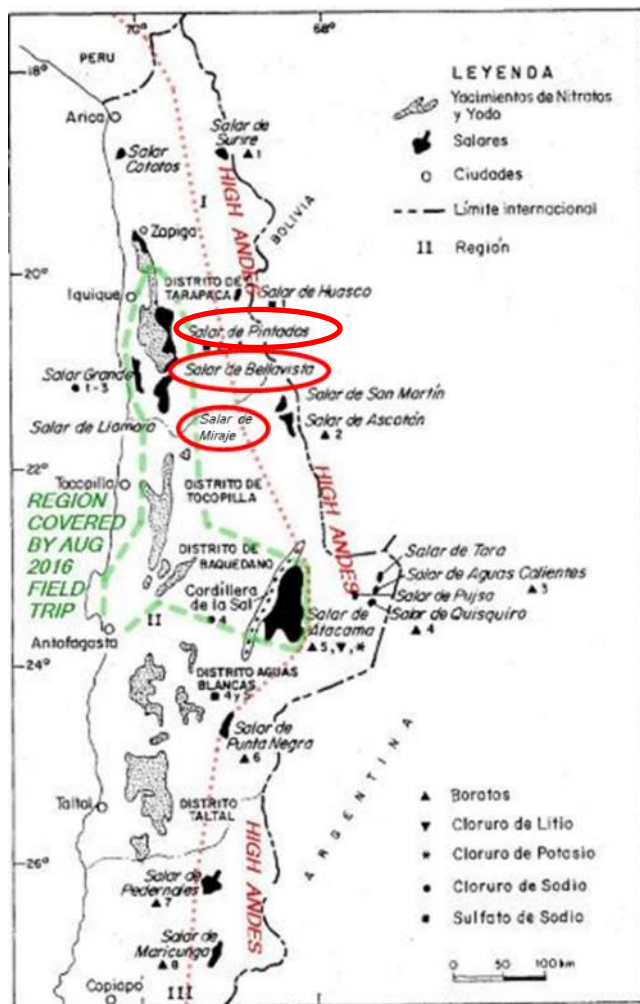
Speciality Metals announced on 14 March 2018 that an additional fifteen (15) Exploration Concessions over a key area of Salar de Pintados (Pinta 1 - 15) had been granted by the Chilean Courts and the Company was in the process of arranging for the transfer of these exploration concessions into its wholly owned Chilean based subsidiary, Special Metals Chile SpA.

Pinta 1 – 15 cover a significant portion of the western part of Salar de Pintados, 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.

These additional concessions complement the five (5) Exploration Concessions already granted in Salar de Bellavista (refer ASX announcement dated 11 January 2018) and the five (5) exploration concessions granted during 2017 in Salar de Miraje (refer ASX announcement dated 19 July 2017).

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

“The granting of the final parcel of Exploration Concessions will enable the Board and its geological team to implement its lithium diversification strategy via a targeted drilling program to commence once the assays from the last round of surface samples have been received and analysed.”



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

“The Company’s upcoming drilling program has been designed to sample the ground waters at depth within each salar, to confirm the presence of lithium-bearing ground waters occurring within the subsurface where previous surface sampling found conspicuously anomalous lithium, boron and potassium values in surface crusts and brines accumulated in surface depressions.”

Mr Krause added:

“The Board looks forward to making further announcements regarding its Chilean lithium search within the coming weeks.”

EXPLORATION AND DEVELOPMENT ACTIVITIES

SUBSEQUENT TO QUARTER ENDED 31 MARCH 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).

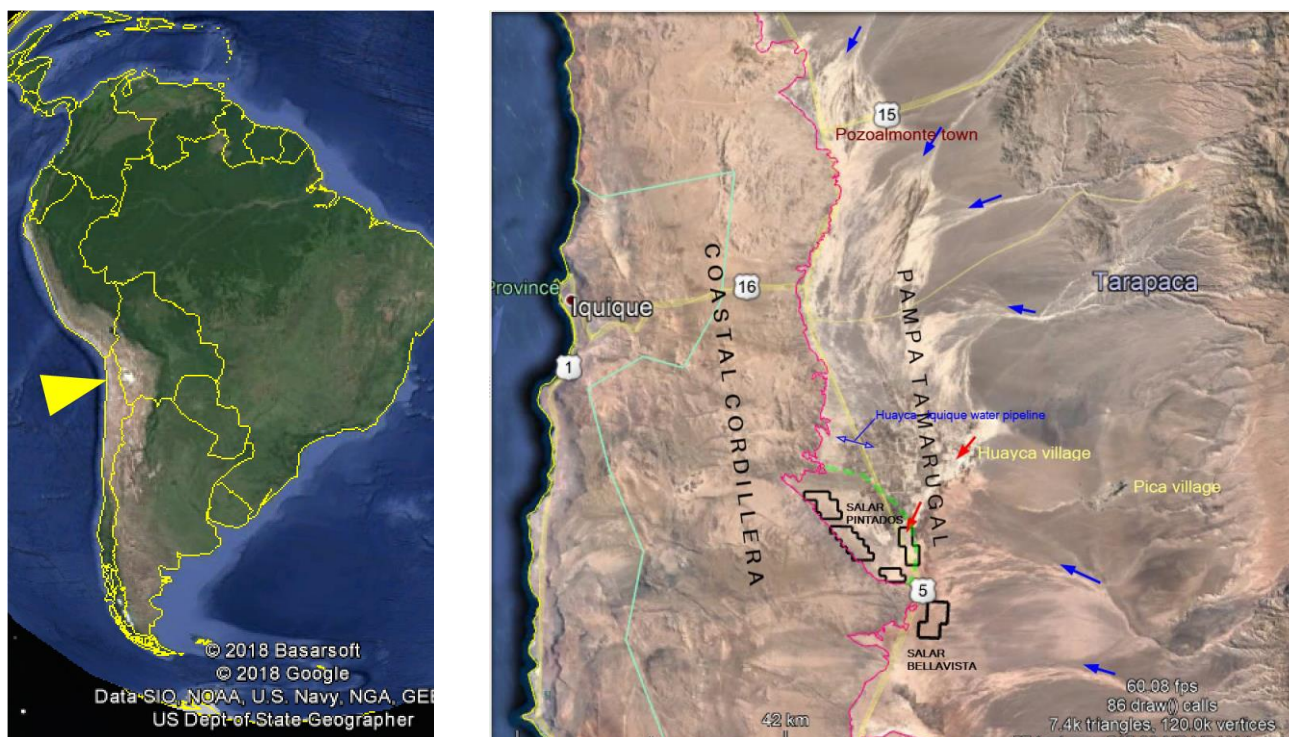


Figure 1. Location of SEI concessions Salar de Pintados and Bellavista in northern Chile

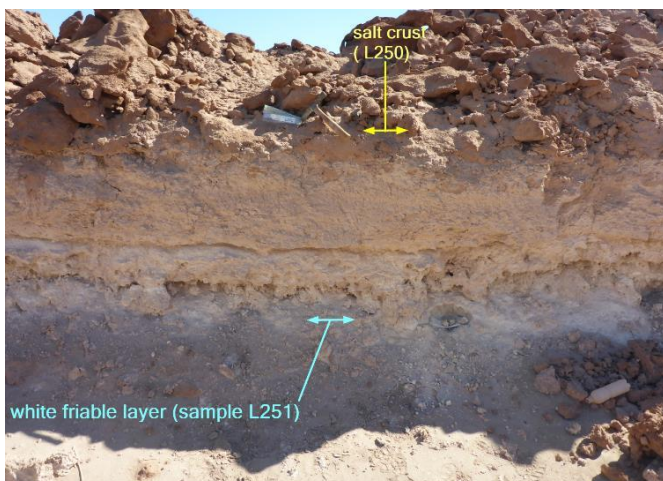
Sampling was focused on surface saline crusts showing strong evidence of evaporation of subsurface brines to the surface. In particular, a main anomalous population ranging from **400ppm to 2,360ppm lithium** was obtained from samples along the western margin of Salar de Pintados and the northern margin 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.



Northern part of **Salar Bellavista** (or Southern part of **Salar Pintados**): white friable layer (sample L251 - 331ppm Li) overlain by 0.75m thick salt crust – young – with cracks.



Salar Pintados - Sample L252 (salt crust - young - with cracks) - 1330ppm Li combined with 2240ppm 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).

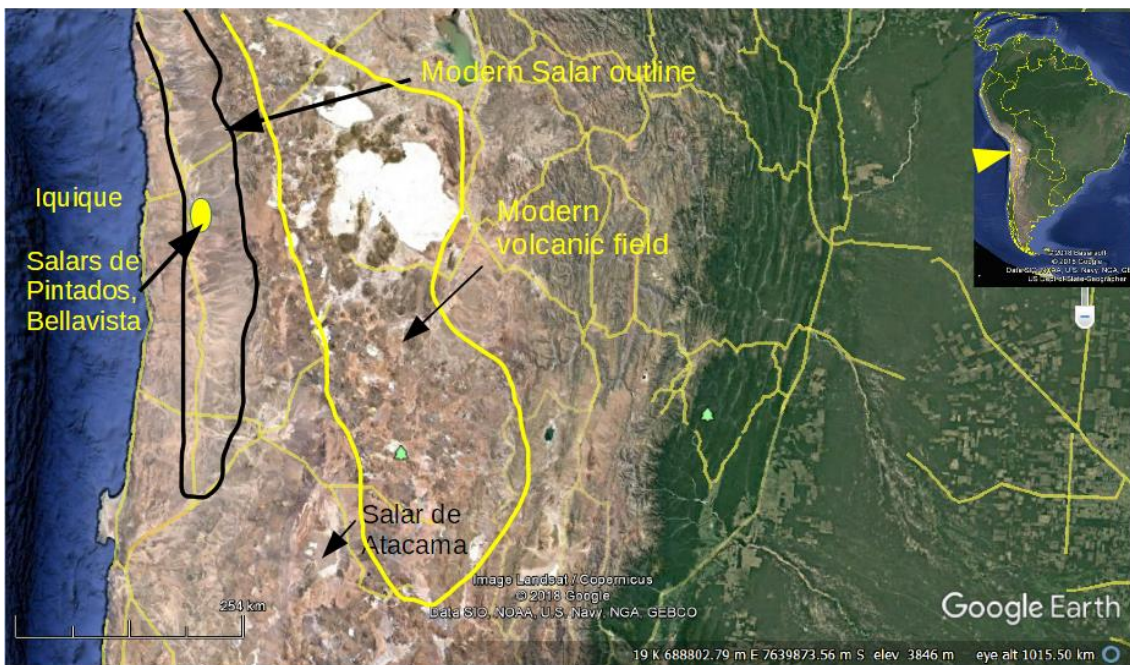


Figure 2. Location of Salars de Pintados and Bellavista with respect to modern salar (the Pampa Tamarugal).

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.

CORPORATE

QUARTER ENDED 31 MARCH 2018

PLACEMENT CLOSURES 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.

PROPOSED PURCHASE UPDATE - MT CARBINE QUARRY & MINING LEASES

The Company advised on 15 March 2018 that negotiations pertaining to the proposed purchase of the Mt Carbine Quarry and Mining Leases (ML 4867 and ML 4919) from Mt Carbine Quarries Pty Ltd (MCQ) was progressing well.

At that time the parties were in the process of reviewing the details of the Purchase Contract and the SEI Board anticipated that it should be in a position to execute the Contract of Sale by early April 2018.

CORPORATE

SUBSEQUENT TO QUARTER ENDED 31 MARCH 2018

CONTRACT OF SALE EXECUTED, MT CARBINE QUARRY & MINING LEASES

On 18 April 2018 Speciality Metals was pleased to announce the achievement 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 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.

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 July 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-awakening 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 |
|-----------------------------------|------------------------|
| 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 |
| Concessions 1 – 15** | Salar de Pintados |

** Exploration Concessions are in the process of being 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. 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 24 April 2018 Speciality Metal's issued capital was 550,876,418 ordinary shares. At a share price of \$0.024 on 24 April 2018 the market capitalisation was \$13.22 million.

Number of Shareholders and Major Shareholders

At 24 April 2018 Speciality Metals had 1,585 shareholders. The share register records the following as major shareholders at 24 April 2018 accounting for 38.90% of the issued shares:

| Shareholder | % |
|---|------|
| Dr Leon Eugene Pretorius | 6.48 |
| New Medical Enterprises Pty Ltd | 4.56 |
| Bodie Investments Pty Ltd | 4.54 |
| Baglora Pty Ltd <Mott Family Super Fund A/c> | 3.18 |
| Mota Engil Minerals & Mining Investments BV | 2.90 |
| TBB NSW Pty Ltd <The Watson No 1 A/C> | 2.49 |
| HSBC Custody Nominees (Australia) Limited | 2.06 |
| Mr Insaf Liyaul Fouz + Ms Shamila Mohomed Rilla <Insaf Investments Fam A/C> | 2.00 |
| WGS Pty Ltd | 1.25 |
| Andrew Hewlett White and Associates | 1.00 |
| Alan Scott Nominees Pty Ltd <Superannuation Fund> | 1.00 |
| Max Mobile Auto Clinic Pty Ltd | 0.95 |
| Mr Paul Machetti | 0.91 |
| JFSF Holdings Pty Ltd <The Jane Family S/F A/C> | 0.91 |
| JA Johnstone Pty Ltd <Waterhouse Super Fund A/C> | 0.90 |
| Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C> | 0.88 |
| Andrew James Morgan | 0.76 |
| Turbine Capital Limited | 0.73 |
| Z&M Consolidated Pty Ltd <The Z and M Super Fund A/C> | 0.73 |
| Bridge Point Pty Ltd <Dwyer Superannuation A/C> | 0.67 |

Cash Balance

At 31 March 2018 Speciality Metals' cash balance was approximately \$1,579,000.

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.