



# Speciality Metals International Limited

ABN: 77 115 009 106 (ASX CODE: SEI)

## Half Year Financial Report

31 DECEMBER 2017

# CORPORATE DIRECTORY

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## **DIRECTORS**

Russell H. Krause	Executive Chairman
Roland W. Nice	Non-executive Director
Stephen Layton	Non-executive Director

## **COMPANY SECRETARY**

David W. Clark

## **SHARE REGISTRY**

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067  
Telephone (within Australia): 1300 850 505  
Telephone (internationally): +61 (0)3 9415 4000

## **AUDITORS**

BDO Audit (NTH QLD) Pty Ltd  
Level 1, 15 Lake Street  
Cairns QLD 4870  
Telephone: +61 (0)7 4046 0000  
Facsimile: +61 (0)7 4051 3484

## **BANKERS**

Commonwealth Bank of Australia

## **STOCK EXCHANGE LISTING**

Listed on the Australian Securities Exchange (ASX)  
ASX Code: SEI

**ABN:** 77 115 009 106

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Your Directors submit their Report for the half year ended 31 December 2017.

## DIRECTORS

The names of the Company's Directors in office during the half year and at the date of this Report are as follows:

Russell H. Krause	Executive Chairman
Roland W. Nice	Non-executive Director
Stephen Layton	Non-executive Director (appointed 14 November 2017)
Andrew J. Morgan	CEO & Managing Director (resigned 14 November 2017)

## REVIEW & RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half year ended 31 December 2017 was a loss of \$815,137 (2016 Half Year Loss - \$1,419,471).

## REVIEW OF OPERATIONS

Information on the operations and financial position of the Group, its business strategies and prospects for future financial years is detailed in the Review of Operations section of this Report.

## FINANCIAL

The Company's cash position as at 31 December 2017 was \$462,029 (30 June 2017: \$1,048,000).

## SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2017 requiring disclosure in, or amendment to, these financial statements apart from:

- As at 31 December 2017 there were no balances or transactions recorded in SEI's wholly owned Chilean subsidiary company, Special Metals Chile SpA. SEI obtained control of this subsidiary from its incorporation on 11 October 2017.
- On 11 January 2018, the Company announced that an additional five (5) Exploration Concessions over a key area of Salar de Bellavista (Bellavista 1-5), were 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 SpA.
- On 17 January 2018, the Company announced that it will shortly be undertaking further exploration work for lithium brines and lithium (+borate) in northern Chile. This program, in the northern Atacama region is aimed at developing new lithium targets following on from the success of its previous reconnaissance sampling in 2016.
- On 31 January 2018, the Company announced it had successfully raised A\$1.8 million before costs through a placement of 72 million shares to institutional and sophisticated investors at 2.5 cents per share. The funds will be used to further develop the Company's Chilean exploration and NSW Gold programs and to part settle the purchase of the Mt Carbine Quarry and Mining Leases.
- On 8 February 2018 the Company provided an exploration date on its search for lithium in Chile and gold within Australia.
- On 14 March 2018, the Company announced that an additional fifteen (15) Exploration Concessions over a key area of Salar de Pintados (Pinta 1-15), were 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 SpA.

## INDEPENDENCE DECLARATION

The Auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this Report.

Signed at Melbourne this 15<sup>th</sup> day of March 2018 in accordance with a resolution of Directors.



**R H Krause**  
Executive Chairman

The first six months of the 2017/2018 financial was a transformative period for the Company 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 (ASX: SEI, Speciality Metals or the Company), 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 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 the Company 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.

During this period the Company was also granted 10 Exploration Concessions within Chile, Miraje 1-5 and Bellavista 1-5, with a further suite of applications pending.

The Board 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.

The following commentary provides an overview of the activities undertaken during this period.

**DEVELOPMENT & EXPLORATION ACTIVITIES**

**LITHIUM, CHILE**

***EXPLORATION CONCESSIONS GRANTED***

**MIRAJE 1-5**

Speciality Metals' predecessor Carbine Tungsten Limited (ASX: CNQ) announced on 19 July 2017 that it had received official confirmation of the grant of 5 exploration concessions in northern Chile. The concessions are valid till 10 May 2019 and cover part of the Salar de Miraje, an enclosed rift basin in the Atacama Desert. On present evidence, Salar de Miraje is geologically analogous to the Salar de Atacama rift basin 150km to the south east, that produces a third of the world's lithium from brines within the sediments deposited in the basin.

Analysis of surface samples taken by the Company of evaporative saline crusts in Salar de Miraje indicate that the crusts contain anomalous lithium, boron and potassium (Table 1). Reconnaissance sampling conducted by the Company has determined that lithium values in saline crust samples that exceed 50ppm lithium appear to be anomalous. The significance of these anomalous values will be tested by drilling proposed for later this year. The drilling will be aimed at sampling brines anticipated to be contained in early rift fill sediments within the Salar.

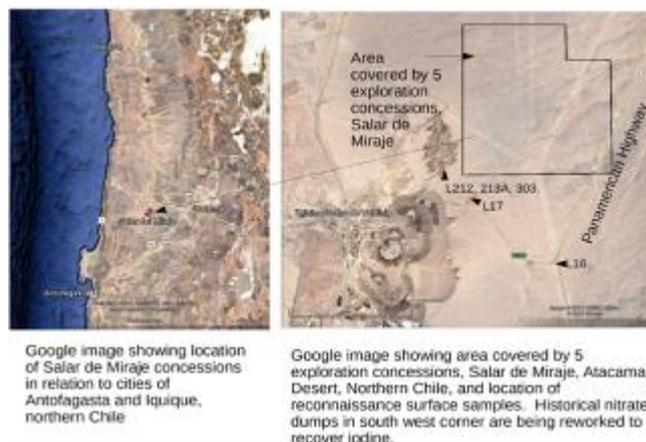
Salar de Miraje has been a significant historical producer of nitrates from the margin of the Salar, and iodine is currently being produced from mine dumps left by nitrate mining just west of the concessions granted to the Company.

Table 1. Salar de Miraje surface reconnaissance samples.

SAMPLE	Li	Mg	K	Na	B	Ca	S	As	Sb	Mo	Cu	Zn	Pb	Ag	Fe	P	Mn
DESCR	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
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
L212	17.3	0.46	0.31	>10.0	1120	0.45	0.77	5	0.1	0.79	13.8	45	1.9	0.94	0.09	40	26
L213A	93.5	1.15	0.72	3.97	840	7.65	8.06	50.1	0.76	3.6	19.6	27	7.1	0.02	2.2	490	405
DESCR	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm	ppm
L303	50	>10000	12000	122500	2040	320	<10	<5	2	<1	<100	<5	<1	<100	<100	<1	

All samples except L303 are surface halite crust samples, L303 is a brine sample from iodine recovery ponds.

(Refer announcement "Chilean Exploration Concessions Granted" dated 19 July 2017 for JORC Code 2012, Edition – Table 1 content)



**BELLAVISTA 1-5**

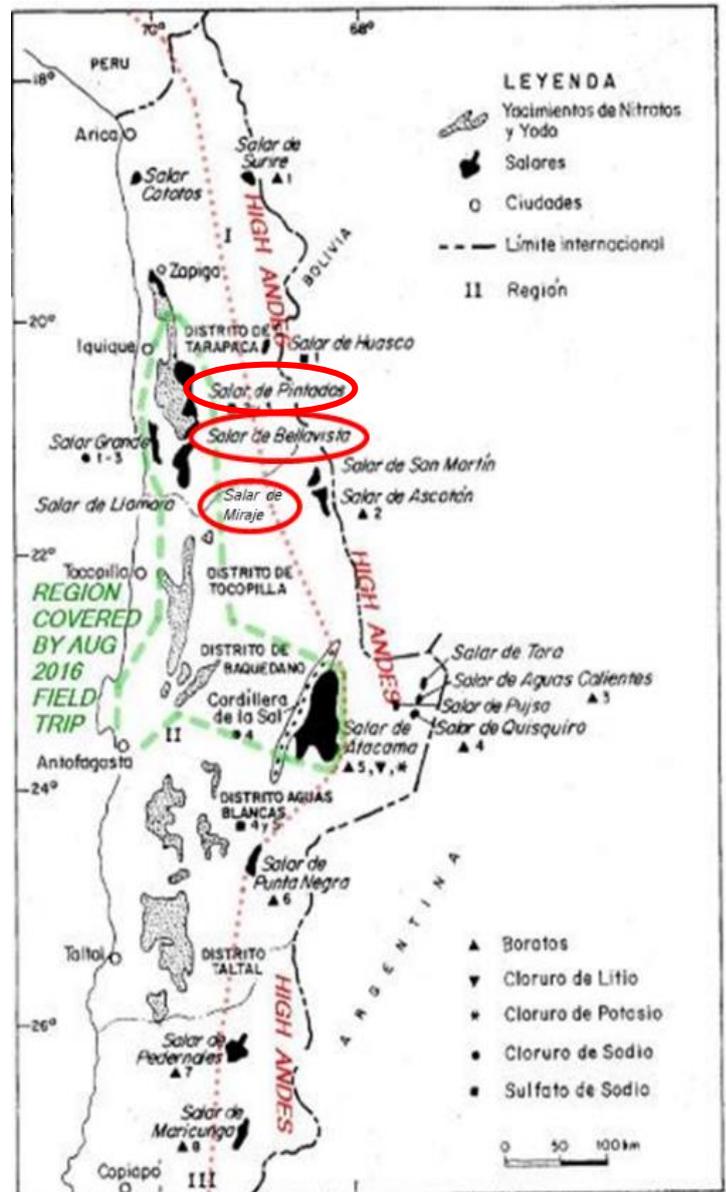
On 11 January 2018 the Company announced that an additional five (5) Exploration Concessions over a key area of Salar de Bellavista (Bellavista 1-5), have been granted by the Chilean Courts and the Company is currently in the process of arranging for the transfer of these exploration concessions into 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

## PLANNED EXPLORATION, CHILE

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 is aimed at developing new lithium targets following on from the success of its previous reconnaissance sampling in 2016.

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.

SEI further advised on 8 February 2018 that its 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 conducted in January 2017 to delineate new lithium targets within its areas of interest, in addition to the planned drilling program for lithium brines within its concessions/applications. 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 (100–2300m, compared with 3600 – 4100m 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).



To date an additional 132 samples collected in the current sampling and reconnaissance program have been submitted for analysis. Geophysical interpretation currently under way confirms that SEI's current concessions and applications are well placed to test for basinal brines.

The Company looks forward to commencing a targeted drilling program once the results from the current sampling program have been analysed.

**GOLD**

The Company was pleased to announce on 8 February 2018 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.
- 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, and 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.

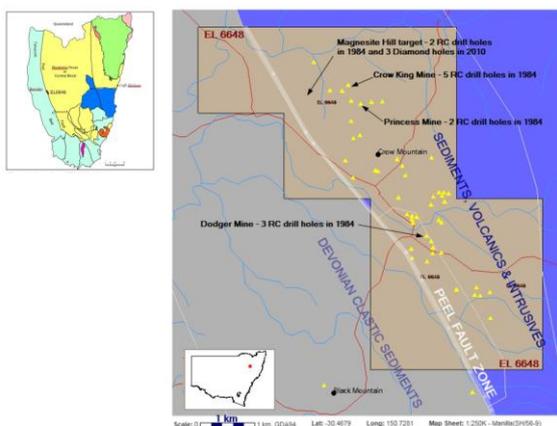


Figure 1. Location of EL6648

**CORPORATE**

**BOARD & MANAGEMENT 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 maker) 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 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 that date commenced trading 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 also changed its registered office address to the following as from Friday 15 December 2017 however its principal place of business and main operational activities 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 AND MINING LEASES**

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.

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

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

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. As at 13 March 2018, the APT price was between US\$319-\$326 (per 10kg MTU).

**CAPITAL RAISING ACTIVITIES**

During the half-year to 31 December 2017, no capital raising activities were undertaken. Subsequent to the end of the half-year, on 31 January 2018, the Company announced it had successfully raised A\$1.8 million before costs through a placement of 72 million shares to institutional and sophisticated investors at 2.5 cents per share. The funds will be used to further develop the Company's Chilean exploration and NSW Gold programs and to part settle the purchase of the Mt Carbine Quarry and Mining Leases.



**COMPETENT PERSONS' 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 Carbine. 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.



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AUSTRALIA

## DECLARATION OF INDEPENDENCE BY MARGARET DEWHURST TO THE DIRECTORS OF SPECIALITY METALS INTERNATIONAL LIMITED

As lead auditor for the review of Speciality Metals International Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Speciality Metals International Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Margaret Dewhurst', is written over a faint, light blue circular stamp.

Margaret Dewhurst

Director

A handwritten logo in blue ink consisting of the letters 'BDO' in a simple, blocky font.

**BDO Audit (NTH QLD) Pty Ltd**

Cairns, 15 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Half-year ended 31 December 2017

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	Note	31 Dec 2017 \$	31 Dec 2016 \$
REVENUE	2	13,935	18,716
Administration expenses		(132,527)	(116,370)
Consultant expenses		(243,120)	(219,084)
Depreciation expense		(487)	(465,890)
Development and testwork costs		(104,676)	(37,224)
Employee benefits expense		(79,563)	(135,918)
Exploration expenditure		(176,802)	(181,638)
Finance costs		-	(8,184)
Foreign exchange loss		-	(8,122)
Loss on revaluation of financial assets		(68,174)	(222,986)
Occupancy Costs		(14,197)	(16,702)
Other expenses		(9,526)	(26,069)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(815,137)</b>	<b>(1,419,471)</b>
Income tax expense		-	-
<b>NET LOSS FOR THE HALF YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(815,137)</b>	<b>(1,419,471)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(815,137)</b>	<b>(1,419,471)</b>
Basic loss per share (cents)		(0.17)	(0.34)
Diluted loss per share (cents)		(0.17)	(0.34)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

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	Note	31 Dec 2017 \$	30 Jun 2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		462,029	1,048,000
Trade and other receivables	3	24,212	51,264
Financial assets	4	-	41,453
Prepayments		19,346	63,065
<b>TOTAL CURRENT ASSETS</b>		<b>505,587</b>	<b>1,203,782</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		772,019	746,719
Plant and equipment		1,927	2,839
Deferred exploration and evaluation expenditure	5	596,066	596,066
Financial assets	4	40,313	2,320
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,410,325</b>	<b>1,347,944</b>
<b>TOTAL ASSETS</b>		<b>1,915,912</b>	<b>2,551,726</b>
<b>CURRENT LIABILITIES</b>			
Payables		271,108	166,116
Financial liabilities	6	14,706	14,109
<b>TOTAL CURRENT LIABILITIES</b>		<b>285,814</b>	<b>180,225</b>
<b>TOTAL LIABILITIES</b>		<b>285,814</b>	<b>180,225</b>
<b>NET ASSETS</b>		<b>1,630,098</b>	<b>2,371,501</b>
<b>EQUITY</b>			
Issued capital	7	1,871,075	1,797,341
Share-based payments reserve		433,844	574,160
Accumulated losses		(674,821)	-
<b>TOTAL EQUITY</b>		<b>1,630,098</b>	<b>2,371,501</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Half-year ended 31 December 2017

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	31 Dec 2017	31 Dec 2016
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payment to suppliers and employees	(619,773)	(779,397)
Interest paid	-	(10,865)
Interest received	16,056	16,664
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(603,717)</b>	<b>(773,598)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of plant and equipment	-	(842)
Proceeds from the sale or disposal of plant and equipment	-	12,000
Payments for the purchase of Tenements	-	(55,000)
Payments for Tenement Security Deposits	-	(20,000)
Payment for Non Refundable Security Deposit	(30,000)	-
Release of Other Security Deposits	-	1,539
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(30,000)</b>	<b>(62,303)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	47,746	404,727
Repayment of loans	-	(27,933)
Equity raising expenses	-	(8,750)
<b>NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>	<b>47,746</b>	<b>368,044</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>(585,971)</b>	<b>(467,857)</b>
Add opening cash brought forward	1,048,000	761,412
<b>CLOSING CASH CARRIED FORWARD</b>	<b>462,029</b>	<b>293,555</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2017

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CONSOLIDATED	Attributable to shareholders of Speciality Metals International Ltd			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>AT 1 JULY 2016</b>	30,873,793	(20,650,098)	520,875	10,744,570
Loss for the period	-	(1,419,471)	-	(1,419,471)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(1,419,471)	-	(1,419,471)
Transactions with owners in their capacity as owners:				
Shares issued during the half year	471,105	-	-	471,105
Share issue costs	(8,750)	-	-	(8,750)
Total transactions with owners in their capacity as owners	462,355	-	-	462,355
<b>AT 31 DECEMBER 2016</b>	31,336,148	(22,069,569)	520,875	9,787,454
<b>AT 1 JULY 2017</b>	1,797,341	-	574,160	2,371,501
Loss for the period	-	(815,137)	-	(815,137)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	(815,137)	-	(815,137)
Transactions with owners in their capacity as owners:				
Shares issued during the half year	73,734	-	-	73,734
Options lapsed unexercised	-	140,316	(140,316)	-
Total transactions with owners in their capacity as owners	73,734	140,316	(140,316)	73,734
<b>AT 31 DECEMBER 2017</b>	1,871,075	(674,821)	433,844	1,630,098

## 1. BASIS OF PREPARATION OF THE HALFYEAR FINANCIAL REPORT

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The Half Year Financial Report should be read in conjunction with the Annual Financial Report of Carbine Tungsten Limited as at 30 June 2017.

It is also recommended that the Half Year Financial Report be considered together with any public announcements made by Speciality Metals International Limited during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Going Concern Basis for Preparation of Financial Statements

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Consolidated Entity incurred a net loss of \$815,137 and net operating cash outflows of \$603,717 for the period ended 31 December 2017. As at 31 December 2017 the Consolidated Entity had cash reserves of \$462,029.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the Consolidated Entity's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities, and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Consolidated Entity to continue operating.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

### (b) Statement of Compliance

These interim financial statements for the half year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The Half Year Financial Report has been prepared on a historical cost basis and held for trading financial assets have been measured at fair value through profit or loss.

For the purpose of preparing the Half Year Financial Report, the half year has been treated as a discrete reporting period.

### (c) Significant Accounting Policies

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017

# NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

## 2. REVENUE

	31 December 2017	31 December 2016
	\$	\$
Interest received	14,360	12,967
(Loss) Profit on Disposal of Non Current Asset	(425)	5,749
	<u>13,935</u>	<u>18,716</u>

## 3. RECEIVABLES - CURRENT

	31 December 2017	30 June 2017
	\$	\$
Interest receivable	3,233	4,929
GST receivable	20,979	30,521
Trade receivable	-	7,128
Other receivables	-	8,686
	<u>24,212</u>	<u>51,264</u>

## 4. FINANCIAL ASSETS

	31 December 2017	30 June 2017
	\$	\$
<b>Current</b>		
Derivative financial asset <sup>1</sup>	-	41,453
<b>Total current</b>	<u>-</u>	<u>41,453</u>
<b>Non current</b>		
Derivative financial asset <sup>1</sup>	-	-
Other:		
- Shares in listed companies: Force Commodities Ltd (4CE)	10,313	2,320
- Non Refundable Security Deposit	30,000	-
<b>Total non current</b>	<u>40,313</u>	<u>2,320</u>

<sup>1</sup> In November 2015 and March 2016, the Company entered into two separate agreements with Lanstead Capital LP (“Lanstead”), Tranche A and Tranche B Share Subscription Agreements and Tranche A and Tranche B Sharing Agreements. Under the Share Subscription Agreements 75,000,000 ordinary shares were issued to Lanstead for a cash consideration of A\$1,875,000. A value payment of 8,000,000 shares was issued to Lanstead as consideration for entering into the Sharing Agreements. A\$281,250 was received upon subscription with the balance of A\$1,593,750 invested by the Company in Sharing Agreements, to be returned in monthly instalments commencing in January 2016 (Tranche A) and May 2016 (Tranche B).

Share issued	Shares	\$
Shares issued on subscription to agreement	18,750,000	281,250
Value payment issued to Lanstead	8,000,000	-
Shares subject to sharing agreement	56,250,000	1,593,750
	<u>83,000,000</u>	<u>1,875,000</u>

Under the Sharing Agreement, monthly settlements are made based on a five-day volume weighted average price (VWAP) of the Company’s shares relative to a benchmark price of \$0.033. If the market price of the Company’s shares exceeds the benchmark price, a payment is made by Lanstead to the Company, with the amount of the payment depending on the amount by which the market price exceeds the benchmark price. If the market price of the Company’s shares is less than the benchmark prices, then a payment is made by the Company to Lanstead, with the amount of the payment depending on the amount by which the market price is less than the benchmark prices.

The monthly instalments conclude in November 2017. Accordingly, the net amount due from Lanstead at 31 December 2017 is \$Nil. (30 June 2017: \$41,453) (Financial assets – current and non-current). The reconciliation of movements in derivative assets and liabilities and cash received to loss on derivative investments is shown as follows:

Reconciliation to loss on derivative investment	31 December 2017	30 June 2017
Cash received	47,707	564,367
Net movement in Lanstead Receivable	(8,686)	1,095
Net movement in derivative financial assets	(41,453)	(1,132,374)
Net movement in derivative financial liability	-	875,561
Net movement in issued capital	(73,734)	(750,625)
Loss on derivative investment	<u>(76,166)</u>	<u>(441,976)</u>

The market value of the Sharing Agreement was valued at the Company’s share price at reporting date relative to the benchmark price of \$0.033. This is a level two asset under AASB 13 Fair Value Measurement. The value of the future monthly Sharing Agreement settlements will vary with the Company’s share price as follows:

	31 December 2017	30 June 2017
Increase in the Company’s share price by 25% above the benchmark share price	-	\$26,016
Decrease in the Company’s share price by 25% below the benchmark share price	-	(\$26,016)

The Derivative Financial Asset is revalued each month based on cash received and any recognised gain or loss is taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## 5. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2017	30 June 2017
	\$	\$
Costs brought forward	596,066	6,176,398
Costs incurred during the period	-	55,000
Exploration and evaluation expenditure written down	-	(5,635,332)
Costs carried forward	<u>596,066</u>	<u>596,066</u>

Exploration expenditure costs carried forward are made up of:

Expenditure on joint venture areas	-	-
Expenditure on non-joint venture areas	596,066	596,066
Costs carried forward	<u>596,066</u>	<u>596,066</u>

Recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the areas of interest. Management reassess the carrying value of the Group's tenements at each half year, or at a period other than that, should there be an indication of impairment.

## 6. FINANCIAL LIABILITIES

	31 December 2017	30 June 2017
	\$	\$
<b>Current</b>		
Unissued shares liability <sup>(i)</sup>	14,706	14,109
Derivative financial liability <sup>(ii)</sup>	-	-
<b>Non-Current</b>		
Derivative financial liability <sup>(ii)</sup>	-	-
	<u>14,706</u>	<u>14,109</u>

(i) During the period ended 31 December 2017, a share placement liability arose due to work undertaken by a consultant and agreement was reached for the payment of these services through the issue of shares.

(ii) Refer to Note 4 for further information.

## 7. ISSUED CAPITAL

	31 December 2017	30 June 2017
	\$	\$
Share capital		
482,876,418 (30 June 2017: 482,876,418) ordinary shares	1,871,075	1,797,341
	<u>1,871,075</u>	<u>1,797,341</u>

# NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

	Issue Date	Number of shares	Issue price	\$
<b>(a) Movements in ordinary share capital</b>				
1 July 2017 brought forward		482,876,418		1,797,341
Ongoing sharing agreement with Lanstead Capital LP - 18 of 18 instalments settled	**	**	**	73,734
<b>Balance as at 31 December 2017</b>		<b>482,876,418</b>		<b>1,871,075</b>

\*\* Refer to Note 4 for further information.

	Issue Date	Number of Options	Exercise price	Maturity
<b>(b) Options and Performance Rights</b>				
<b>Unlisted Options and Performance Rights</b>				
1 July 2017 brought forward		8,000,000	\$0.1996	12-11-17
Options expired unexercised on 12 November 2017		(8,000,000)		
<b>Balance as at 31 December 2017</b>		<b>-</b>		

No options were granted to Directors or key employees during the half year ended 31 December 2017.

## 8. CONTINGENT ASSETS AND LIABILITIES

The Group has provided guarantees totaling \$771,421 in respect of mining tenements and environmental bonds. These guarantees in respect of mining tenements are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

On 20 December 2017 the Company announced that it had entered into a Binding Heads of Agreement for the purchase of the Mt Carbine Quarry and Mining Leases ML4919 and ML4867 with the quarry owner and leaseholder Mt Carbine Quarries Pty Ltd. The purchase is subject to due diligence, Board approval, financing and obtaining any necessary Government approvals. As at the date of these financial statements, the purchase had not yet been finalised, pending the outcome of the aforementioned conditions. Should all conditions be met, the Company will be required to pay the purchase price and purchase the Quarry and Mining Leases. Due to the commercial sensitivity of the transaction, the purchase price is not disclosed in the financial statements. In addition, should all conditions be met and the purchase be made, the Company will likely be required to pay additional guarantees in respect of mining tenements and environmental bonds. At the date of these financial statements the amounts in respect of the additional guarantees were not known.

## 9. SEGMENT INFORMATION

During the half-year the Company operated principally in one business segment being mineral exploration, mining evaluation and development and in two (2) geographical segments being Australia and Chile. For the half-year to 31 December 2017, there is no revenue from either segment and no assets are recorded for the Chilean segment).

## 10. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2017 requiring disclosure in or amendment to, these financial statements, apart from:

- As at 31 December 2017 there were no balances or transactions recorded in SEI's wholly owned Chilean subsidiary company, Special Metals Chile SpA. SEI obtained control of this subsidiary from its incorporation on 11 October 2017..
- On 11 January 2018, the Company announced that an additional five (5) Exploration Concessions over a key area of Salar de Bellavista (Bellavista 1-5), were 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 SpA.
- On 17 January 2018, the Company announced that it will shortly be undertaking further exploration work for lithium brines and lithium (+borate) in northern Chile. This program, in the northern Atacama region is aimed at developing new lithium targets following on from the success of its previous reconnaissance sampling in 2016.
- On 31 January 2018, the Company announced it had successfully raised A\$1.8 million before costs through a placement of 72 million shares to institutional and sophisticated investors at 2.5 cents per share. The funds will be used to further develop the Company's Chilean exploration and NSW Gold programs and to part settle the purchase of the Mt Carbine Quarry and Mining Leases.
- On 8 February 2018 the Company provided an exploration date on its search for lithium in Chile and gold within Australia.
- On 14 March 2018, the Company announced that an additional fifteen (15) Exploration Concessions over a key area of Salar de Pintados (Pinta 1-15), were 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 SpA.

In accordance with a resolution of the Directors of Speciality Metals International Limited, I state that:

In the opinion of the Directors:

- a) the financial statements and notes of the Company:
  - i) give a true and fair view of the Company's financial position as at 31 December 2017 and the performance for the half-year ended on that date; and
  - ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**R H KRAUSE**  
Executive Chairman

Melbourne, 15<sup>th</sup> March 2018



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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Speciality Metals International Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Speciality Metals International Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial*



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*Reporting and the Corporations Regulations 2001.* As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO

**BDO Audit (NTH QLD) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Margaret Dewhurst', written over a faint, circular stamp.

Margaret Dewhurst

Director

Cairns, 15 March 2018

# **SPECIALITY METALS INTERNATIONAL LIMITED**

ABN 77 115 009 106

ASX CODE: SEI

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