Speciality Metals International Limited

ACN: 115 009 106 | ABN: 77 115 009 106

(ASX: SEI)

2019 Annual Report

CORPORATE DIRECTORY

Directors

Russell H. Krause	Executive Chairman
Stephen Layton	Non-executive Director
Oliver Kleinhempel	Non-executive Director (Appointed 12 August 2019)
Yeo Zhui Pei	Non-executive Director (Appointed 12 August 2019)

Company Secretary

Adrien Wing - Appointed 1 February 2019

David Clark - Resigned 31 January 2019

Registered Office

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Share Register

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Telephone (within Australia): 1300 850 505

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Nexia Melbourne Audit Pty Ltd

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Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX)

ASX Code: SEI

ACN: 115 009 106

ABN: 77 115 009 106

CONTENTS

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

Speciality Metals International Limited ("Speciality Metals" or "the Company") has had an extremely busy year.

This year your Company has been successful in achieving the following: -

- 100% acquisition of Mt Carbine Quarries Pty Ltd for $8 million dollars. This included the quarry business itself, all plant and equipment, out buildings and the Mining Leases over the Mt Carbine Tungsten assets. The purchase of the Mining Leases has resulted in the previously held Sublease becoming redundant from the Company's perspective.
- Completion of the Cronimet Asia Pte Ltd Retreatment Joint Venture and Offtake Agreement.
- Completion of placements and fully underwritten Rights Issue to fund the Mt Carbine Quarry purchase and existing Retreatment Plant upgrades. The plant upgrades are based on significant metallurgical test work completed during the year on the Company's Tungsten assets.
- Restructuring of your Company's Board and Management Team.
- Employment of additional key staff.
- Ongoing Insurance and Information Technology upgrades.
- Ongoing Exploration Tenement reviews and restructuring.
- Ongoing Corporate Compliance reviews and enhancements.
- Ongoing development of our Corporate Business strategy, accounting and business systems and associated budgetary planning.
- Ongoing review of the Australian Gold and Tungsten exploration concessions.
- Detailed geophysical work and review of Chilean Boron and Lithium exploration concessions.

The result of these achievements means your Company is now well positioned to commence a significant production growth phase over the next twelve months.

This has been achieved against a backdrop of mixed financial markets and fluctuating commodity prices. Of recent times we have seen the Gold price surge and the Tungsten price, after a prolonged stable period, decline to around US$200 mtu based largely on fears of the overhanging stockpile held in the Fanya Metal Exchange. The good news is that in September 2019 this stockpile was auctioned and sold to China Molly, at a 4% premium on the spot price at that time. Most experts are now predicting a gradual increase in the Tungsten price. Hopefully these predicted increases will coincide with your Company's future production schedules.

The achievements in the past year have served to position Speciality Metals for a very exciting next twelve months of development. I am looking forward to the Retreatment Plant commissioning later this year and the associated production and revenue growth. The business development of the Mt Carbine Quarry, exploration work at Mt Carbine and further assessments of the gold concessions in NSW along with the completion of the geophysical review of the Chilean exploration concessions will also be an ongoing focus for the Company.

I believe the past twelve months has well positioned your Company to enter the new financial year full of optimism. Your board is dedicated to achieving the best possible financial outcome for Speciality Metals. I am confident we will see these efforts reflected in our future results and that this translates to a stronger share price and a stronger and more robust Company.

Yours truly,

Russell Krause
Executive Chairman

The end of the 2018-2019 financial year saw the Board of Speciality Metals International Limited ("Speciality Metals" or "the Company") successfully complete the 100% acquisition of Mt Carbine Quarries Pty Ltd, an entity that owns and operates the Mt Carbine Quarry and holds Mining Leases ML 4867 and ML 4919 ("Acquisition").

The June 2019 quarter also signalled the commencement of the unincorporated Joint Venture between Speciality Metals and Cronimet Asia Pte Ltd for the development of the Mt Carbine Tungsten Tailings and Stockpile Projects.

These events mark the beginning of a new era for Speciality Metals and its world-class Mt Carbine Tungsten Project as it now focuses on bringing the Retreatment Plant back into production. The completion and commissioning on this work is still on-schedule to occur during the 4th quarter of 2019.

The Board of Speciality Metals welcomes the Cronimet team to the Project and looks forward to working closely with them to commericalise the Mt Carbine Tungsten Retreatment Operations.

Full details relating to the Acquisition and unincorporated Joint Venture can be found in the Company's ASX Announcement dated 14 May 2019.

DEVELOPMENT & EXPLORATION ACTIVITIES

MT CARBINE QUARRY

The Mt Carbine Quarry is a fully permitted, established business in operation for over 20 years within the Mt Carbine Mining Leases which offers substantial growth opportunities and an invaluable revenue stream. The synergies between the quarry and the Company's future mining activities through waste management are invaluable.

It should also be noted that it is the largest and most northern hard rock quarry in Queensland.

All feed stock is sourced from stockpiled mined rock (~6Mt from a stockpile that has been processed through an optical ore sorter) plus a further ~12Mt of stockpiled mined rock of which approximately 90% will be available for future quarry feed after processing by the Joint Venture.

This makes the quarry an extremely cost-competitive operation as no drill and blast is necessary as all mined waste rock becomes quarry feed stock with only secondary crushing, screening and blending required to form a saleable product.

Following the 100% acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019 the quarrying operations have transitioned smoothly from both an operational and customer perspective.

The Company's wholly owned subsidiary, Mt Carbine Quarrying Operations Pty Ltd, has retained all operational staff previously employed by Mt Carbine Quarries Pty Ltd to ensure that the Quarry's product and service standards are maintained. The current staff collectively have over 60 years' experience in the quarry industry.

The Board of Speciality Metals would also like to thank the former owner who has been extremely helpful in this process and remains available to assist with any operational or customer service requirements that may arise over the next few months.

The Company is committed to remaining price competitive whilst maintaining, and wherever possible, exceeding the Quarry's pre-existing service standards.

The Company's Chief Operating Officer, Chris Godfrey, will oversee the quarry and will also be responsible for the future development of the business. The Company's office has also been relocated to the Mt Carbine site with the Company's Administration Manager, Natasha Troughton and support staff now based at this location.

The Company will continue to develop the quarry's client base in order to maximise business opportunities.

UNINCORPORATED JOINT VENTURE

On 14 May 2019 Speciality Metals announced that it had entered into an unincorporated Joint Venture with Cronimet Asia Pte Ltd (Cronimet) for the development of the Mt Carbine Tungsten Tailings Retreatment and Stockpile Projects (Joint Venture).

The joint venture is documented under the terms of:

- *Offtake Advance Agreement – between Cronimet, CR Australia Pty Ltd (a subsidiary of Cronimet) (Cronimet Australia), Mt Carbine Retreatment Pty Ltd (a subsidiary of Speciality Metals) (Mt Carbine Retreatment)*;

  Cronimet will provide an offtake advance of US$3.5 million to the Joint Venture Parties (US$1.75 million to Mt Carbine Retreatment and US$1.75 million to Cronimet Australia) under the terms of this agreement.

  The Joint Venture Parties will each pay US$1.5 million (US$3 million in total) to Speciality Metals in consideration for the transfer of the retreatment assets from Speciality Metals to the Joint Venture Parties and as a pre-payment of rent under the Sub-lease.

  The balance of US$500,000 will be used to fund the Joint Venture.

  The Offtake Advance is a component of the funding that was used to part-fund the purchase price under the Sale and Purchase Agreement for Mt Carbine Quarries Pty Ltd.

  Repayment of the Offtake Advance will be from net profits of sale of production from the Retreatment Operations.

- *Retreatment Operations Product Offtake Agreement – between Cronimet, Cronimet Australia and Mt Carbine Retreatment*;

- *Retreatment Operations Unincorporated Joint Venture and Management Agreement – between Cronimet Australia, Mt Carbine Retreatment and Mt Carbine Retreatment Management Pty Ltd (the Manager);*

  Under this agreement, the Company and Cronimet have agreed to establish an unincorporated Joint Venture for the Mt Carbine tailings and stockpile projects. The Joint Venture is held 50% each by:

  - Mt Carbine Retreatment Pty Ltd, a wholly owned subsidiary of Speciality Metals; and
  - Cronimet Australia Pty Ltd, a wholly owned subsidiary of Cronimet Asia Pte Ltd.

  All rights, liabilities and costs of the retreatment operations will be owned / paid by the Joint Venture Parties 50:50.

  The Joint Venture will be managed by the Manager, an entity held 50% each by the Joint Venture Parties. The Manager will conduct the day to day operations of the Joint Venture.

- Agreement to Execute between Speciality Metals, Cronimet, Cronimet Australia and Mt Carbine Retreatment for the entry into the following, immediately following the acquisition of Mt Carbine Quarries:

  - *Retreatment Operations Sub-Lease between Mt Carbine Quarries, Cronimet Australia and Mt Carbine Retreatment;*

    Under the Sub-lease, Mt Carbine Quarries Pty Ltd grants the Joint Venture Parties access and other rights to enable the Joint Venture parties to conduct the Retreatment Operations within the Sub-Lease Area.

    The Sub-lease contains a licence back to Mt Carbine Quarries Pty Ltd (and otherwise permits Mt Carbine Quarries Pty Ltd) to carry out the quarrying operations on the Sub-lease Area.

    In consideration for the Sub-lease, the Joint Venture Parties will pay a royalty to Mt Carbine Quarries Pty Ltd of 2.5% of the value of the minerals extracted from the Sub-lease Area, after deduction of certain direct Sub-lease maintenance expenses.

  - *Tenement Mortgage (Limited Recourse) between Mt Carbine Quarries and Cronimet*; and
  - *Cross Security Deed – between Mt Carbine Quarries, Cronimet Australia and Mt Carbine Retreatment*,

- *Retreatment Plant Sale Agreement – between Speciality Metals, Cronimet Australia and Mt Carbine Retreatment; and*
- *Cross Security Deed – between Cronimet, Cronimet Australia and Mt Carbine Retreatment.*

On 27 June 2019 the Company announced that as the Acquisition of Mt Carbine Quarries Pty Ltd was now unconditional, the unincorporated Joint Venture between Speciality Metals and Cronimet Asia Pte Ltd for the development of the Mt Carbine Tungsten Tailings Retreatment and Stockpile Projects has commenced.

The refurbishment of the Retreatment Plant has started with orders placed for specific pieces of equipment with long lead times. Most of this equipment is being sourced from offshore.

Upgrades to electrical circuits have largely been completed. Various pumps and motors have been serviced or replaced and additional concrete work is currently being undertaken.

A further update was provided on 28 August 2019 advising that the Mt Carbine Retreatment Plant refurbishment was progressing well and on-schedule with all redundant plant and equipment being removed in preparation for the arrival of the newly ordered equipment. Formwork for the maintenance workshop areas has been completed, as shown in the photo below, and further formwork for replacement plant is scheduled to be completed in the coming weeks. Existing plant conveyors are in the process of being refurbished. Electrical maintenance and commissioning works are ongoing and to schedule.

The first container of plant equipment has arrived in Australia and further shipments of the following key components of equipment are scheduled to arrive in the coming weeks:

- Feed Hopper and Grasshopper Conveyors;
- Jig;
- Wet Screen;
- Roller Crushers;
- VSD;
- Steel framework for all plant replacements; and
- Submersible, Slurry and Water Pumps.

Cronimet experts from their South African and Singapore operations assisted with design and procurement support for the refurbishment, while their Process Engineers will be mobilised to commence commissioning later in the year.

Plant upgrade and production commissioning is still expected to be completed during the 4th quarter of 2019.

The Board would like to welcome the Cronimet team to the Mt Carbine Tungsten Project and welcomes the opportunity to partner with one of the world's leading mining and raw material supply Company in realising the value of its world-class Mt Carbine Tungsten Project.

Completed formwork maintenance area.

REVIEW OF OPERATIONS

CHILE

EXPLORATION CONCESSIONS

During the year the Company's in-country consultants have held a number of meetings with the main environmental authorities (Regional Environmental Ministry, Regional Ministry of Mines, National Forest Corporation, General Water Bureau, Environmental Evaluation Agency and National Mining and Geology Service) of the Tarapacá Region to introduce the Company and the development activities it intends to undertake within the Tarapacá Region. A meeting has also been held with local politicians such as the Governor of the Tarapacá Region and the Mayor of Pozo Almonte, in order to introduce the project and the Company. The general reception has been highly positive as it will bring increased investment to the Tarapacá Region.

A letter of relevance has also been lodged with the Environmental Evaluation Agency of the Tarapacá Region to request a pronouncement from the authority declaring it unnecessary to submit the exploration project in the Pinta and Bellavista mining concessions for assessment through the Environmental Impact System prior to executing exploration activities. In this regard, the Environmental Evaluation Agency has forwarded the file to the National Forest Corporation requesting additional information before issuing a definitive resolution. A final resolution from the Environmental Evaluation Agency regarding the letter of relevance is expected during the September 2019 quarter.

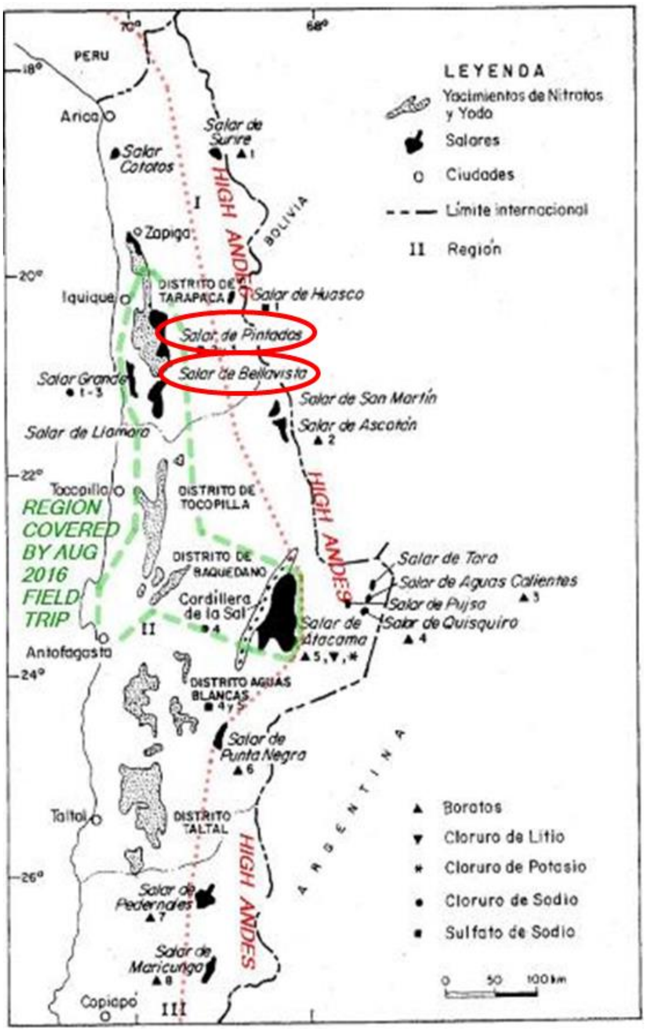
In conjunction with this, Speciality Metals will benefit from a recently signed collaboration alliance between its in-country consultants and Santo Tomas University. The objective of this alliance is to attract young talent to do a tectonostratigraphic model of the Pampa del Tamarugal Basin.

During July 2019 efforts were put into sourcing all available relevant information, consisting of old ENAP seismic lines and oil & gas holes drilled in the 60's – 70's. Additionally, public information from Sernageomin and DGA (Chilean Water Bureau) will be used to link geology, seismic lines and aquifers in the model.

The selection of the students has also been completed. Work on the project started on 15 July 2019 and it is expected to be finalised by the end of September 2019.

The main objective of this study will be to determine potential brine target depths within Speciality Metals' concessions, define the stratigraphic sequence and associated aquifers and establish a preliminary 3D model of the area aiming to define drill targets.

Upon completion of a comprehensive desktop and in-field review of the Company's Chilean Exploration Concessions it was decided not to renew the 5 concessions within Salar de Miraje upon the expiration of their initial 3-year term which concluded on 10 May 2019.



Summary map of Northern Chile showing locations of Salars de Bellavista and Pintados

The Company is also reviewing the option to acquire additional concessions within the targeted exploration region. This review is expected to be completed by the end of August 2019.

REVIEW OF OPERATIONS

GOLD

Crow Mountain – EL6648

Target: Structurally controlled bulk tonnage and related vein gold systems

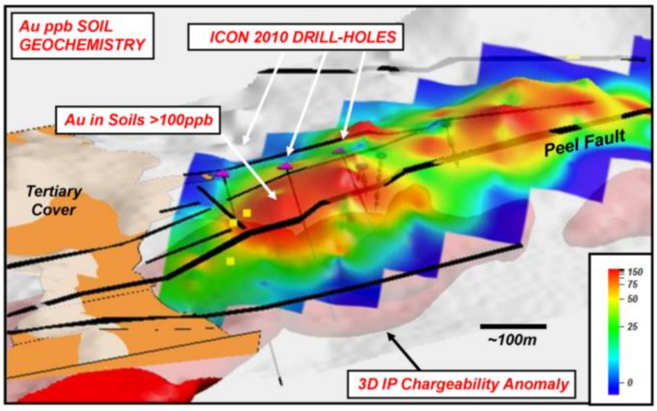
As announced in the September 2019 Quarterly Activities Report the Crow Mountain tenement covers part of the Great Serpentine Belt in the western New England province of north eastern NSW. Shallow marine sediments of late Devonian age on the western side of the tenement are separated from much older deep marine sediments and intrusive rocks on the eastern side of the tenement by a major north-south trending structure, the Peel Fault. The Fault is well known for the belt of serpentinite, formed by alteration of pre-existing ultra-mafic intrusives exposed for several hundred kilometres along the Fault.

In the Crow Mountain tenement there is many historical shallow gold workings dating from the 1860's. Records indicate that most of the historical workings were dug to extract gold from small, discontinuous quartz veins. Recent mapping by Speciality Metals' precursor companies showed that the serpentinite along the Peel Fault bifurcates in the Crow Mountain tenement and the majority of workings are between the two belts of serpentinite.

Several models of potential foci for gold mineralisation have been proposed for the Crow Mountain occurrences, but until now no satisfactory explanation or prediction of where economic gold might occur has been achieved.

The Company has been reviewing all data and collecting some new data in order to derive a cogent model for the gold mineralisation in the tenement.

Speciality Metals' predecessor Icon Resources Ltd carried out geophysical and geochemical surveys concentrating mostly in the area of historical workings. In addition to the geochemical and geophysical data, surface mapping had shown that extensive hydrothermal alteration of the serpentinite to form a distinctive rock called listwanite had taken place along the Fault. The close resemblance of the features defining the geophysics, geochemistry and alteration in the Crow Mountain tenement to those of the Californian Motherlode, where gold is closely associated with listwanite alteration, led Icon Resources to drill three diamond core holes in mid-2010 at Magnesite Hill. The holes were sited to test for gold mineralisation associated with a large IP chargeability anomaly coincident with surface geochemically anomalous gold, arsenic and antimony found in soil sampling, and a belt of listwanite.



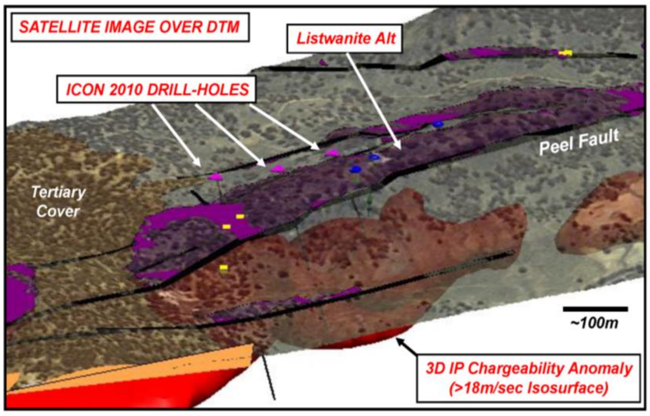
Magnesite Hill Gold Prospect – Icon 2010 Drill Hole Locations

The holes were collared in serpentinite on the eastern side of the Peel Fault and drilled through the fault into Devonian sediments on the western side of the fault. Each hole passed through zones of intense listwanite alteration, but also intersected intensely altered quartz monzodiorite dykes, mostly intruded into the Peel Fault zone itself. The Peel Fault was shown to be a zone up to 20m true width of intensely sheared, carbonaceous fault gouge, containing bleached fragments of the rocks adjacent to the fault.

Highly anomalous gold was intersected in each hole, with the best gold grades being found in metasediments in ICK002 (14m at 1.00g/t from 137m, including 2m at 3.69g/t from 139m), and in the altered dykes in ICK001(8m at 1.27g/t from 140m including 5m at 1.6g/t from 140m).

DRILL HOLE	From (m)	To (m)	Interval (m)	Au g/t
ICK001	76.3	78.45	2.15	1.85
	117.4	**172**	**54.6**	**0.45**
Including:	140	148	8	1.27
ICK002	113.4	119.4	6	0.67
	137	**151**	**14**	**1.00**
Including	139	141	2	3.69
ICK003	113.6	117	3.4	1.23

Magnesite Hill anomalous gold intercepts (extracted from Icon Resources June 2010 Quarterly Report)



Magnesite Hill Gold Prospect – Drilling targeting gold soil geochemical anomalies

REVIEW OF OPERATIONS

Speciality Metals has recently undertaken a comprehensive review of the Magnesite Hill geological, geochemical and geophysical data and completed preliminary re-sampling of selected drill core from the 2010 Icon program to better define the lithologies hosting the gold mineralisation and the suite of associated pathfinder elements to further develop the exploration model.

The re-sampling indicates that the highest gold grades are associated with intensely sheared carbonaceous fault gouge intruded by strongly altered quartz monzodiorite dykes. This zone separates the variably altered ultramafic rocks from the sedimentary sequence to the west and represents the local expression of the crustal-scale Peel Fault structure. Gold is spatially associated with the dykes which intrude both the graphitic (fault) material and listwanite altered ultramafics but it is unclear if all mineralisation / alteration is genetically related to the intrusive event.

The preliminary multi-element sampling confirms an elevated arsenic-antimony signature with some anomalous W + Mo associated with gold within the fault zone.

SAMPLE	DRILL HOLE	INTERVAL	LITHOLOGY	ANALYTICAL SUMMARY				
				Au ppm	As ppm	Sb ppm	Mo ppm	W ppm
CM1801	**ICK001**	141.7 - 145	Carbonaceous intervals	**0.47**	**782**	**9320**	1	16
CM1802		155.1 - 155.3	Highly altered dyke	0.1	94	50	1	18
CM1803		157.75 - 160	Unaltered dyke	<0.01	6	22	1	3
CM1804		163 - 163.2	Unaltered dyke + alt band	0.01	80	108	1	7
CM1805		169.35	Stibnite veining	**2.91**	**5760**	**>10000**	3	25
CM1806	**ICK002**	85.6 - 85.7	Listwanite + fuchsite	0.05	137	**172**	0	2
CM1807		137.5 - 139	Carbonaceous broken zone	**4.02**	**3090**	65	1	25
CM1808		139 - 140.5	Carbonaceous broken zone	**2.66**	**2270**	**153**	**163**	**2180**
CM1809	**ICK003**	113.6 - 115	Carbonaceous + dyke bands	**1.84**	**2690**	93	2	47
CM1810		115 - 117	Mixed carb / grey dyke zone	**1.17**	**2070**	76	1	32

The fact that the gold mineralisation is strongest in carbonaceous fault gouge adjacent to altered late intrusive dykes has now focused future exploration on sampling this zone with the aim of determining potential resources.

Away from the Fault, in the zone between the two belts of serpentinite where most historical workings occur, and where most previous exploration was focused, there is a significant body of geochemical data from extensive surface sampling of rock chips, soils and waste dumps.

Interval assaying 8m at 1.27g/t Au from 140m in hole ICK001, showing carbonaceous gouge (dark grey) intruded by altered quartz monzodiorite dykes (light grey). It is now thought that most of the gold in this interval is in the carbonaceous gouge and this will be confirmed by further sampling.

Analysis of this data indicates that in this zone, there appears to be no statistically significant relationship between gold values and the pathfinder elements and that gold is the only reliable geochemical indicator of mineralisation.

The Company plans to complete extensions and infilling of the existing soil geochemical coverage to delineate targets both within the major fault zone and related splay structures for follow-up drilling.

Interval assaying 3.69g/t Au from 138.5m to 140.65m in the dark grey/black carbonaceous fault gouge adjacent to altered monzodiorite in Icon drill hole ICK 002.

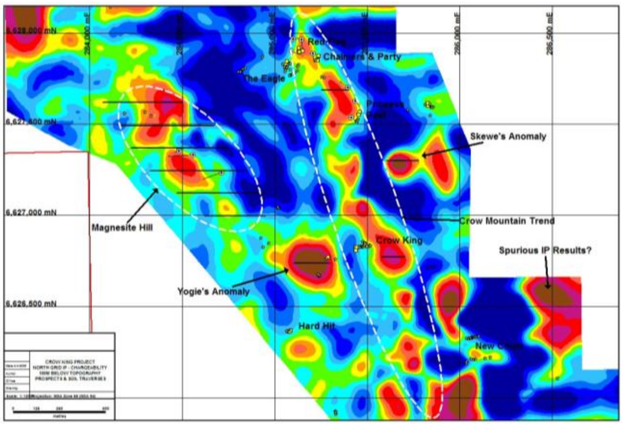


Image showing IP chargeability at 100m below surface in part of Crow Mountain EL6648. The yellow (low) to dark red (high) represents chargeability implied to be due to the presence of conducting minerals in the subsurface. Sulphide mineral grains disseminated in listwanite may be causing the chargeability response.

REVIEW OF OPERATIONS

GOLD

PANAMA HAT – EL8024

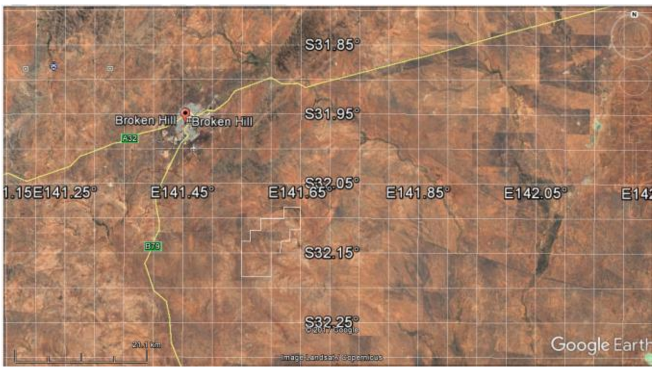


Figure 1. Historical Workings EL8024

The Company holds 100% of EL8024, Panama Hat, 20km south east of Broken Hill in NSW. This licence covers 80% of the historical gold workings in the Broken Hill district, mainly small-scale workings dating from the Depression years of 1930-32. The workings are distributed along an arcuate north to north east trending linear zone (Figure 1 above). Considerable previous exploration has been carried out by various companies in the licence area since 1980, but sampling and mapping by Speciality Metals indicates that the geological setting of the gold was not understood, nor were the prospects in the licence adequately tested.

The Company's mapping indicates that the gold is hosted in pyrite (iron sulphide) bearing, subvertical quartz veins that strike right angles to the arcuate trend of old workings. This structural interpretation was found to be confirmed by NSW Geological Survey mapping but was not tested by previous explorers. As previously announced, sampling by Speciality Metals has determined that the near surface is likely to be intensely leached of gold, however sampling of waste dumps associated with deeper historical workings has identified gold values locally of bonanza grade (up to83g/t Au).

Speciality Metals plans to drill a number of shallow RC holes to test the potential for oxide gold at open pit depths and has permitted 20 holes to enable this testing to commence.

TUNGSTEN MARKET OUTLOOK

APT prices hit a four-year high of US$350 per metric tonne unit in June 2018 as a result of a decrease in Chinese production. These prices have not been seen since September 2014 when the Fanya Metal Exchange was still active. For the remainder of 2018 the price trended lower before hitting US$275/mtu in January 2019.

According to Roskill, Fanya is widely believed to have contributed to the last tungsten price spike in 2012-2014, as a result of APT purchasing that ultimately led to the accumulation of large stocks.

However over the last few months, the APT price has stabilised and is currently in the range of US$210-255/mtu with some market analysts forecasting a price at around US$275-300/mtu in the near future and up to as high as US$445/mtu by 2023.

Some factors that could drive the tungsten price higher in 2019 include how quickly new mine projects at La Parilla and Barruecopardo in Spain can ramp up and whether any of the APT stocks in Fanya are released to the market.

In addition, a potential resolution to trade discussions between China and the US in the coming months could impact prices going forward.

Source: https://smallcaps.com.au/tungsten-stocks-asx-ultimate-guide/, written by Danica Cullinane 5 June 2019.

CORPORATE

CHANGE OF COMPANY SECRETARY

Mr Adrien Wing was appointed as Company Secretary for the Company, effective from 1 February 2019.

Mr Wing is a certified practicing accountant. He previously practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the ASX as a corporate and accounting consultant and Company Secretary.

The Board would also like to thank Mr David Clark for his dedication and service since his appointment to the role of Company Secretary in July 2014 and the Company wishes him every success in his future endeavours.

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.

REVIEW OF OPERATIONS

FINANCING & SHARE PLACEMENTS

The following 4-step capital raise was undertaken by the Company to finance the acquisition of Mt Carbine Quarries Pty Ltd:

Tranche 1
Placement of 83,231,463 ordinary shares at $0.018 raising A$1,498,166 was completed on 16 May 2019;

Tranche 2
Placement of 160,000,000 ordinary shares at $0.018 raising $2,880,000 was completed on 26 June 2019 following shareholder approval at the General Meeting held in Melbourne on 17 June 2019;

Non-Renounceable Entitlements Issue (1 for 5 Basis)
Pursuant to the Non-Renounceable Entitlement Offer Booklet lodged with the ASX dated 2 July 2019, 159,621,750 ordinary shares were placed on 2 August 2019 raising $2,873,191.50. This offer was fully underwritten by Rymill Global Venture Ltd. A total of 46,888,236 shortfall shares were issued and allotted by the underwriter in accordance with the terms of the underwriting agreement; and

Offtake Advance
A further US$3,500,000 was paid by Cronimet Asia Pte Ltd ("Cronimet") on 26 June 2019. The balance of US$500,000 will be used to fund the Joint Venture.

The Board welcomes its new Top 20 shareholders and thank them for their support.

OFFTAKE ADVANCE & JOINT VENTURE SECURITIES

As announced on 14 May 2019 the securities for the Offtake Advance are as follows:

- General Security Deed from Mt Carbine Retreatment over all its present and after acquired assets;
- General Security Deed from Cronimet Australia over all its present and after acquired assets; and
- Mortgage from Mt Carbine Quarries Pty Ltd over Mining Leases 4867 and 4919. This mortgage also includes an interest over 'Featherweight Property' which is all other property of Mt Carbine Quarries other than the mining leases. However, the mortgage over the Featherweight Property only attaches in the event of the voluntary administration of the company and is simply a device used to avoid the moratorium imposed on lenders who do not have interests over all of the property of a company in administration. The mortgage is limited recourse, in that it is limited to the value of the mining leases.

Securities in relation to the Joint Venture are as follows:

- Deed of Cross Security between the Joint Venture Parties and the Manager which secures the performance of their obligations to each other under the Joint Venture.

  General Security Deed from Mt Carbine Quarries in favour of the Joint Venture Parties over all present and after acquired property of Mt Carbine Quarries including its rights under the Mining Leases.

UNINCORPORATED JOINT VENTURE

Leading up to the Acquisition the Company announced on 14 May 2019 that it had signed the following the following transaction document:

- Unincorporated Joint Venture between Speciality Metals and Cronimet for the development of the Mt Carbine Tungsten Tailings Retreatment and Stockpile Projects. Production is expected to commence during the 4th quarter of 2019;

  Cronimet is a subsidiary of the privately owned Cronimet Holding GmbH which was founded in 1980 as a raw materials service provider and trader in Karlsruhe, Germany. The Cronimet Group has grown organically since then to become a diversified commodity group with over 5,200 employees and activities in over 50 countries. Further information can be found on the Cronimet website.

Full details on the acquisition of Mt Carbine Quarries Pty Ltd and the unincorporated Joint Venture can be found in the Company's ASX Announcement dated 14 May 2019 "Binding Agreement Executed for the Purchase of Mt Carbine Quarries Pty Ltd and Joint Venture with Cronimet Asia".

GENERAL MEETING

At the General Meeting held in Melbourne on 17 June 2019 approval was given for the Company to replace its Constitution a copy of which can be found on the Company's website (www.specialitymetalsintl.com.au).

MT CARBINE QUARRIES PTY LTD

On 28 June 2019, the Company completed the 100% acquisition of Mt Carbine Quarries Pty Ltd, an entity that owned and operated the Mt Carbine Quarry and Mining Leases, ML 4867 and ML 4919 ("Acquisition").

Mt Carbine Quarrying Operations Pty Ltd, commenced operating the quarry as from 1 July 2019 with the handover transitioning smoothly from both an operational and customer perspective (refer ASX Announcement "Mt Carbine Acquisition Update" dated 10 July 2019.

CHANGE OF DIRECTORS

The Company announced on 12 August 2019 that subsequent to the Acquisition of Mt Carbine Quarries Pty Ltd the following Director appointments were made:

Mr Oliver Kleinhempel – Non-Executive Director

Mr Kleinhempel is a representative of Cronimet and started his career at Outotec, a leading Minerals & Metals Processing Technology Company, where he spent several years in Europe, South America and Southeast Asia on various assignments. In the recent 8 years Mr Kleinhempel held various Executive Management positions in the project development, finance and commodity trading sector, with a regional focus on Asia-Pacific.

Mr Kleinhempel holds a Bachelor's Degree in Business Administration from the Cooperative State University Baden-Wuerttemberg (Germany) and obtained a Master's Degree from the Mining Institute of the Clausthal University of Technology (Germany).

Mr Kleinhempel is also a Managing Director of CRONIMET Holding GmbH.

Mr Yeo Zhui Pei – Non-Executive Director

In 2012, Mr Yeo graduated with first class honours from the Imperial College London in Electrical and Electronic Engineering. Since then, Mr Yeo has been working at a leading system integrator in the telecommunications industry in South-East Asia. Over the years, he has taken on executive, management and supervisory roles. This has allowed him to gain a wide range of experience from project planning to resource management to commercial negotiations. Mr Yeo is also a Director of a steel-product manufacturer.

As part of the Board changes, Mr Roland Nice resigned as a Director. Mr Nice has provided 6 years of valuable service to the Company in his role as Director. The Company greatly appreciates his contribution to date and will remain as an active consultant moving forward.

TENEMENT SCHEDULE

Details of mining tenements held by the Company and its child entities:-

State	Ownership	Area	Status	Notes	Expiry Date
Queensland, Australia					
ML 4867	Mt Carbine Quarries Pty Ltd 100% (wholly owned subsidiary of Speciality Metals International Limited)	358.5 ha	Granted	Acquired on 28 June 2019 as part of the Company's100% acquisition of Mt Carbine Quarries Pty Ltd.	31/07/2022
ML 4919	Mt Carbine Quarries Pty Ltd 100% (wholly owned subsidiary of Speciality Metals International Limited)	7.891 ha	Granted	Acquired on 28 June 2019 as part of the Company's 100% acquisition of Mt Carbine Quarries Pty Ltd.	31/08/2023
EPM 14871	Speciality Metals International Limited 100%	10 sub-blocks	Granted	5 Year Renewal Granted	12/12/2020
EPM 14872	Speciality Metals International Limited 100%	21 sub-blocks	Granted	5 Year Renewal Granted	11/12/2020
New South Wales, Australia					
EL 6648	Speciality Metals International Limited 100%	9 Units	Granted	Acquired 9 September 2016	19/10/2020
EL 8024	Speciality Metals International Limited 100%	19 Units	Granted	Acquired 9 September 2016	29/11/2019
Chile					
Miraje 1-5	Special Metals Chile SpA 100% (wholly owned subsidiary of Speciality Metals International Limited)	45 km^2	Granted	Granted 10 May 2017.	Relinquished 10 May 2019
Bellavista 1-5	Special Metals Chile SpA 100% (wholly owned subsidiary of Speciality Metals International Limited)	45 km^2	Granted	Granted 7 December 2017	07/12/2019
Pinta 1-15	Special Metals Chile SpA 100% (wholly owned subsidiary of Speciality Metals International Limited)	135 km^2	Granted	Granted 4 February 2018	04/02/2020

ML = Mining Lease   EPM = Exploration Permit for Minerals   EL = Exploration Licence

MINERAL RESOURCES AND ORE RESERVES STATEMENT

SUMMARY OF RESULTS OF ANNUAL REVIEW OF RESOURCES AND RESERVES

The resources and reserves at Mt Carbine comprise three components:

1. The resources and reserves in mineralised rock proposed to be mined by open pit mining, beneath and adjacent to the existing open pit.
2. The mineralised rock that was mined and stockpiled in what is now termed the Low Grade Stockpile ("LGS").
3. The tailings from the previous mining operation, principally the tailings in Tailings Storage Facility No 4.

There are also other significant mineralised stockpiles and mine dumps, particularly the Optical Ore Sorter Reject ("OOSR") stockpile from the previous mining operation, estimated to comprise several million tonnes. Except for the OOSR stockpile these have not been quantified nor sampled for grade.

1. Mineralised Hard Rock

The resources and reserves estimates for the mineralised hard rock in the Mt Carbine tungsten deposit were updated to comply with the 2012 JORC Code for reporting of reserves and resources in November 2012 (SEI - CNQ ASX announcements 20/11/2013; 24/11/2013 and 9/01/2014). No further sampling or work has been done since this update that impacts on the resource estimate and therefore the resources and reserves estimates for the Mt Carbine tungsten deposit are left unchanged.

2. Low Grade Stockpile

Speciality Metals announced an upgrade of the Low Grade Stockpile resources in September 2012. To comply with the 2012 JORC Code a more detailed reporting of the upgrade is provided in Appendix 1 to this report.

The Low Grade Stockpile is comprised of mineralised rock extracted during open pit mining operations between 1974 and 1987. Grade control practice during this open pit mining discriminated between ore sent for processing and mineralised rock deemed at the time to be too low grade to justify treatment. Independent research has since established that the grade control practice, based on an estimate of quartz vein percentage as a direct indicator of tungsten grade, was invalid.

In the historical records of this mining operation the material consigned to the stockpile is described as "mullock" or "low grade", but also includes 3.5Mt of "ore". Geological examination and drilling indicates that the previous mining at Mt Carbine was all in mineralised rock. No sampling or record of possible grade variation was kept of material sent to the stockpile.

Historical mine records indicate that there is approximately 12Mt of broken rock in the stockpile. This reconciles with the tonnes consigned to the LGS, derived from the independent estimate of total tonnes of rock mined in the previous open pit of 22Mt, less the 10Mt recorded as having been processed through the mill.

The LGS has been bulk sampled (22,000 tonnes), the sample assayed and subjected to extensive sorting trials with a pilot-scale X-ray sorter (SEI - CNQ - III ASX announcement 23 March 2011). The sorter trials indicated that the low grade material could be pre-concentrated by sorting with an optimum 6 times upgrade. The grade of the bulk sample was 0.075% WO_3. This compares very favourably with a back-calculation from historic mine records of production and mill recovery and based on the recent resource estimate which took account of the resource mined during the previous open pit operation, of a global average grade of 0.07% WO_3 for the Low Grade Stockpile. Further sampling of the LGS for environmental permitting purposes involved taking 80 grab samples from the surface of the stockpile. Each sample was approximately 20kg of minus ~100mm material. The average grade of these samples was 0.088% WO_3.

Following the X-ray sorter trials previously announced, and the costings determined in the Feasibility Study, Speciality Metals has sufficient confidence in the tonnage and global average grade of the stockpile to justify its inclusion in the resource inventory at Mt Carbine as an Indicated Resource.

Trials indicated that at optimum settings, the X-ray sorter produces a pre-concentrate product that is approximately 12% of the original feed and has a grade of approximately 0.65% WO_3 at 90% WO_3 recovery, and approximately 88% of the material fed to the sorter was rejected as waste. The loss of WO_3 to waste in this sorting process was only 10% of the total tungsten in the sorter feed.

- Speciality Metals does not intend to attempt a further definition of the possible grade and tonnage of mineralised rock in the Low Grade Stockpile, beyond the sampling, assaying and sorter trials already carried out, because of the physical impracticality of attempting to do so.
- Local grade distribution within the stockpile is expected to vary and has not been quantified.

The plant comprising the X-ray sorter and mill to treat the stockpile material will be the same plant to process ore from the open pit.

- The original capital cost estimates determined as part of the Feasibility Study were revised by two independent EPCM exercises completed in 2016, and since then the capital and operating cost estimates have continually been reviewed, the last revision being carried out in August 2018.
- The quarry currently operated on site by Mt Carbine Quarries Pty Ltd includes crushing, screening and rock moving equipment used on a campaign basis. If Speciality Metals acquires Mt Carbine Quarries, it plans to use the quarry's crushing, screening and rock moving equipment as part of the plant to process the mineralised material from the Low Grade Stockpile. This will result in an estimated capital expenditure saving of AU$6.5M and if this saving is achieved the capital cost for the remainder of the plant to treat the stockpile is estimated to be AU$8.5M.
- Otherwise, capital cost for treatment of Low Grade Stockpile only is estimated to be AU$15M, based on a detailed EPCM exercise carried out in 2016 and revised in August 2018.
- Operating Costs are estimated to be AU$8.50 per tonne, however possible recent price increases for electricity have not been factored into this estimate.

3. Tailings

Production from the tailings No 4 stockpile was carried out until 8 December 2013. Speciality Metals has previously stated that this stockpile contained approximately 2Mt at a global average grade of 0.1% WO_3, based on comprehensive but non-JORC compliant historical studies. The stockpile includes a basal layer 1-2m thick amounting to approximately 400,000 tonnes of slimes (<75micron particles) with a global average grade of 0.35% WO_3. Trials are continuing with the aim of achieving efficient recovery of tungsten from the slimes, but this component of the stockpile is essentially untouched and production was mostly from the >50 micron <1mm fraction of the overlying coarser tailings material.

MT CARBINE MINERAL RESOURCE SUMMARY – JULY 2014 (NO CHANGE FROM 2013) TUNGSTEN RESOURCES AS WO_3

Resource	Resource	Cut-off Grade (%)	Tonnes (Mt)	WO_3 (%)	WO_3 (mtu)
Low Grade Stockpile	Indicated	0.00	12.0	0.075	840,000
Main Zone Hard Rock	Indicated	0.05	18.0	0.140	2,520,000
Main Zone Hard Rock	Inferred	0.05	29.3	0.120	3,516,000
	Total		**59.3**		**6,876,000**

Exploration targets adjacent to Inferred and Indicated Mineral Resources in the Mt Carbine sheeted quartz vein tungsten deposit.

1. Sheeted quartz vein system:

Exploration drilling to date suggests that the Mt Carbine tungsten deposit may plunge to the north, and the deposit is open in this direction, to the south east and at depth. The deposit contains an Indicated Mineral Resource of 18Mt at 0.14% WO_3 (at a cut-off of 0.05% WO_3), and exploration of the depth extensions of the deposit will be carried out after production from this resource has commenced.

2. The Iron Duke prospect:

The Iron Duke prospect on the eastern side of the planned open pit has now been intersected in 6 drill holes, and has recently been mapped in detail on the surface and shown to extend more than 2km to the north of where it has been drilled. Surface width of the sub-vertical zone that hosts the Iron Duke mineralisation ranges from 10m to 20m over this strike length. Scheelite and minor wolframite mineralisation have been observed in rock chips along the entire length of surface exposure.

The Iron Duke mineralisation is dominated by scheelite (whereas the main Mt Carbine sheeted quartz vein tungsten deposit is dominated by wolframite) and the weighted average grade of the 6 drill intercepts in the Iron Duke is 0.32% WO_3 over an average true width of 8m. The 6 drill holes cover a strike length of 300m, and the shallowest intersection of the prospect is at a depth of 100m immediately adjacent to the planned open pit. Although the surface expression of the Iron Duke adjacent to the open pit is now covered by mine dumps, historical maps indicate that it was recognised as a scheelite prospect at the surface in 1917, and therefore there is a reasonable expectation that the prospect will extend from the surface to below its present maximum drilled depth of 195m. The Iron Duke mineralisation is not included in either the present Inferred or Indicated Mineral Resources although it will be uncovered and mined in the planned open pit.

Exploration of the Iron Duke to test grade, width and continuity has been deferred due to market conditions. The Exploration Target for the Iron Duke over a strike length of 400m immediately adjacent to the planned open pit is 3.5Mt to 6.5Mt with possible grades ranging from 0.13% WO_3 to 0.59% WO_3 (based on present drilling data), with the weighted average grade of drill hole intersections of 0.32% WO_3 possibly reflecting the average grade. This Exploration Target does not include the potential for further mineralisation along the recently established northern continuation of the prospect.

MINERAL RESOURCES AND ORE RESERVES STATEMENT

The Exploration Targets at Mt Carbine are summarised in Table 1 below:

Mineralisation system	Exploration target tonnes	Exploration target grades
Main sheeted quartz vein system – wolframite dominated	12Mt-16Mt	0.08% WO_3 to 0.16% WO_3
Iron Duke prospect – scheelite dominated	3.5Mt-6.5Mt	0.13% WO_3 to 0.59% WO_3

Hole No.	From (m)	To (m)	Interval (m)	%WO_3 (XRF analysis)
CB18	163	198	35	0.299%
CB51	130.25	146.5	8.73	0.57%
CB52	94.5	112.5	18	0.18%
CB53	160.5	172.5	12	0.49%
CB54	162.5	169.35	6.85	0.59%
CB66	113.3	127.62	14.32	0.13%

Table 2. Drill intersections in the Iron Duke prospect adjacent to the open pit at Mt Carbine.

GOVERNANCE AND INTERNAL CONTROLS

The Company has followed the practice of obtaining independent, geostatistically based estimates of resources, which themselves have been independently audited. These estimates have been qualified in-house where geometallurgical research, economic modelling involving mine and processing studies and/or reconciliations of historical mine data justify modification. The prime concern in this deposit is the extreme nugget character of the mineralisation and in this respect considerable confidence is placed on existing resource estimates that they are (a) conservative with respect to grade estimation, and (b) that the previous mine operation and a nearly complete set of records of this operation document what is in effect a 10Mt bulk sample of the ore body.

COMPETENT PERSON STATEMENT

(a) The above Mineral Resources and Ore Reserves Statement is based on, and fairly represents, information and supporting documentation prepared by competent persons; and

(b) The information in this document relating to Exploration Targets and Mineral Resources is based on information compiled by Dr Andrew White, who is a Fellow of the Australian Institute of Geoscientists and principal consultant for Andrew White & Associates. 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” (the JORC code). Dr White consents to the inclusion of matters based on his information in the form and context in which it appears in the Annual Report.

APPENDIX 1. TABLE 1, JORC CODE 2012

Section 1. Low Grade Stockpile Sampling Techniques and Data

Sampling techniques	1. Bulk sampling by means of 8 costeans dug with an excavator around the perimeter of the stockpile, costeans ranging up to 10m deep and 50m long. 2. Grab sampling at 80 locations (samples approximately 20kg each of minus 100mm material) for mineralogical and chemical characterisation of mineralised rock for environmental permitting purposes.
Drilling techniques	N/A
Drill sample recovery	N/A
Logging	N/A

Sub-sampling techniques and sample preparation	The bulk sample was coned and quartered with the excavator to 2,000 tonnes. This sub-sample was crushed to minus 50mm and screened into three size ranges: 20-50mm, 10-20mm and minus 10mm. Each size fraction was sampled by channel sampling. The grab samples were crushed to minus 3mm, split, and sub-samples pulverised and assayed for a range of elements including tungsten (the latter by fused disk XRF).
Quality of assay data and laboratory tests	The channel samples were analysed by fused disk and check analyses were carried out on site with a Niton portable XRF analyser after careful calibration of this instrument.
Verification of sampling and assaying	See above.
Location of data points	Costean locations are shown in Figure 1 and grab samples in Figure 2 below.
Data spacing and distribution	See Figures 1 and 2.
Orientation of data in relation to geological structure	N/A
Sample security	The bulk sample crushed and screened size splits are stored on site, and the crushed grab samples and pulverized splits are stored in the mine core shed.
Audits	The bulk sampling procedures were subject to review by an independent consultant retained to supervise the X-ray ore sorter trials.

Section 2. Reporting of Exploration Results

Mineral tenement and land tenure status	The resource estimates reported herein are all within Mining Leases 4867 (358.5ha, expiry 31-07-22) and 4919 (7.891ha, expiry 31-08-2023), held by Mt Carbine Quarries Pty Ltd. The Mining Leases lie within Brooklyn Grazing Homestead Perpetual Lease. Native Title has been extinguished in the Mining Leases by Deed of Grant.
Exploration done by other parties.	No previous examination of the LGS was carried out. **Historical (1974-1987) mine records.** A nearly complete record of mine production, including amounts of mined rock consigned to the LGS has been compiled using published and unpublished archives, including reporting for State Royalty returns.
Geology	**The Deposit** The Mt Carbine tungsten deposit is a sheeted quartz vein deposit. A number of sub-parallel, sub-vertical quartz veins have been deposited in fractures developed in the host rocks metasediments in a zone that drilling and mapping of historical surface workings has shown to be approximately 300m wide and at least 1.4km long, trending at about 315 degrees. **Grade Variation** Sampling, drill core logging, geostatistical analysis of drill core assay data and mapping of the open pit have determined that all the material mined during the previous operation was mineralised to some extent, and that the mineralogy of the deposit was uniform. There is little doubt that the mineralogy of the stockpile material is identical to that mined and processed. Material in the stockpile comprises a single formation, the result of alteration of Siluro-Devonian meta-sedimentary host rocks (Forsythe and Higgins, 1990). The amount of quartz veining varies within the mineralised zone and previous mining and exploration has been concentrated at the south eastern end of the mineralised zone. It is well understood that there are high grade zones within the mineralisation in this part of the deposit and that the higher grade zones are surrounded by lower grade mineralisation. Interpretation of recent drilling suggests that the main high grade zone may plunge to the north of the present open pit. The previous mine assumption that quartz vein abundance is directly correlated with grade is not supported by an independent review of quartz vein abundance and grade.
Drill hole information	N/A

Data aggregation methods	N/A
Relationship between mineralisation widths and intercept lengths	N/A
Diagrams	A plan view of sampling is shown below in Figures 1 and 2.
Balanced reporting	N/A
Other substantive exploration data	N/A
Further work	The bulk sample was subjected to a series of trials through a pilot scale X-ray ore sorter over a period of 2 months. This work demonstrated that an optimum 6 times upgrade of the tungsten content in the ore sorter accepts, and ensuing feasibility studies indicate that the LGS is economic to process by means of X-ray ore sorting and concentration of mineral in the ore sorter accepts in a conventional gravity mill.

Section 3. Estimation and Reporting of Mineral Resources

Database integrity	N/A
Site visits	The Competent Person has been closely involved in resource assessment at Mt Carbine between 1985 and 1988, 1992 and between 2009 and the present. The relevant Competent Person has conducted numerous site investigations including mapping, sampling, core logging, review of historical resources and reserve estimates, mining, metallurgical processing and recovery.
Geological interpretations	Senior geological staff including the Competent Person have developed a sound understanding of the geology and importantly, geometallurgy of the deposit.
Dimensions	The 12Mt tonnes estimated to be contained in the LGS has been derived from nearly complete historical mine records, confirmed by reconciliation of an independent estimate of total tonnes mined from the open pit (22Mt) less 10Mt material processed through the mill.
Estimation and modelling techniques	The detailed distribution of grade through the LGS is not known, as no record was kept of placement of rock consigned to the stockpile, nor was any sampling carried out. The average of assays of the three size range sub samples of the bulk sample is 0.075% WO_3. This reconciles very favourably with a back-calculation from historic mine records of production and mill recovery and based on the recent resource estimate which took account of the resource mined during the previous open pit operation, of a global average grade of 0.07% WO_3 for the Low Grade Stockpile. It should be noted that the historical mine records state that 3.5Mt of rock described as ore were apparently consigned to the stockpile in 1982. The grab samples average 0.088% WO_3 (fused disk XRF analysis), which is taken to indicate that the tungsten grade of the finer fraction (<200mm) of the stockpile is higher than the global average grade of the bulk sample that included fragments up to 500mm.
Moisture	Tonnages are estimated on an air dried basis.
Cut off parameters	No cut off has been applied to the stockpile grade estimation, however it is planned to screen the stockpiled material at 500mm and only crush and ore sort the minus 500mm fraction, since a growing body of data from on-going tests indicates that this fraction contains the bulk of the tungsten minerals that it is planned to recover.
Mining factors	The stockpile fills a valley and will readily be recovered by excavator and truck.

Metallurgical factors	There is no doubt that the mineralogy of the material contained in the stockpile is identical to that of the hard rock ore body. The Mt Carbine ore body is low grade in comparison with many other tungsten deposits, however the highly successful application of ore sorting to pre-concentrate this ore to a high grade mill feed has been demonstrated firstly in the previous mining operation which used optical ore sorters, and secondly by extensive recent trials of X-Ray ore sorting of bulk samples of stockpile and Run of Mine ore by Speciality Metals. Process design and anticipated recoveries have been derived from historical mill flow sheets, reports and trials that have been confirmed by repeat metallurgical testing of bulk samples of stockpile material including Run of Mine ore.
Environmental factors	Speciality Metals has been granted an Environmental Authority by the Queensland Department of Environment and Science ("DES") for the Low Grade Stockpile. Based on sampling of existing stockpiles, tailings storage facilities and analytical characterisation of the mineralisation, the only elements present at hazardous values are fluorine (as fluorite) and arsenic (as arsenopyrite). Previous mine practice and the present Environmental Management Plan approved by the DES include measures to manage the environmental hazards these elements present. Sampling of the existing stockpiles and tailings storage facility indicate that acid mine drainage will not be a hazard created by future mining and waste storage.
Bulk density	N/A. The tonnes estimated to be contained in the stockpile have been derived independently of calculation by multiplying volume by density.
Classification	Following extensive metallurgical testing of bulk samples from the stockpile that provide robust anticipated recovery and quality of product, the LGS has been classified as an Indicated Resource.
Audits or reviews	The estimates for the LGS have been subject to internal Company review.

Section 4. Estimation and Reporting of Ore Reserves

Mineral Resource estimate for conversion to Ore Reserves	Due to the total lack of knowledge of detailed grade distribution within the stockpile, and the impracticability of detailed sampling within the body of the stockpile, it is doubtful if an ore reserve could be determined for the stockpile. However, the ore sorting trials indicate that the global average grade of the stockpile is sufficient to enable it to be economical to be processed via ore sorting, and it is anticipated that the construction of the stockpile over time led to a degree of homogenisation of the grade distribution within the stockpile.
Site visits	See Section 3.
Study status	The decision to process the stockpile was the outcome of the following independent studies: • A Feasibility Study. • Extended X-ray ore sorter trials. • Infrastructure (the mine is ideally situated with respect to infrastructure having sufficient grid power, sealed highway access, and adequate water supply). • Laboratory and pilot scale test work on appropriate bulk samples to determine parameters for flow sheet design for a gravity recovery circuit, using mainly samples from the Low Grade Stockpile (see below). • Flow sheet design for a gravity recovery circuit. • Detailed costings for operating and capital costs. • Discounted cash flow modelling of project economics. In addition, the following factors provide additional confidence when taking into account the factors outlined above: • The Company operated a treatment plant to recover mixed wolframite and scheelite concentrates from the main tailings dump associated with the previous mining operation. The Tailings Retreatment Plant made regular shipments of concentrate to Speciality Metals' the major off-take partner. Operation of the tailings recovery plant provides confidence that the anticipated mill recovery can be achieved.
Cut-off parameters	See Section 3.
Mining factors	See Study status.

Metallurgical factors	A geometallurgical approach to exploitation of the Mt Carbine tungsten deposit is considered critical to a successful outcome. Following extensive test work that has confirmed the validity of the previous milling process (but with improved recovery to be anticipated), the main components in the metallurgical process will essentially be as follows: 1. Crushing; 2. Ore sorting; 3. Jigging; 4. Spiralling; 5. Tabling; 6. Dry Magnetic Separation. The key parameter from the metallurgical test work and design is recovery of >75% of WO_3 in mill feed. There are no by-product minerals, although the waste will be sold as aggregate or road base (this has not been included in the feasibility assessment of the project). Tests and previous mine practice have shown that the main contaminant, arsenic in arsenopyrite, can be cost effectively removed by flotation and that the products will be very high grade (70% and 72% WO_3) wolframite and scheelite concentrates. Previous removal of arsenic (and other minor sulphides) by flotation of small concentrate volumes has had additional environmental benefits in that the existing stockpiles and tailings have been demonstrated to have no acid mine drainage potential.
Environmental	See Section 3.
Infrastructure	The Mt Carbine mine is situated adjacent to the Mulligan Highway, has grid power to site and sufficient water on site for if the proposed mining operation proceeds.
Costs	The quarry operated on site by Mt Carbine Quarries Pty Ltd includes crushing, screening and rock moving equipment used on a campaign basis. Following the 100% acquisition of Mt Carbine Quarries Pty Ltd, Speciality Metals plans to use the crushing, screening and rock moving equipment in the quarry as part of the plant to process the mineralised material from the Low Grade Stockpile. This will result in an estimated capital expenditure saving of $6.5M and if this saving is achieved the capital cost for the remainder of the plant to treat the stockpile is estimated to be AU$8.5M. Otherwise, the capital cost for treatment of Low Grade Stockpile only is estimated to be AU$15M, based on a detailed EPCM exercise carried out in 2016 and revised in August 2018. Operating costs are estimated to be AU$8.50 per tonne, however recent price increases for electricity have not been factored into this estimate.
Revenue factors	The present price for European Ammonium Paratungstate (APT), which is the benchmark for pricing of the tungsten concentrates that will be the mine product, is in the range of US$210 – US$225 per Metric Tonne Unit (MTU). All mine studies have been based on a price of US$290 per MTU and A$ parity, however as at 29 August 2019 the A$ was at US$0.67418.
Market assessment	The Joint Venture has an Offtake Agreement in place with Cronimet Asia Pte Ltd.
Economic	Using the estimates summarised in Costs (above) the treatment of Low Grade Stockpile project has an NPV at 8% discount rate of AU$36M, however this may vary due to Cronimet's expectation that ore-sorter upgrade will exceed that obtained previously by Speciality Metals.
Social	The Company has a policy of employing local staff by preference and is already well regarded as a significant employer in the district, based on its past operations
Other	See Mineral Tenement and Land Tenure Status Section 2.
Discussion of relative accuracy/confidence	The success for the proposed stockpile treatment is underpinned by the fact that the same ore body was profitably mined for 13 years by the previous operators. The mine only closed in 1987 because of the price collapse caused by oversupply from Chinese producers dumping product on the market, resulting in the closure of most western tungsten producing mines. Prior to the price collapse, the Mt Carbine mine operators and their joint venture partners had carried out detailed plans to extend the mine life and maintain production for a further ten years. The Mt Carbine mine had not run out of ore (there was an estimated 3.5Mt of ore to be extracted from the existing pit before any mine expansion had to be considered). The ore treatment process was well documented, and studies spurred by the collapsing price showed that mill recovery could be significantly increased. This has since been confirmed by test work carried out by Speciality Metals.

Figure 1. Locations of costeans excavated for bulk sample of stockpile for X-ray ore sorter trials and determination of global average grade.

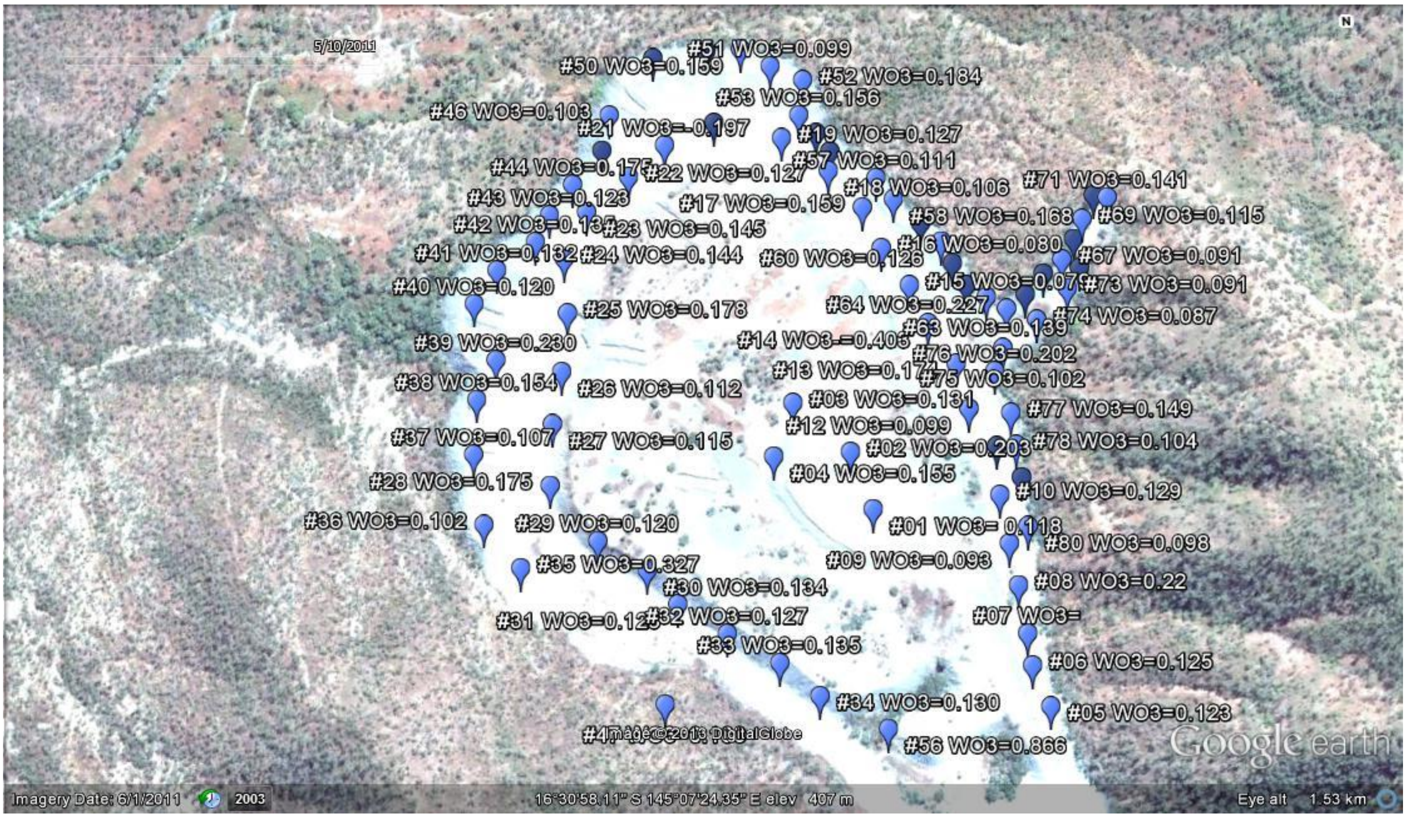


Figure 2. Aerial view of Low Grade Stockpile showing locations of grab samples taken for characterisation of mineralogy and chemistry of stockpile for environmental permitting purposes. Each grab sample was approximately 20kg.

DIRECTORS' REPORT

The Directors of Speciality Metals International Limited present their report on the consolidated entity (Group), consisting of Speciality Metals International Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2019.

DIRECTORS

The following persons were Directors of Speciality Metals International Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Russell H. Krause, Executive Chairman

Stephen Layton, Non-executive Director

Oliver Kleinhempel, Non-executive Director – Appointed 12 August 2019

Yeo Zhui Pei, Non-executive Director – Appointed 12 August 2019

Roland W. Nice, Non-executive Director – Resigned 12 August 2019

COMPANY SECRETARY

Adrien Wing - Appointed 1 February 2019

David Clark - Resigned 31 January 2019

PRINCIPAL ACTIVITIES

The principal activities of the Group have during the 2018-2019 financial year have been to:

- Finalise the transaction to acquire 100% of Mt Carbine Quarries Pty Ltd, and entity and owns and operates the Mt Carbine Quarry and holds Mining Leases ML 4867 and ML 4919. The Acquisition was completed on 28 June 2019;
- Enter into an unincorporated Joint Venture with Cronimet Asia Pte Ltd for the development of the Mt Carbine Tungsten Tailings Retreatment and Stockpile Projects (Joint Venture). The Agreement was entered into on 14 May 2019. Production from the Tailings Retreatment Project is expected to commence during the 4th quarter of 2019; along with
- Maintaining its tungsten exploration assets in Far North Queensland whilst undertaking exploration activities within its gold exploration licences in New South Wales, Australia and exploration concessions in Chile.

The Group also continues to evaluate other exploration and mining technology opportunities both within and outside its existing exploration permits.

The "Review of Operations" section covers this in further detail.

RESULTS

The net result of operations for the consolidated entity after applicable income tax expense was a profit of $3,808,863 (2018 loss of $1,478,746).

DIVIDENDS

No dividends were paid or proposed during the period.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects for future financial years is set out earlier in this Annual Report. The auditors have issued an unqualified opinion.

CORPORATE STRUCTURE

Speciality Metals International Limited is a limited company that is incorporated and domiciled in Australia.

EMPLOYEES

The Company had one full-time employee as at 30 June 2019. The Company also uses contract geologists and other specialist consultants as required.

SIGNIFICANT CHANGES

Significant changes in the state of affairs of the Group for the financial year were as follows:

(a) Increase in contributed equity of $4,378,166 resulting from:

	Date	Shares	$
Tranche 1 - Placement of 83,231,463 shares at $0.018 per share to institutional and sophisticated investors to fund the 100% acquisition Mt Carbine Quarries Pty Ltd which owns and operates the Mt Carbine Quarry and mining leases ML4867 and ML 4919 (refer ASX announcement dated 14 May 2019).	16-05-2019	83,231,463	1,498,166
Tranche 2 - Placement of 160,000,000 shares to institutional and sophisticated investors to fund the 100% acquisition of Mt Carbine Quarries Pty Ltd at $0.018 per share following approval by shareholders at a General Meeting held on 17 June 2019 (refer ASX announcement dated 14 May 2019).	26-06-2019	160,000,000	2,880,000
Sub-Total			4,378,166
Share issue costs			(280,654)
TOTAL			**4,097,512**

(b) On 14 May 2019, the Company executed a binding agreement for the acquisition of 100% of Mt Carbine Quarries Pty Ltd (MCQ), an entity that owns and operates the Mt Carbine Quarry and Mining Leases ML 4867 and ML 4919 as well entering into a Joint Venture with Cronimet Asia Pte Ltd for the development of the Mt Carbine Tailings Retreatment and Stockpile Projects. Production from the tailings retreatment is expected to commence during the 4^{th} quarter of 2019.

(c) On 17 June 2019, the Company repealed its Constitution and adopted a new constitution in its place following approval by shareholders at a General Meeting held on the same date.

(d) The Company announced on 27 June 2019 that the unincorporated Joint Venture between Speciality Metals and Cronimet Asia Pte Ltd for the commencement of development of the Mt Carbine Tailings Retreatment and Stockpile Projects had commenced.

(e) Speciality Metals completed the 100% acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019 (refer ASX Announcement dated 2 July 2019).

(f) On 12 August 2019 the Company appointment two new Directors to the Board of Speciality Metals following the acquisition of Mt Carbine Quarries Pty Ltd namely Mr Oliver Kleinhempel, a representative of Cronimet and Mr Yeo Zui Pei. Mr Roland Nice resigned as Director has part of the Board changes.

The Directors are not aware of any other significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the date of this Directors' Report, the Directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial year subsequent to 30 June 2019 other than:

- On 2 July 2019 the Company announced that it had completed the acquisition of Mt Carbine Quarries Pty Ltd, an entity that owns and operates the Mt Carbine Quarry and holds Mining Leases ML 4867 and M 4919. The Company also advised that it would be undertaking a capital raise via a pro-rata non-renounceable shareholder entitlement offer to raise up to approximately $2.9 million. The offer entitles eligible shareholders to acquire 1 new share for every 5 existing shares held in Speciality Metals at $0.018 cents per share. The Offer was fully underwritten by Rymill Global Venture Ltd.
- On 26 July 2019 the Company announced that its recent underwritten pro-rata non-renounceable 1 for 5 entitlement offer closed at 5.00 pm on 23 July 2019 with a total of 112,733,514 shares being placed raising $2,029,203. A further 46,888,236 shortfall shares totalling $843,988, remained after the close of the offer which were subscribed in full by Rymill Global Ventures Ltd as per the Underwriting Agreement. In addition, vesting conditions were met for 25,000,000 Performance Rights which were issued to Directors and identified in their respective Appendix 3Ys All shares were issued on 2 August 2019 (refer ASX Announcement "Appendix 3B and Cleansing Notice").-

- On 12 August 2019 the Company announced the appointment of two new Directors following the completion of the Acquisition of Mt Carbine Quarries Pty Ltd namely Mr Oliver Kleinhempel, a representative of Cronimet and Mr Yeo Zui Pei. Mr Roland Nice resigned as a Director as part of the Board changes.

LIKELY DEVELOPMENTS

The Company, via the Joint Venture, expects to commence production from the Tailings Retreatment Project during the 4th quarter of 2019. The Company also commenced operating the Mt Carbine Quarry as from 1 July 2019 via its wholly owned subsidiary, Mt Carbine Quarrying Operations Pty Ltd. The Company also plans on carrying out exploration programs within its exploration prospects within the coming financial year along with continuing its exploration activities associated with the identification of additional tungsten deposits and other precious and speciality metals both within and outside of its existing exploration permits.

ENVIRONMENTAL REGULATION & PERFORMANCE

Speciality Metals and its related entities endeavour to remain compliant with all aspects of the environmental regulations governing their exploration and mining activities. The Directors are not aware of any significant environmental laws or EA licence conditions that are not being complied with.

INFORMATION ON DIRECTORS

Russell H. Krause | Executive Chairman

Mr Krause was appointed Non-Executive Chairman of the Company on 30 June 2013 and Executive Chairman on 14 November 2017. Mr Krause has over 25 years' Executive Management and Director level experience in a range of corporate advisory, stockbroking, and investment banking roles with some of Australia's leading financial services firms. Mr Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies. Mr Krause is currently a Director of Novus Capital Limited.

Stephen Layton | Non-executive Director

Mr Layton was appointed Non-executive Director on 14 November 2017 and has over 35 years' experience in Equity Capital Markets in the UK and Australia. Starting as a Jobber (market maker) with BZW on the trading floor of the London Stock Exchange from 1980 to 1986, he 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. Having raised capital for many ASX-listed companies, he has a depth of knowledge that only comes from a thorough immersion in the industry. Mr Layton has specialized 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 and his professional associations include Master Practitioner Member of the Stockbrokers and Financial Advisors Association – MSAFAA. Mr Layton is also currently a Non-Executive Director of ASX listed New Age Exploration Limited [ASX:NAE] and Mithril Resources Limited [ASX:MTH].

Oliver Kleinhempel | Non-executive Director – Appointed 12 August 2019

Mr Kleinhempel was appointed Non-executive Director on 12 August 2019. Mr Kleinhempel started his career at Outotec, a leading Minerals & Metals Processing Technology Company, where he spent several years in Europe, South America and Southeast Asia on various assignments. In the recent 8 years Mr Kleinhempel held various Executive Management positions in the project development, finance and commodity trading sector, with a regional focus on Asia-Pacific. Mr Kleinhempel holds a Bachelor's Degree in Business Administration from the Cooperative State University Baden-Wuerttemberg (Germany) and obtained a Master's Degree from the Mining Institute of the Clausthal University of Technology (Germany).

Yeo Zhui Pei | Non-executive Director – Appointed 12 August 2019

Mr Yeo was appointed Non-executive Director on 12 August 2019. Mr Yeo graduated with first class honours from the Imperial College London in Electrical and Electronic Engineering. Since then, Mr Yeo has been working at a leading system integrator in the telecommunications industry in South-East Asia. Over the years, he has taken on executive, management and supervisory roles. This has allowed him to gain a wide range of experience from project planning to resource management to commercial negotiations. Mr Yeo is also a Director of a steel-product manufacturer.

Roland W. Nice (B.Sc (Metallurgical Engineering) | Non-executive Director – Resigned 12 August 2019

Mr Nice was appointed a Non-Executive Director of the Company on 30 June 2013. Mr Nice is a Metallurgical Engineer with over 45 years' experience. Mr Nice has a strong track record in mineral processing and metallurgy, most recently as a consulting Metallurgical Engineer in the role of Senior Associate for Behre Dolbear Australia, where he was involved in due diligence activities and consulting on some of the world's largest poly-metallic, gold and uranium projects including Newcrest's Cadia, Ridgeway and Telfer gold projects, Barrick's Cowal gold project, LionOres's Thunderbox gold project and numerous other non-ferrous metal mining projects. Mr Nice's work as a consultant has included specific experience in tungsten processing. Prior to this, Mr Nice was the Principal at a technical consulting firm, R.W. Nice and Associates, which followed approximately 20 years in a range of roles with Pancontinental Mining Limited, including General Manager Technology and Metallurgy.

While with Pancontinental, Mr Nice was intimately involved in the test work and feasibility studies that led to the development of the Paddington and Kundana gold mines (3.0 Mtpa), the Jabiluka uranium project, the Thalanga Cu-Pb-Zn mine, the QMAG magnesia operation and the Wodgina tantalum operation. He is a Chartered Professional Engineer of the Institution of Engineers, Australia, a Life Member the Canadian Institute for Mining, Metallurgy and Petroleum, a member of the American Society of Mining and Metallurgical Engineers, a member of the Australian Institute of Minerals Valuers and Appraisers and a Fellow of the Aeo ustralian Institute of Mining and Metallurgy.

DIRECTORS' INTERESTS IN SHARES, OPTIONS AND PERFORMANCE RIGHTS

Directors' interests in shares, options and performance rights as at 30 June 2019 are set out in the table below.

Director	Shares Directly and Indirectly Held	Options Directly and Indirectly Held	Performance Rights Directly and Indirectly Held
R.H. Krause	1,000,000	-	15,000,000
S. Layton	29,000,000	-	5,000,000
R.W. Nice	1,375,000	-	5,000,000

COMPANY SECRETARY

Adrien Wing - Appointed 1 February 2019

Mr Wing is a certified practicing accountant. He previously practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the ASX as a corporate and accounting consultant and Company Secretary.

David Clark - Resigned 31 January 2019

Mr Clark held the position of Company Secretary from 10 July 2014 until 31 January 2019. Mr Clark is an experienced Chartered Secretary, a member of the Governance Institute of Australia and holds a Masters of Business of Administration (Executive) from the Australian Graduate School of Management (AGSM). Mr Clark has worked as Company Secretary of a privately funded group of biotechnology companies and is on the audit, risk and finance committee of an international global health organisation providing independent assurance and assistance to the organisation on audit, risk management, control and corporate governance.

MEETINGS OF DIRECTORS

Directors' attendance at Directors Meetings is shown in the following table:

Director	Meetings Eligible to Attend	Meetings Attended
R.H. Krause	5	5
S. Layton	5	5
R.W. Nice	5	5

Non-executive Director, Roland Nice and Executive Chairman, Russell Krause are members of the Company's Audit and Risk Management Committee. The Committee reviews the Company's corporate risks, financial systems, accounting policies, half-year and annual financial statements. There were two (2) Audit and Risk Management Committee Meetings during the year. Russell Krause and Roland Nice are members of the Remuneration and Nomination Committee which held one (1) meeting during the year.

AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS

Director	Meetings Eligible to Attend	Meetings Attended
R.W. Nice	2	2
R.H. Krause	2	2

SHARE OPTIONS AND PERFORMANCE RIGHTS

During or since the end of the financial year, no options were granted by the Company to the Directors and Executives of the Group as part of their remuneration. Refer to Remuneration Report – section (g) for further details.

There are no unissued ordinary shares of Speciality Metals under option at the date of this report.

During or since the end of the financial year no unlisted options were exercised.

REMUNERATION REPORT - AUDITED

This report for the year ended 30 June 2019 outlines the remuneration arrangements for the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited in accordance with section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements of key management personnel (KMP) who are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

For the purposes of this report, the term 'Executive' includes the executive directors, senior executives and general managers of the Group, whilst the term 'NED' refers to Non-Executive Directors only.

The Remuneration Report is set out under the following main headings:

(a) Policy Used to Determine the Nature and Amount of Remuneration;

(b) Key Management Personnel;

(c) Details of Remuneration;

(d) Cash Bonuses;

(e) Equity Instruments;

(f) Options and Rights Granted as Remuneration;

(g) Equity Instruments Issued on Exercise of Remuneration Options;

(h) Service Agreements; and

(i) Speciality Metals' Financial Performance.

(a) Policy Used to Determine the Nature and Amount of Remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation;
- Transparency; and
- Capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration and a blend of short and long-term incentives in line with the Company's limited financial resources.

Fees and payments to the Company's Non-executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the Senior Management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-executive Directors, Senior Executives and Officers are entitled to receive performance rights, options and/or shares under the Company's Equity Incentive Plan which was approved by shareholders at the General Meeting held on 22 June 2018.

Fees for Non-executive Directors are not linked to the performance of the Group.

Use of Remuneration Consultants

The Group has not used any remuneration consultants during the year.

Voting and Comments made at the Group's 2018 Annual General Meeting

The Group received votes against its Remuneration Report for the 2018 financial year however did not receive any specific feedback on its remuneration practices at the 2018 Annual General Meeting or during the year.

(b) Key Management Personnel

The following persons were Key Management Personnel of the Speciality Metals International Limited Group during the financial year:

	Position	Appointment	Resignation
Directors			
R.H. Krause	Non-Executive Chairman Executive Chairman	30 June 2013 14 November 2017	-
S. Layton	Non-Executive Director	14 November 2017	-
R.W. Nice	Non-Executive Director	30 June 2013	12 August 2019
Executives			
A.M. Wing	Company Secretary	1 February 2019	-
D.W. Clark	Chief Financial Officer and Company Secretary	17 April 2014 10 July 2014	31 January 2019 31 January 2019

(c) Details of Remuneration

Directors are entitled to remuneration out of the funds of the Company, but the remuneration of the Non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-executive Directors has been fixed at a maximum of $200,000 per annum to be apportioned among the Non-executive Directors in such a manner as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board Meetings and otherwise in the execution of their duties as Directors.

Details of the nature and amount of each element of the remuneration of each of the Directors of Speciality Metals International Limited and the Key Management Personnel of the Company and the consolidated entity during the year ended 30 June 2019 are set out in the following tables:

	Short-term employee benefits – cash salary and fees	Post-employment Super-annuation	Long – term employee benefits	Share-based payments		Total	% Performance Based
2018	$	$	$	Shares $	Performance Rights and Options $	$	
Directors							
R.H. Krause	97,500	-	-	-	2,263	99,763	2.3%
S. Layton	30,000	-	-	-	754	30,754	2.5%
R.W. Nice	48,000	-	-	-	754	48,754	1.5%
A.J. Morgan[1]	88,667	-	-	-	-	88,667	0.0%
Executives							
D.W. Clark[2]	64,425	-	-	-	-	64,425	0.0%
Total key management personnel compensation	**328,592**	**-**	**-**		**3,771**	**332,363**	

Following approval by shareholders at the General Meeting held on 22 June 2018, the Company granted 25,000,000 Performance Rights to Mr Russell Krause, Mr Stephen Layton and Mr Roland Nice in accordance with the terms approved by shareholders. See (e) (ii) below for further information.

2019	Short-term employee benefits – cash salary and fees $	Post-employment Super-annuation $	Long – term employee benefits $	Share-based payments Shares $	Share-based payments Performance Rights and Options[4] $	Total $	% Performance Based
Directors							
R.H. Krause	150,000	-	-	-	195,737	345,737	56.6%
S. Layton	48,000				65,246	113,246	57.6%
R.W. Nice	16,000	-	-	-	65,246	81,246	80.3%
Executives							
A.M. Wing[3]	20,000	-	-	-	-	20,000	0.0%
D.W. Clark[2]	29,100	-	-	-	-	29,100	0.0%
Total key management personnel compensation	**263,100**	**-**	**-**	**-**	**326,229**	**589,329**	

[1] A.J. Morgan resigned as CEO and Managing Director on 14 November 2017

[2] D.W. Clark ceased being Company Secretary/CFO on 31 January 2019.

[3] A.M. Wing appointed as Company Secretary on 1 February 2019.

[4] The Performance Rights were fully expensed during the 2018/2019 financial year due to the vesting condition relating to the completion of the acquisition of Mt Carbine Quarries and associated mining leases being satisfied on 28 June 2019. The shares were issued to Directors on 2 August 2019.

Options and shares do not represent cash payments to Directors or Senior Executives and performance rights/share options granted may or may not be exercised by the Directors or Executives.

(d) Cash Bonuses

A $30,000 cash bonus was paid to the Executive Chairman during June 2019.

(e) Equity Instruments

The Company rewards Directors and Executives for their performance and aligns their remuneration with the creation of shareholder wealth by issuing shares, options or performance rights. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or receive any guaranteed benefits.

(i) Shareholdings

The trading of shares issued pursuant to the Company's Equity Incentive Plan are subject to the Company's Securities Trading Policy; further, Directors, Key Management Personnel and employees are encouraged not to trade shares granted in order to align Director, Key Management Personnel and employee interests with those of all shareholders.

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by Directors and Key Management Personnel and their related parties are as follows:

30 June 2019	Balance at 1 July 2018	Granted as compensation	Received on exercise of Performance Rights	Other changes	Balance at 30 June 2019	Balance held nominally
Name						
R.H. Krause	1,000,000	-	-	-	1,000,000	-
S. Layton	29,000,000	-	-	-	29,000,000	-
R.W. Nice	1,375,000	-	-	-	1,375,000	-
D.W. Clark[1]	1,250,000	-	-	(1,250,000)	-	-
	32,625,000	**-**	**-**	**(1,250,000)**	**31,375,000**	**-**

There were no shares granted to Key Management Personnel as remuneration in the 2019 Financial Year.

[1] Deemed disposal upon resignation from the Board or Company.

(ii) Options and Performance Rights Holdings

Details of options and performance rights held directly, indirectly or beneficially by Directors and Key Management Personnel and their related parties are as follows:

30 June 2019	Balance at 1 July 2018	Granted as compensa tion	Rights exercised	Other changes	Balance at 30 June 2019	Total vested at 30 June 2018	Total vested and exercisable at 30 June 2018	Total unvested and unexercisable at 30 June 2019
Name								
R.H. Krause	15,000,000	-	-	-	15,000,000	-	-	15,000,000
S. Layton	5,000,000	-	-	-	5,000,000	-	-	5,000,000
R.W. Nice	5,000,000	-	-	-	5,000,000	-	-	5,000,000
	25,000,000	-	-	-	25,000,000	-	-	25,000,000

The key terms of the performance rights are as follows:

Type of Performance Right: Each Right entitles the holder to 1 fully paid ordinary share in Speciality Metals International Limited upon exercise.

Expiry Date: 22 June 2020 (2 years after the issue date).

Vesting: The Rights vest upon satisfaction of the following conditions:

(a) the Company completes the acquisition of the Mt Carbine Quarry and associated mining leases; or

(b) the Company share price on ASX trades on at least 3 consecutive business days above $0.05.

As the vesting condition relating to the completion of the acquisition of the Mt Carbine Quarry and associated mining leases was satisfied on 28 June 2019 the Performance Rights were expensed in full during the 2018-2019 financial year. The shares were issued to Directors on 2 August 2019.

(iii) Loans to Key Management Personnel

No loans have been made to Directors of the Company or the Key Management Personnel of the consolidated Group, including their personally-related entities.

(iv) Other Transactions and Balances

Consulting Services

Payments made for Key Management Personnel noted in (c) Details of Remuneration above are to Penause Pty Ltd, Bodie Investments Pty Ltd and R.W. Nice & Associates Pty Ltd as payments for consulting services.

(f) Options and Performance Rights Granted as Remuneration

No options were granted by Speciality Metals International Limited to the Directors and Executives of the Group during the financial year as part of their remuneration.

Valuation of Performance Rights Granted to Key Management Personnel as Remuneration in the 2018 Financial Year and expensed in the 2019 Financial Year

30 June 2019	Number of granted Performance rights	Grant date	Expiry date	Fair Value per Performance right at grant date	Total Fair Value of Performance Rights	Share-Based Payments: Expensed in prior years	Share-Based Payments: Expensed in the 2019 year[1]	Share-Based Payments: AASB 2 Not yet expensed
Name								
R.H. Krause	15,000,000	22 Jun 2018	22 Jun 2020	$0.0132	198,000	2,263	195,737	-
S. Layton	5,000,000	22 Jun 2018	22 Jun 2020	$0.0132	66,000	754	65,246	-
R.W. Nice	5,000,000	22 Jun 2018	22 Jun 2020	$0.0132	66,000	754	65,246	-
	25,000,000				**330,000**	**3,771**	**326,229**	**-**

[1] Fully expensed during the 2018/2019 financial year due to the vesting condition relating to the completion of the acquisition of Mt Carbine Quarries and associated mining leases being satisfied on 28 June 2019. The shares were issued to Directors on 2 August 2019.

(g) Equity Instruments Issued on Exercise of Remuneration Options

No equity instruments were issued during the 2019 financial year to Directors or other Key Management Personnel as a result of options exercised that had previously been granted as remuneration.

(h) Service Agreements

Remuneration and other terms of employment for the Directors and Executives are formalised in Service/Appointment Agreements. All contracts with Executives may be terminated early by either party within the stipulated notice period, subject to any termination payments as detailed below.

R.H. Krause

There is a written agreement with Mr Krause dated 1 July 2019 in his role as Executive Chairman of the Company. Cash payments and benefits totalling $150,000 were paid to Mr Krause during the 2019 financial year. The payments were made through Penause Pty Ltd, a company in which Mr Krause has a substantial interest.

S. Layton

There is a written agreement with Mr Layton dated 9 November 2017 in his role as a Non-executive Director of the Company. Cash payments and benefits totalling $48,000 were paid to Mr Layton during the 2019 financial year. The payments were made through Bodie Investments Pty Ltd, a company in which Mr Layton has a substantial interest.

R.W. Nice – Resigned 12 August 2019

There is no written agreement with Mr Nice and cash payments and benefits totalling $16,000 were paid to Mr Nice in his role as Non-executive Director during the 2019 financial year. Accrued Director's fees of $16,000 was recognised as an expense in the financial statements for the 12 months to 30 June 2019 as Directors fees owing and as yet unpaid to Mr Nice at 30 June 2019.

A.M. Wing – Appointed 1 February 2019

There is an agreement dated 22 January 2019 between Speciality Metals International Limited and A.M. Wing whereby Mr Wing agrees to provide Company Secretarial services to Speciality Metals International Limited. Mr Wing's contract will continue until the agreement is validly terminated. The Company or Mr Wing may terminate the contract by giving one month's written notice.

D.W. Clark – Resigned 31 January 2019

There is an agreement dated 8 January 2014 between Speciality Metals International Limited and D.W. Clark whereby Mr Clark agrees to provide Company Secretarial and management services to Speciality Metals International Limited on an agreed upon fee structure, a position he held until 31 January 2019.

(i) Speciality Metals' Financial Performance

Speciality Metals' financial performance for the five years to 30 June 2019 is noted below and the relationship between results and performance is discussed.

Year ended	Measure	2019	2018	2017	2016	2015
Net profit / (loss) after tax	$	3,808,863	(1,478,746)	(9,888,710)	(2,101,010)	(2,415,229)
Net Assets	$	10,905,040	2,672,436	2,371,501	10,744,570	11,189,606
Cash and cash equivalents	$	217,962	602,675	1,048,000	761,413	1,817,147
Cash flows from operating activities	$	(1,627,127)	(1,368,767)	(916,448)	(1,023,157)	(633,185)
EBITDAX	$	3,847,034	(1,022,747)	(865,010)	(943,493)	(1,232,524)
Share price at 30 June	$	$0.031	$0.019	$0.010	$0.030	$0.125
Basic Earnings / (loss) per share	Cents	0.67	(0.29)	(2.27)	(0.56)	(0.79)

Financial Performance

The profit for the consolidated Group for the financial year after tax amounted to $3,808,863 (2018 loss of $1,478,746). This result was primarily brought about by the reversal of the 2017 capitalised exploration costs impairment for the Mt Carbine Project.

The Group is creating value for shareholders via its recent acquisition of Mt Carbine Quarries Pty Ltd, an entity that owns and operate the Mt Carbine Quarry and holds Mining Leases ML 4867 and ML 4919. This Acquisition also resulted in the Company entering into an unincorporated Joint Venture with Cronimet Asia Pte Ltd for the development of the Mt Carbine Tungsten Tailings and Stockpile Projects. The Company plans to finalise commissioning and commence production from the Tailings Retreatment Project during the 4th quarter of 2019. The Company will continue to undertake exploration activities in its NSW Exploration Licences and Chilean Exploration Concessions in conjunction with the development and commercialisation of its tungsten assets in Far North Queensland.

Financial Position

The Group's main activity during the year has related to the acquisition of Mt Carbine Quarries to bring the Mt Carbine Tungsten Project back into production. This transaction was completed on 28 June 2019. In accordance with the Company's accounting policy, the recoverability of the carrying amount of Deferred Exploration and Evaluation Expenditure was reassessed during the 2019 financial year without impairment. Separately to this, exploration and evaluation costs of $347,919 were capitalised for the 2019 financial year along with the reversal of the 2017 capitalised exploration costs impairment for the Mt Carbine Project of $5,635,331. An amount of $255,100 was also recognised as capitalised exploration costs upon the 100% acquisition of Mt Carbine Quarries Pty Ltd. The carrying value of the exploration assets at 30 June 2019 is $6,834,416 (2018: $596,066).

At 30 June 2019, the Group had a net working capital deficit of $531,722 (2018: $1,294,671 surplus). The decrease in the net working capital was due largely to the movement in funds associated with the acquisition of Mt Carbine Quarries Pty Ltd.

As the Group is an exploration and development entity, ongoing exploration and development activities are reliant on future capital raisings. During the year, the Company raised $4,097,512 (after share issue costs) from two placements to Professional and Sophisticated Investors.

End of audited remuneration report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an Officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an Officer, including costs and expenses in successfully defending legal proceedings.

Insurance Premiums

During the financial period the Company has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

AUDIT AND NON–AUDIT SERVICES

During the financial year, the following fees for audit and non-audit services were paid or payable to BDO Audit (NTH QLD) Pty Ltd and Nexia Melbourne Audit Pty Ltd:

	2019	2018
	$	$
Audit-related services		
Amounts paid or payable to BDO Audit (NTH QLD) Pty Ltd		
- Audit services	800	36,000
Amounts paid or payable to Nexia Melbourne Audit Pty Ltd		
- Audit services	53,000	20,000
Taxation services		
Amounts paid or payable to BDO Audit (NTH QLD) Pty Ltd		
- Tax compliance services (tax returns)	-	7,600
Amounts paid or payable to Nexia Melbourne Audit Pty Ltd		
- Tax compliance services (tax returns)	6,000	-
- Other Tax advice	6,488	-
	66,288	63,600

The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.*

On the advice of the Audit Committee, the Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act* 2001 is set out and located after the Directors' Declaration and forms part of this Report.

CORPORATE GOVERNANCE

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is displayed on the Company's website.

Signed at Melbourne this 26th day of September 2019 in accordance with a resolution of the Directors.

RUSSELL KRAUSE

Executive Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	2	**22,515**	29,546
Other income	2	**223,421**	13,228
Administration expenses		**(259,941)**	(198,698)
Consultant expenses		**(848,185)**	(366,377)
Depreciation	7	**(14,511)**	(1,101)
Development and testwork costs		**(124,277)**	(51,833)
Loss on revaluation of financial assets		**-**	(76,166)
Gain/(Loss) on revaluation of investments		**(5,027)**	3,996
Exploration expenses written off		**-**	(454,898)
Finance costs		**(23,660)**	(2,627)
Foreign exchange gains (losses)		**(9,794)**	-
Impairment reversal (deferred exploration and evaluation assets)	8	**5,635,331**	-
Occupancy expenses		**(60,353)**	(40,117)
Salaries and employee benefits expense		**(608,255)**	(269,020)
Superannuation		**(8,075)**	(8,075)
Travel and accommodation		**(110,326)**	(50,124)
Other expenses		**-**	(6,480)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		**3,808,863**	(1,478,746)
INCOME TAX EXPENSE	3	**-**	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		**3,808,863**	(1,478,746)
TOTAL COMPREHENSIVE PROFIT / (LOSS) ATTRIBUTABLE TO OWNERS OF SPECIALITY METALS INTERNATIONAL LIMITED		**3,808,863**	(1,478,746)
		Cents	**Cents**
Basic profit (loss) per share	11	**0.67**	(0.29)
Diluted profit (loss) per share	11	**0.67**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $	2018 $
CURRENT ASSETS			
Cash assets	19(b)	**217,962**	602,675
Trade and other receivables		**190,622**	23,989
Financial assets	4	**-**	800,000
Prepayments		**75,212**	64,865
TOTAL CURRENT ASSETS		**483,796**	1,491,529
NON-CURRENT ASSETS			
Receivables	6	**770,021**	771,521
Plant and equipment	7,15	**331,674**	3,861
Inventory	4,15	**7,545,413**	-
Deferred exploration and evaluation expenditure	8	**6,834,416**	596,066
Financial assets	4	**1,289**	6,317
TOTAL NON-CURRENT ASSETS		**15,482,813**	1,377,765
TOTAL ASSETS		**15,966,609**	2,869,294
CURRENT LIABILITIES			
Payables	9	**780,155**	164,582
Employee Benefits		**26,473**	26,129
Short Term Borrowings	9	**200,000**	-
TOTAL CURRENT LIABILITIES		**1,006,628**	190,711
NON-CURRENT LIABILITIES			
Employee Benefits		**8,890**	6,147
Prepaid Mt Carbine Sublease Rent	20	**1,911,911**	-
Offtake Advance Loan	20	**2,134,140**	-
TOTAL NON-CURRENT LIABILITIES		**4,054,941**	6,147
TOTAL LIABILITIES		**5,061,569**	196,858
NET ASSETS		**10,905,040**	2,672,436
EQUITY			
Issued capital	10	**7,651,079**	3,553,567
Reserves		**330,000**	437,615
Accumulated profit / (loss)		**2,923,961**	(1,318,746)
TOTAL EQUITY		**10,905,040**	2,672,436

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	**2019** $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers and employees		**(1,659,865)**	(1,405,253)
R & D Tax concession offset received		**-**	-
Diesel fuel rebate		**9,883**	5,074
Interest paid		**-**	-
Interest received		**22,855**	31,412
NET CASH FLOWS USED IN OPERATING ACTIVITIES	19(a)	**(1,627,127)**	(1,368,767)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for the purchase of plant and equipment		**(12,837)**	(2,614)
Payments for the purchase of Mt Carbine Quarries Pty Ltd		**(7,330,000)**	(800,000)
Proceeds from the sale or disposal of plant and equipment		**424,869**	12,727
Payments for the purchase of tenements			-
Payments for tenement security deposits		**(1,000)**	(25,300)
Proceeds from the release of other security deposits		**3,248**	498
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(6,915,720)**	(814,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		**4,248,166**	1,847,746
Payments for share issue costs		**(113,853)**	(109,615)
Proceeds from Short-term loan		**200,000**	-
Proceeds from Mt Carbine sublease rent received in advance		**3,823,821**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**8,158,134**	1,738,131
Net (decrease)/increase in cash held		**(384,713)**	(445,325)
Add opening cash brought forward		**602,675**	1,048,000
CLOSING CASH CARRIED FORWARD	19(b)	**217,962**	602,675

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Attributable to the Shareholders of Speciality Metals International Limited			
CONSOLIDATED	**Issued Capital $**	**Accumulated Losses $**	**Reserves $**	**Total Equity $**
AT 1 JULY 2017	**1,797,341**	**-**	**574,160**	**2,371,501**
Loss for the period	-	(1,478,746)	-	(1,478,746)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(1,478,746)	-	(1,478,746)
Issue of share capital	1,873,734	-	-	1,873,734
Share issue costs	(117,508)	-	-	(117,508)
Share based payments	-	-	23,455	23,455
Lapse of options	-	160,000	(160,000)	-
Total transactions with owners in their capacity as owners	1,756,226	160,000	(136,545)	1,779,681
BALANCE AT 30 JUNE 2018	**3,553,567**	**(1,318,746)**	**437,615**	**2,672,436**
AT 1 JULY 2018	**3,553,567**	**(1,318,746)**	**437,615**	**2,672,436**
Profit / (loss) for the period	-	3,808,863	-	3,808,863
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	3,808,863	-	3,808,863
Issue of share capital	4,378,166	-	-	4,378,166
Share issue costs	(280,654)	-	-	(280,654)
Share based payments	-	433,844	(433,844)	-
Performance Rights Vested but not Exercised	-	-	326,229	326,229
Total transactions with owners in their capacity as owners	4,097,512	433,844	(107,615)	4,423,742
BALANCE AT 30 JUNE 2019	**7,651,079**	**2,923,961**	**330,000**	**10,905,040**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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. The ability of the Company to continue to adopt the going concern assumption is based upon the Company now having a source of income from its recent acquisition of the Mt Carbine Quarry along with that from the Company's joint venture with Cronimet Asia Pte Ltd for development of the Mt Carbine Retreatment Projects.

Should additional funds be necessary the Directors are confident of securing these funds if and when necessary to meet the Company's obligations as and when they fall due and consider the adoption of the going concern basis to be appropriate in the preparation of these financial statements.

(b) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. These financial statements have been prepared on a historical cost basis. The financial report is presented in Australian currency. The consolidated entity operates on a for-profit basis.

(c) Statement of Compliance

The financial statements have been prepared and comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Speciality Metals International Limited ("the Company" or "Speciality Metals") and its subsidiaries ("the Group") as at 30 June each year. Subsidiaries are entities over which the Company has control. Control is defined as entities which the group has rights to or is exposed to variable returns from its involvement with the entity and has the ability to use its power to affect those returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date upon which control is transferred to the Group and cease to be consolidated from the date upon which control is transferred out of the Group.

(e) Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on the nature of the derivative.

Derivatives are classified as current or non-current depending on the expected period of realisation.

(f) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated either on a diminishing value or straight-line basis over the estimated useful life of the asset. Plant and equipment useful life ranges from 2 – 10 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(g) Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the accounting policy for borrowing costs.

Borrowings are classified as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

(h) Recoverable Amount of Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use.

(i) Exploration, Evaluation, Development and Restoration Costs

Exploration and Evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- Such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- Exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Exploration and Evaluation – Impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in profit or loss when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

Development

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Remaining Mine Life

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

(j) Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Research and Development Refundable Tax Offset

The Research and Development Refundable Tax Offset is recognised as revenue when it is received.

(l) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

(m) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Currency

Both the functional and presentation currency is Australian dollars (A$).

(o) Investment in Subsidiaries

The parent entity's investment in its subsidiaries is accounted for under the cost method of accounting in the Company's financial statements included in Note 16.

(p) Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accounting for Acquisition of Businesses

Accounting for acquisition of businesses requires judgement and estimates in determining the fair value of acquired assets and liabilities. The relevant accounting standard allows the fair value of assets acquired to be refined for a window of a year after the acquisition date and judgement is required to ensure that any adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date.

Impairment of Non-Financial Assets

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to notes 7, 8, and 16 for further detail regarding judgements made when assessing impairment of plant and equipment and deferred exploration and evaluation costs and determining their recoverable amount.

Derivative Financial Instruments

The recoverable value of derivative financial assets is dependent on the Company's share price. Management has estimated the recoverable value at year end based on the share price at that date.

(q) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Speciality Metals International Limited.

2. REVENUE AND OTHER INCOME

	2019	2018
Revenue	**$**	$
Interest received – other persons/corporation	**22,515**	29,546
	22,515	29,546
Other income		
Gain on disposal of non current assets	**212,434**	12,236
Diesel fuel rebates	**10,239**	992
Other income	**748**	-
	223,421	13,228
Total revenue and other income	**245,936**	42,774

3. INCOME TAX

	2019	2018
(a) Income tax expense	**$**	$
Current income tax		
Current income tax benefit	**(541,692)**	(406,655)
Current income tax benefit not recognised	**374,254**	385,893
Deferred income tax		
Relating to deductible and taxable temporary differences	**167,438**	20,762
Income tax (benefit)/expense	**-**	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) before income tax	**3,808,863**	(1,478,746)
Tax at the Australian rate of 27.5% (2018: 27.5%)	**1,047,437**	(406,655)
Tax effect of amounts which are not taxable in calculating taxable income:		
Other	**(1,328,707)**	20,762
Deferred tax asset not recognised	**281,270**	385,893
	-	-
(c) Deferred tax		
Assets		
Accrued expenses	**66,632**	19,390
Employee leave liabilities	**9,725**	8,876
Impairment - plant and equipment		-
Deferred tax asset not recognised	**203,922**	153,490
	280,279	181,756
Liabilities		
Capitalised exploration and evaluation expenditure	**259,596**	163,918
Prepaid expenses	**20,683**	17,838
	280,279	181,756
Net deferred tax asset	**-**	-
(d) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**5,380,020**	5,082,592
Timing differences	**203,922**	153,490
	5,583,942	5,236,082

No provision for income tax is considered necessary in respect of the Company for the period ended 30 June 2019.

Deferred tax assets have not been recognised in respect of these items because it is not probable in the short to medium term that these assets will be realised. The Group has total tax losses at 30 June 2019 of $20,324,832 (2018: $19,040,298). A future income tax benefit which may arise from tax losses of 27.5% of approximately $5,589,329 will only be obtained if:

- The Parent and the Subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- The Parent and the Subsidiaries continue to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Parent and the Subsidiaries in realising the benefit from the deductions for the losses, i.e. current tax legislation permits carried forward tax losses to be carried forward indefinitely.

No franking credits are available for subsequent years.

Tax consolidation

The tax consolidation scheme is applicable to the Company. As at the date of this report the Directors have not assessed the financial effect, if any, the scheme may have on the Company and the consolidated entities and accordingly the Directors have not made a decision whether or not to be taxed as a single entity. The financial effect of the tax consolidation scheme on the Group has not been recognised in the financial statements.

4. FINANCIAL ASSETS & OTHER NON-CURRENT ASSETS

	2019	2018
	$	$
Current		
Non-refundable deposit on purchase of Mt Carbine Quarries Pty Ltd[1]	**-**	130,000
Refundable deposit on purchase of Mt Carbine Quarries Pty Ltd[1]	**-**	670,000
Total current	**-**	800,000
Non-Current		
Shares in listed companies:		
Sovereign Gold Company Ltd	**1,289**	6,317
Inventory (Mt Carbine Quarry)[2]	**7,545,413**	-
	7,546,702	6,317

[1] On 18 April 2018, the Company executed a Sale and Purchase Agreement (SPA) with Mt Carbine Quarries Pty Ltd (MCQ) for the 100% acquisition of Mt Carbine Quarries Pty Ltd, an entity that owns and operates the Mt Carbine Quarry along with Mining Leases ML 4867 and ML 4919. Upon the completion of the transaction on 28 June 2019 the non-refundable deposit was reclassified as part of the acquisition price whilst the refundable portion of the deposit was returned to Speciality Metals' as per the SPA.

[2] Mt Carbine Quarry inventory recognised upon the 100% acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019.

5. AUDITORS' REMUNERATION

	2019	2018
Audit-related services	**$**	$
Amounts paid or payable to BDO Audit (NTH QLD) Pty Ltd		
- Audit services	**800**	36,000
Amounts paid or payable to Nexia Melbourne Audit Pty Ltd		
- Audit services	**53,000**	20,000
Taxation Services		
Amounts paid or payable to BDO Audit (NTH QLD) Pty Ltd		
- Tax compliance services (tax returns)	**-**	7,600
Amounts paid or payable to Nexia Melbourne Audit Pty Ltd		
- Tax compliance services (tax returns)	**6,000**	-
- Other Taxation services	**6,488**	-
	66,288	63,600

6. RECEIVABLES – NON-CURRENT

Tenement security deposits	**769,921**	771,421
Other security deposits	**100**	100
	770,021	771,521

The tenement deposits are restricted so that they are available for any rehabilitation that may be required on the mining exploration tenements (refer to Notes 13 and 14).

7. PLANT AND EQUIPMENT

	2019 $	2018 $
Plant and equipment – at cost	**1,776,719**	7,923
Accumulated depreciation	**(1,445,045)**	(4,062)
	331,674	3,861

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year

	2019 $	2018 $
Carrying amount at beginning	**3,861**	2,839
Additions		
Includes carrying amount of the MCQ Assets acquired 28 June 2019	**342,323**	2,614
Disposals	**-**	(491)
Plant and equipment written down	**-**	-
Depreciation expense	**(14,510)**	(1,101)
	331,674	3,861

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2019 $	2018 $
Costs brought forward	**596,066**	596,066
Costs incurred during the period	**347,919**	-
Costs recognised upon acquisition of MCQ on 28 June 2019	**255,100**	-
Exploration and evaluation expenditure written down	**-**	**-**
Impairment Reversal[1]	**5,635,331**	
Costs carried forward	**6,834,416**	596,066

	2019 $	2018 $
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	**-**	-
Expenditure on non-joint venture areas	**6,834,416**	596,066
Costs carried forward	**6,834,416**	596,066

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

The Directors reassess the carrying value of the Group's tenements at each half year, or at a period other than that, should there be any indication of impairment.

[1] As a result of the Company successfully completing the 100% acquisition of Mt Carbine Quarries Pty Ltd on 28 June 2019 and its newly formed unincorporated joint venture with Cronimet Asia Pte Ltd the Directors have reassessed their previous decision to impair, in full, the capitalised exploration and evaluation expenditure associated with the Mt Carbine Tungsten Project and have determined that the 2017 impairment be reversed in full.

The basis for this decision is that via the Company's 100% acquisition of Mt Carbine Quarries Pty Ltd it has removed the previous uncertainty surrounding the unresolved sublease issues with the Quarry and Mining Leaseholder thus removing any adverse impact on the technical feasibility and commercial viability of the Mt Carbine Tungsten Project.

9. CURRENT LIABILITIES – PAYABLES

	2019 $	2018 $
Trade creditors	**533,055**	88,391
Accrued expenses	**242,299**	70,508
Other	**4,801**	5,682
	780,155	164,582

OTHER CURRENT LIAIBLITIES

	2019	2018
Short-Term Borrowings[1]	**200,000**	-
	200,000	-

[1] Unsecured third-party shareholder loans payable on or before 30 August 2019 with an interest rate of 10%.

10. CONTRIBUTED EQUITY

Share Capital	**2019 $**	2018 $
798,107,881 (2018: 554,876,418) ordinary shares fully paid	**7,651,079**	3,353,567

(a) Movements in Ordinary Share Capital

1 July 2018 to 30 June 2019	**Date**	**Number of Shares**	**Issue Price**	**$**
Balance b/fwd		**554,876,418**		**3,553,567**
Tranche 1 – Placement of 83,231,463 shares at $0.018 per share to institutional and sophisticated investors to fund the 100% acquisition Mt Carbine Quarries Pty Ltd which owns and operates the Mt Carbine Quarry and mining leases ML4867 and ML 4919 (refer ASX announcement dated 14 May 2019).	16-05-2019	83,231,463	$0.018	1,498,166
Tranche 2 – Placement of 160,000,000 shares to institutional and sophisticated investors to fund the 100% acquisition of Mt Carbine Quarries Pty Ltd at $0.018 per share following approval by shareholders at a General Meeting held on 17 June 2019 (refer ASX announcement dated 14 May 2019).	26-06-2019	160,000,000	$0.018	2,880,000
Share issue costs				(280,654)
Balance as at 30 June 2019		**798,107,881**		**7,651,079**

1 July 2017 to 30 June 2018	**Date**	**Number of Shares**	**Issue Price**	**Total $**
Balance b/fwd		**482,876,418**		**1,797,341**
Placement to institutional and sophisticated investors	06-02-2018	68,000,000	$0.025	1,700,000
Placement to non-executive director following approval by shareholder at the General Meeting held on 22 June 2018.	22-06-2018	4,000,000	$0.025	100,000
Lanstead Capital LP – Tranche B – subject to an 18 month sharing agreement – remaining 5 of 18 instalments settled.	30-06-2018	**	***	73,734
Share issue costs				(117,508)
Balance as at 30 June 2018		**554,876,418**		**3,553,567**

** Underlying shares were issued in the prior financial year.

*** Issue price subject to Sharing Agreement with Lanstead Capital LP

Terms and Conditions of Contributed Equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up, on the shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

Options

No options were outstanding at the end of the reporting period.

Performance Rights

The following performance rights are outstanding at the end of the reporting period.

(b) Movements in Performance Rights

	Date	Number of Performance Rights	Vesting conditions	Maturity
Unlisted Performance Rights				
Performance Rights granted to Directors as remuneration approved by shareholders at the 2018 General Meeting held on 22 June 2018.	22-06-18	25,000,000	**	22-06-20
Balance as at 30 June 2018		**25,000,000**		

****** Following approval by shareholders at the General Meeting held on 22 June 2018, the Company granted Performance Rights to Directors in accordance with the terms approved by shareholders. See Note 23(b) for further information.

11. EARNINGS PER SHARE

	2019	2018
	$	$
Profit (Loss) after income tax attributable to the owners of Speciality Metals International Limited used in calculating basic and diluted earnings per share	**3,808,863**	**(1,478,746)**
	Number	**Number**
Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	**567,557,643**	509,988,747
Weighted average number of ordinary shares used in calculating diluted earnings per share. Note options outstanding at reporting date have not been brought to account as they are anti-dilutive.	**567,557,643**	509,988,747
		Cents
Basic profit (loss) per share (cents)	**0.67**	(0.29)
Diluted profit (loss) per share (cents)	**0.67**	(0.29)

12. KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Short-term employee benefits	**589,329**	332,363
Post-employment benefits	**-**	-
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share based payments	**-**	-
Balance at the end of period	**589,329**	332,363

13. CONTINGENT LIABILITIES

The Group has provided guarantees totalling $771,421 in respect of mining exploration tenements and environmental bonds. These guarantees in respect of mining and exploration 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.

14. COMMITMENTS

Exploration Licence Expenditure Requirements – In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish if the Group joint ventures projects to third parties. It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment of the Group from time to time.

	2019 $	2018 $
Payable not later than one year	**245,000**	2,773,000
Payable later than one year but not later than two years	**-**	3,577,000
	245,000	6,350,000

15. ACQUISITIONS

On 28 June 2019, the Group acquired 100% of the equity instruments of Mt Carbine Quarries Pty Ltd (MCQ), a Mt Carbine based business, thereby obtaining control. The acquisition was made for the purpose of securing the established quarry business which operates within Mining Leases (ML 4867 and ML 4919), along with the Mining Leases themselves to provide surety of tenure for the Company's Mt Carbine Tungsten Project. The quarry is a fully permitted, established business that has been in operation for over 20 years that offers substantial growth opportunities and an invaluable revenue stream, but also the synergies between the quarry and the Company's future mining activities through waste management.

The details of the business combination are as follows:

Fair value of consideration transferred:	**$**
Amount settled in cash	8,130,000
Total	**8,130,000**
Recognised amounts of identifiable net assets	
Plant & Equipment	329,487
Capitalised exploration & evaluation costs	255,100
Total non-current assets	**584,587**
Inventory	7,545,413
Total current assets	**7,545,413**
Identifiable net assets	**8,130,000**
Net cash outflow on acquisition	**8,130,000**
Acquisition costs charged to expenses	588,740
Net cash paid relating to the acquisition	**8,718,740**

Consideration transferred

The acquisition of MCQ was settled in cash for $8,130,000.

Acquisition-related costs amounting to $588,741 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of consultants' expenses. This amount also includes the costs associated with the establishment of the unincorporated joint venture between Speciality Metals International Limited and Cronimet Asia Pte Ltd for the development of the Mt Carbine Retreatment Projects.

Identifiable net assets

The fair value of the estimated 7 million tonnes of stockpiled inventory as part of the business combination amounted to $7,545,413.

MCQ's contribution to the Group results

As the acquisition took place at the end of the Group's full-year reporting period there was no impact on the Group's revenue nor consolidated profit/(loss) for the period ending 30 June 2019.

16. INVESTMENT IN SUBSIDIARIES

	Equity Interest		Cost of Parent Entity's Investment	
Parent Entity	**2019**	2018	**2019**	2018
Speciality Metals International Limited	**%**	%	**$**	$
Controlled Entities				
South Eastern Resources Pty Ltd	**100**	100	**3**	3
Mt Carbine Retreatment Pty Ltd[1]	**100**	100	**2**	2
Troutstone Resources Pty Ltd	**100**	100	**2**	2
Mt Carbine Quarrying Operations Pty Ltd[2]	**100**	100	**-**	-
Mt Carbine Quarries Pty Limited[3]	**100**	-	**8,130,000**	-
Icon Resources Africa Pty Ltd	**100**	100	**10**	10
Special Metals Chile SpA	**100**	-	**6,060**	-

[1] Cast Resources Pty Ltd changed it name to Mt Carbine Retreatment Pty Ltd on 19 March 2019.
[2] Kaowest Pty Ltd changed its name to Mt Carbine Quarrying Operations Pty Ltd on 19 March 2019.
[3] Mt Carbine Quarries Pty Ltd acquired 28 June 2019.

Speciality Metals International Limited and all of its subsidiaries, with the exception of Special Metals Chile SpA, are located and incorporated in Australia.

17. IMPAIRMENT OF DEFERRED EXPLORATION EXPENDITURE AND PLANT AND EQUIPMENT

The Directors reassess the carrying value of the Group's assets including deferred exploration expenditure, tenements and plant and equipment at each half year, or at a period other than that, should there be any indication of impairment to fair value. When making their assessment for the 2018-2019 financial year the Directors took the following into consideration:

- During the financial year the Company concluded the 100% acquisition of Mt Carbine Quarries Pty Ltd, an entity that owns and operates the Mt Carbine Quarry and Mining Leases ML 4867 and ML 4919 as well as entering into an unincorporated joint venture with Cronimet Asia Pte Ltd for the development of the Mt Carbine Tailings Retreatment and Stockpile Projects. Production from the tailings retreatment is expected to commence during the 4th quarter of 2019.

- The Company also still holds two (2) gold prospects in NSW and twenty (20) exploration concessions within Northern Chile as part of its exploration work for lithium and other valuable minerals. The Company has also maintained its two tungsten focused Exploration Permits (EPM 14871 & EPM 14872) located at Mt Carbine, North Queensland which were both renewed for a further term of 5 years to December 2020. EPM 14872 contains both the Iron Duke and Petersen's Lode prospects whilst EPM 14871 features the Mt Holmes tin-tungsten prospect.

  The Company believes that EPM 14872 holds significant exploration upside given that the tungsten grades indicated in the sampling of the Iron Duke and Petersen's Lode are extensively higher than the estimated global average grade in the present open-pit resource within the Mt Carbine Mining Leases. These unencumbered, greenfield sites also offer the added advantage of having minimal environmental legacy issues.

  Based on the above, Directors' have assessed there to be no indication of impairment during the 2018-2019 financial year.

COMBINED DEFERRED EXPENDITURE, PLANT AND EQUIPMENT AND FINANCIAL ASSETS

	2019	2018
Non-current assets	**$**	$
Receivables	**770,021**	771,521
	770,021	771,521
Plant and equipment		
Plant and equipment – at cost	**1,776,719**	7,923
Accumulated depreciation	**(1,445,045)**	(4,062)
	331,674	3,861
Inventory		
Quarry Inventory	**7,545,413**	-
	7,545,413	-
Deferred exploration and evaluation expenditure		
Exploration and evaluation expenditure	**6,834,416**	596,066
	6,834,416	596,066
TOTAL	**15,481,524**	1,371,448

Reconciliation of the carrying amount of Mt Carbine assets at the beginning and end of the current and previous financial year		
Combined assets carrying amount at the beginning of the year	**1,371,448**	1,315,378
Additions – Plant & Equipment	**342,323**	58,160
Additions – Inventory (Quarry)	**7,545,413**	-
Capitalised exploration and evaluation expenses	**347,919**	-
Capitalised exploration and evaluation expenses recognised upon MCQ acquisition	**255,100**	
Impairment reversal	**5,635,331**	-
Receivables reduction – In-active EPM financial assurance refund	**(1,500)**	-
Disposals	**-**	(989)
Plant and equipment written down	**-**	-
Exploration and evaluation expenditure written down	**-**	-
Depreciation expense	**(14,510)**	(1,101)
TOTAL	**15,481,524**	**1,371,448**

18. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 June 2019 that have not previously been reported other than:

- On 2 July 2019 the Company announced that it had completed the acquisition of Mt Carbine Quarries Pty Ltd, an entity that owns and operates the Mt Carbine Quarry and holds Mining Leases ML 4867 and M 4919. The Company also advised that it would be undertaking a capital raise via a pro-rata non-renounceable shareholder entitlement offer to raise up to approximately $2.9 million. The offer entitles eligible shareholders to acquire 1 new share for every 5 existing shares held in Speciality Metals at $0.018 cents per share. The Offer was fully underwritten by Rymill Global Venture Ltd.
- On 26 July 2019 the Company announced that its recent underwritten pro-rata non-renounceable 1 for 5 entitlement offer closed at 5.00 pm on 23 July 2019 with a total of 112,733,514 shares being placed raising $2,029,203. A further 46,888,236 shortfall shares totalling $843,988, remained after the close of the offer which were subscribed in full by Rymill Global Ventures Ltd as per the Underwriting Agreement. In addition, vesting conditions were met for 25,000,000 Performance Rights which were issued to Directors and identified in their respective Appendix 3Ys. All shares were issued on 2 August 2019 (refer ASX Announcement "Appendix 3B and Cleansing Notice").
- On 28 August 2019 the Company announced the appointment of two new Directors following the completion of the Acquisition of Mt Carbine Quarries Pty Ltd namely Mr Oliver Kleinhempel, a representative of Cronimet and Mr Yeo Zui Pei. Mr Roland Nice resigned as a Director as part of the Board changes.

19. STATEMENT OF CASH FLOWS

	Reconciliation of net cash outflow from operating activities to operating loss after income tax	**2019** **$**	2018 $
(a)	Operating profit / (loss) after income tax	**3,808,863**	(1,478,746)
	Depreciation	**14,510**	1,101
	Share based payments expense		5,575
	Performance rights expense	**325,481**	3,771
	Gain on disposal of assets	**(212,434)**	(12,727)
	Loss on disposal of assets	**-**	491
	Share issue cost accruals	**(166,800)**	-
	Impairment reversal capitalised exploration & evaluation	**(5,635,331)**	-
	Deferred exploration and evaluation assets written down	**-**	-
	(Revaluation) Devaluation of investment to market value	**5,027**	(3,996)
	Share based creditor payments	**-**	(7,894)
	Unrealised foreign exchange (gains) losses	**9,795**	-
	Loss on revaluation of derivative financial asset	**-**	67,441
	Change in assets and liabilities:		
	Decrease (Increase) in receivables	**(36,633)**	27,275
	Decrease (Increase) in other assets	**(358,266)**	(1,800)
	Increase/(decrease) in trade and other creditors	**618,661**	30,742
	Net cash outflow from operating activities	**(1,627,127)**	(1,368,767)

(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the Company's cash management function. The Company does not have any unused credit facilities.

The balance at 30 June 2019 comprised:

Cash assets	**217,962**	602,675
Cash on hand	**217,962**	602,675

20. NON-CURRENT LIABILITIES

	2019 $	2018 $
Prepaid Mt Carbine Sublease Rent[1]	**1,911,911**	**-**
Offtake Advance Loan[2]	**2,134,140**	**-**

[1] Mt Carbine Sublease Rent prepaid to Mt Carbine Quarries Pty Ltd as per the Retreatment Operations Sublease Agreement between Mt Carbine Quarries Pty Ltd, Cronimet Australia Pty Ltd and Mt Carbine Retreatment Pty Ltd.

[2] Speciality Metal's wholly 100% owned subsidiary and 50% unincorporated Joint Venture Partner, Mt Carbine Retreatment Management Pty Ltd's, Offtake Advance recognition. The terms and repayment of this advance are governed by the Offtake Advance Agreement between Cronimet Asia Pte Ltd, Cronimet Australia Pty Ltd and Mt Carbine Retreatment Pty Ltd.

21. CORPORATE INFORMATION

The Financial Report of the Group for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 26 September 2019.

Speciality Metals International Limited is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange under the ticker code "SEI".

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash, short term deposits and available for sale investments.

The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade receivable and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

(a) Price Risk

The Group is exposed to equity securities price risk. The Group has derivative financial assets, and investments held and classified on the Statement of Financial Position as available-for-sale, both as shown in Note 4.

(b) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

	2019	2018
Contracted maturities for payables year ended 30 June 2019	**$**	$
Payable:		
- less than 6 months	**780,155**	164,582
- 6 to 12 months	**-**	-
- 1 to 5 year	**-**	-
- later than 5 year	**-**	-
Total	**780,155**	164,582

(c) Fair Value of Financial Instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated – 2019

Assets	Level 1	Level 2	Level 3	Total
Ordinary shares	**1,289**	**-**	**-**	**1,289**
Total assets	**1,289**	**-**	**-**	**1,289**
Liabilities				
Total liabilities	**-**	**-**	**-**	**-**

Consolidated - 2018

Assets	Level 1	Level 2	Level 3	Total
Ordinary shares	**6,316**	**-**	**-**	**6,316**
Total assets	**6,316**	**-**	**-**	**6,316**
Liabilities				
Total liabilities		**-**	**-**	**-**

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

(d) Commodity Price Risk

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and mining development of mineral commodities. If commodity prices fall, the market for companies exploring and/or mining for these commodities is affected. The Company does not currently hedge its exposures.

(e) Fair Values

For financial assets and liabilities, the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Company has no financial assets including derivative financial assets and liabilities where the carrying amount exceeds the net fair values at reporting date. The Company's receivables at reporting date comprise primarily of GST input tax credits refundable by the Australian Taxation Office and other receivables. The balance (if any) of receivables comprises prepayments (if any). The credit risk on financial assets of the Company which have been recognised on the Statement of Financial Position is generally the carrying amount.

(f) Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Consistently with others in the industry, the consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Statement of Financial Position plus net debt. The gearing ratio as at 30 June 2019 and 30 June 2018 was 0% as net debt was negative in both years.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements and covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report. The consolidated entity is not subject to externally imposed capital requirements.

23. SHARE-BASED PAYMENTS

(a) Share based payments

	2019 $	2018 $
Share-based payments expense	-	23,455
Share-based payments capitalised	-	-
Total share-based payments	-	23,455

(b) Performance Rights

The following table details the number and movements in performance rights issued as employment incentives during the year.

	2019 Number	**Total vested and unexercised at 30 June 2019**	**2018 Number**	**Total unvested and unexercisable at 30 June 2018**
Outstanding at the beginning of the year	25,000,000	25,000,000	25,000,000	25,000,000
Granted during the year	-	-	-	-
Converted/expired during the year	-	-	-	-
Outstanding at the end of the year	25,000,000	25,000,000	25,000,000	25,000,000

(c) Performance rights issued and key terms

25,000,000 unlisted options were granted to Directors as an employment incentive following approval by shareholders at the General Meeting held on 22 June 2018 which expire on 22 June 2020 and are subject to vesting conditions. The key terms of the performance rights, in accordance with the terms approved by shareholders, are as follows:

Type of Performance Right: Each Right entitles the Holder to 1 fully paid ordinary share in Speciality Metals International Limited (SEI) upon exercise.

Expiry Date: 22 June 2020 (2 years after the issue date)

Vesting: The Rights vest upon satisfaction of the following conditions:

(a) the Company completes the acquisition of the Mt Carbine Quarry and associated mining leases; or

(b) the Company share price on ASX trades on at least 3 consecutive business days above $0.05.

(d) Valuation of Performance Rights Granted

30 June 2019	**Number of granted Performance rights**	**Grant date**	**Expiry date**	**Fair Value per Performance right at grant date**	**Total Fair Value of Performance Rights**	**Share-Based Payments: Expensed in prior years**	**Share-Based Payments: Expensed in the 2019 year**	**Share-Based Payments: AASB 2 Not yet expensed**
Granted	25,000,000	22 Jun 2018	22 Jun 2020	$0.0132	330,000	3,771	326,229	-
	25,000,000				**330,000**	**3,771**	**326,229**	**-**

On 22 June 2018, the fair value of each performance right was $0.0132, therefore the valuation of the grant of performance rights to Directors was $330,000.

1 Fully expensed during the 2018/2019 financial year due to the vesting condition relating to the completion of the acquisition of Mt Carbine Quarries and associated mining leases being satisfied on 28 June 2019.

(e) Performance Rights lapsed during the reporting period

No performance rights options lapsed during the reporting period without exercise.

24 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Adoption of New Standards and Interpretations

Changes in accounting policies on initial application of Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year. From 1 July 2016, the Group has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2016. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Consolidated Entity. The Consolidated Entity has not elected to early adopt any new standards or amendments.

Effective Accounting Standards and Interpretations Not Adopted as at 30 June 2019

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. Whilst they are effective and are available for adoption they have not been applied in preparing this financial report.

Reference and title	Details of New Standard / Amendment / Interpretation	Application Date
AASB 16	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. This standard will not apply to leases to explore for or use minerals.	**1 January 2019**
AASB 15 Revenue from contracts with customers	AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	**1 January 2019**

Apart from the above, other accounting standards, amendments and interpretations that will be applicable in future periods have been considered, however their impact is considered insignificant to the Group

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Speciality Metals International Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	2019	2018
	$	$
ASSETS		
Current assets	**483,779**	1,491,512
Non-current assets	**15,488,890**	1,383,842
TOTAL ASSETS	**15,972,669**	2,875,354
LIABILITIES		
Current liabilities	**4,839,339**	196,858
Non-current liabilities	**6,060**	6,060
TOTAL LIABILITIES	**4,845,399**	202,918
NET ASSETS	**11,127,270**	2,672,436
EQUITY		
Issued capital	**7,651,079**	3,553,567
Reserves	**330,000**	437,615
Accumulated losses	**3,146,191**	(1,318,746)
TOTAL EQUITY	**11,127,270**	2,672,436
FINANCIAL PERFORMANCE		
Profit (loss) for the year	**4,031,923**	(1,478,746)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive profit/(loss)	**4,031,923**	(1,478,746)

Contingent Liabilities

As at 30 June 2019 and 30 June 2018 the Company had no contingent liabilities.

Contractual Commitments

As at 30 June 2019 and 30 June 2018 the Company had no contractual commitments other than those disclosed in Note 14.

Guarantees Entered into by Parent Entity

As at 30 June 2019, the Company has not provided any financial guarantees.

26. OPERATING SEGMENTS

Segment Information

Identification of Reportable Segments
During the year, the Company operated principally in one business segment being mineral exploration and in two geographical segments being Australia and Chile.

The Company's revenues and assets and liabilities according to geographical segments are shown below.

	June 2019			June 2018		
	Total	**Australia**	**Chile**	Total	Australia	Chile
	$	**$**	**$**	$	$	$
REVENUE						
Revenue	**245,936**	245,936	-	**42,774**	42,774	-
Total segment revenue	**245,936**	245,936	-	**42,774**	42,774	-
RESULTS						
Net profit / (loss) before income tax	**3,808,863**	3,808,863	-	**(1,478,746)**	(1,305,519)	(173,227)
Income tax	**-**	-	-	**-**	-	-
Net profit / (loss)	**3,808,863**	3,808,863	-	**(1,478,746)**	(1,305,519)	(173,227)
ASSETS AND LIABILITIES						
Assets	**15,966,609**	15,966,609	-	**2,869,294**	2,869,294	-
Liabilities	**5,061,568**	5,061,568	-	**196,858**	196,858	-

27. RELATED PARTY DISCLOSURES

a. The Company's main related parties are as follows:

i. *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise), are considered key management personnel.

The directors in office during the year were as follows:

- Russell Henry Krause — Appointed Non Executive Chairman on 30 June 2013; Appointed Executive Chairman on 14 November 2017.
- Roland Waynne Nice — Appointed 30 June 2013 / Resigned 12 August 2019.
- Stephen Layton — Appointed 14 November 2017.

For details of disclosures relating to key management personnel, refer to Key Management Personnel disclosures Directors and Remuneration Report.

b. Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

i. *Other related parties:*	**2019 $**	2018 $
Purchase of goods and services:		
Corporate advisory fees paid to Penause Pty Ltd, an entity associated with Mr Krause for Fees and Performance Bonus as Executive Chairman	**150,000**	97,500
Corporate advisory fees paid to R.W. Nice & Assoc. Pty Ltd an entity associated with Mr Nice for fees as a Non-Executive Director.	**16,000**	48,000
Corporate advisory fees paid to Bodie Investments Pty Ltd an entity associated with Mr Layton for fees as a Non-Executive Director.	**48,000**	30,000

c. Receivable from and payable to related parties

There were no trade receivables from related parties at the current and previous reporting date. A trade payable for Director fees for RW Nice amounting to $16,000 was recognised during the current reporting date. There were no trade payables to related parties for the previous reporting date.

d. Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

e. Parent entity

Speciality Metals International Limited is the parent entity.

f. Subsidiaries

Interests in subsidiaries are set out in Note 16.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the Financial Statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying Notes, are in accordance with the Corporations Act 2001 and:

   a) comply with Accounting Standards, which, as stated in the accounting policy Note 1, to the financial statements, constitutes explicit and unreserved compliance with international Financial Reporting Standards (IFRS); and

   b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and consolidated group;

2. the Executive Chairman and the Chief Finance Officer have each declared that:

   a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001;*

   b) the Financial Statements and notes for the financial year comply with Accounting Standards; and

   c) the Financial Statements and Notes for the financial year give a true and fair view; and

3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.

On behalf of the Board

R H Krause

Executive Chairman

Melbourne, 26 September 2019

Nexia Australia

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Speciality Metals International Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia

Nexia Melbourne Audit Pty Ltd
Melbourne

Geoff S. Parker
Director

Dated this 26th day of September 2019

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Nexia Australia

Independent Auditor's Report to the Members of Speciality Metals International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Speciality Metals International Limited, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of Specialty Metals International Limited is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001.*

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Acquisition of Mt Carbine Quarries Pty Ltd ***Refer to Note 4 Financial assets and other non-current assets*** During the year the Group acquired Mt Carbine Quarries Pty Ltd for a gross purchase consideration of $8,130,000. This was considered a significant purchase for the Group. Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to inventory. It is due to the size of the acquisition and the estimation process involved in accounting for it that this is a key area of audit focus.	Our procedures included, amongst others: ▪ We read the sale and purchase agreement to understand key terms and conditions; ▪ We considered the Group's determination of the final fair value of identifiable assets at 30 June 2019. ▪ We performed testing and analysis to support the provisional fair value of identifiable assets; ▪ We performed a site visit to verify the existence of the quarry, plant and equipment and inventory; and ▪ We assessed the adequacy of the Group's disclosures in respect of business acquisitions.

Other information

The Directors are responsible for the other information. The other information comprises the information in Speciality Metals International Limited's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 29 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Speciality Metals International Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia

Nexia Melbourne Audit Pty Ltd
Melbourne

Geoff S. Parker
Director

Dated this 26th day of September 2019

SHAREHOLDER INFORMATION

Information relating to shareholders at 19 September 2019 (per ASX Listing Rule 4.10)

Substantial Shareholders	**Shareholding**
Hilux Resources Pty Ltd	70,000,000
Whitfords Holding Investments Ltd	64,919,810

Distribution of Shareholders as at 19 September 2019 **Number of Ordinary Shares Held**	**Number of Holders**	**Ordinary Shares**
1 – 1,000	74	12,078
1,001 – 5,000	53	182,156
5,001 – 10,000	110	971,919
10,001 – 100,000	624	27,436,788
100,001 – and over	579	954,126,690
	1,440	**982,729,631**

At the prevailing market price of $0.049 per share, there are 239 shareholders with less than a marketable parcel of $500.

Top 20 Shareholders of Ordinary Shares as at 19 September 2019	**Shares**	**% Shares issued**
Hilux Resources Pty Ltd	70,000,000	7.12
Whitfords Holding Investments Ltd	64,919,810	6.61
Lynewood Holdings Ltd	46,800,000	4.76
Bodie Investments Pty Ltd	41,000,000	4.17
Dr Leon Eugene Pretorius	37,938,244	3.86
Covenant Holdings (WA) Pty Ltd <The Boyd No 3 A/c>	37,000,000	3.77
Shawlane Capital Ltd	36,970,172	3.76
Baglora Pty Ltd <Mott Family Super Fund A/c>	25,000,000	2.54
Ang Kay Tiong	20,312,664	2.07
Archer Pacific Holding Limited	20,000,000	2.04
Mr Malcolm John McClure	18,750,000	1.91
TA Securities Holdings Berhad	17,040,001	1.73
Penause Pty Ltd	16,200,000	1.65
Mota Engil Minerals & Mining Investments BV\C	16,000,000	1.63
Sonnenallee Investments Ltd	15,333,600	1.56
BNQ Paribas Noms Pty Ltd <DRP>	14,426,900	1.47
Hemmingway United Investment Ltd	14,088,236	1.43
Turbine Capital Limited	11,999,166	1.22
Vision Tech Nominees Pty Ltd	8,000,000	0.81
Alan Scott Nominees Pty Ltd <Alan Scott Super A/c>	7,800,000	0.79
Total of Top 20 Holdings	539,578,793	54.91
Other Holdings	443,150,838	45.09
Total Fully Paid Shares Issued	982,729,631	100.00

Employee Share based Performance Plan

At a General Meeting held 22 June 2018 shareholders approved the adoption of the Speciality Metals International Limited Equity Incentive Plan. The purpose of the Plan is to attract, motivate and retain employees, provide employees an incentive and provide the ability to grant performance rights, options or shares to employees, including Executive and Non-Executive Directors. This replaces the previous Employee Awards Plan approved in 2015.

Voting rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those partly-paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

Audit Committee

At the date of the Report of the Directors, the Company has a Committee of one Executive and one Non-executive Director that meets with the Company's external auditors at least once during each half-year. These meetings take place prior to the finalisation of the Half-Year Financial Statements and Annual Report, and prior to the signing of the Audit Report.

FORWARD LOOKING STATEMENTS

Some statements contained within this report relate to the future and are forward looking statements. Such statements may include, but are not limited to, statements with regard to intention, capacity, future production and grades, projections for sales growth, estimated revenues and reserves, targets for cost savings, the construction cost of new projects, projected capital expenditures, the timing of new projects, future cash flow and debt levels, the outlook for minerals and metals prices, the outlook for economic recovery and trends in the trading environment and may be (but are not necessarily) identified by the use of phrases such as "will", "expect", "anticipate", "believe" and "envisage". By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and may be outside Speciality Metals International Limited's control. Actual results and developments may differ materially from those expressed or implied in such statements because of a number of factors, including levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation.

Given these risks and uncertainties, undue reliance should not be placed on forward-looking statements and intentions which speak only as at the date of the presentation. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, Speciality Metals does not undertake any obligation to publicly release any updates or revisions to any forward looking statements contained in this presentation, whether as a result of any change in Speciality Metals' expectations in relation to them, or any change in events, conditions or circumstances on which any such statement is based.

Certain statistical and other information included in this presentation is sourced from publicly available third-party sources and has not been independently verified.

Speciality Metals
International Limited

A Diversified Speciality Resources
Mining & Exploration Company