



Quarterly Activities Report

Quarter Ended 31 December 2019

HIGHLIGHTS

MT CARBINE

- Speciality Metals International Limited (ASX:SEI) (Speciality Metals or Company) was pleased to announce that during the quarter its Joint Venture (“JV”) with CRONIMET Australia (Pty) Ltd (“CRONIMET”) [Mt Carbine Retreatment Management Pty Ltd, (“MCRM”)] had commenced commissioning the Mt Carbine Retreatment Plant with the first material produced as from 20 December 2019 (refer ASX Announcements “Mt Carbine Update – Wet Commissioning Completed dated 3 December 2019; “Electrical Commissioning Completed on Mt Carbine Project” dated 17 December 2019; and “Cold Commissioning Completed at the Mt Carbine Plant” dated 23 December 2019).
- On-site staff have been working throughout January 2020 to optimise processes to achieve longer sustained production throughputs at increasing plant feed rates and it is intended that production will move to a 24-hour, 7 day a week, basis during the month of February 2020 (refer ASX Announcement “Mt Carbine Plant Production Commissioning and Optimisation Ongoing by SEI and CRONIMET JV” dated 28 January 2020).
- Interviews for potential staff to operate the Retreatment Plant at Mt Carbine have also been concluded and job offers made to the successful candidates. Production staff are scheduled to commence on 28 January 2020. The successful candidates are all local people from the region, who have either trade qualifications or mining/processing experience. The Plant Operations Manager role has also attracted a number of senior managers with the recruitment process expected to be finalised in the first quarter of the new year (refer ASX Announcement “Plant and Production Staff – Mt Carbine Project Update” dated 30 December 2019).
- The JV has also received and is in the process of installing laboratory equipment, including an X-ray Fluorescence (“XRF”) Analyser, to assist in the continuous optimisation of the processing plant and the production of consistent, commercial concentrate.
- The application for the additional exploration tenure at Mt Carbine is progressing well and is expected to be finalised within the first half of 2020.
- Mt Carbine mapping program and core sample review is well underway with the final reports expected within the coming months.

CHILE

- The Santo Tomas University Geotechnical Report has been completed and reviewed. Whilst the results were positive the current geo-political climate in Chile has led the Board to conclude not to pursue any further exploration activities. Exit options, such as the potential sale or liquidation of the Chilean Company, are being reviewed.

GOLD

Panama Hat (EL8024)

- The results from the recent surface sampling conducted at Panama Hat are currently being reviewed. The Board will continue to assess its strategic options for this project. The Annual Exploration Report and Renewal Application was lodged with NSW Department of Planning, Industry and Environment in December 2019.

Crow Mountain (EL6648)

- The Company's Geological Team have completed further review work on this area and the Board will continue to assess its strategic options for this project. The Annual Exploration Report for EL6648 was also lodged in October 2019.

CORPORATE

- All resolutions were successfully passed by a show of hands at the Company's Annual General Meeting held in Melbourne on 18 November 2019.

EXECUTIVE SUMMARY

I am pleased to provide the following update for what has proved to be a milestone quarter for Speciality Metals:

EXPLORATION AND DEVELOPMENT ACTIVITIES

MT CARBINE QUARRY

The Mt Carbine quarrying operations have now been successfully integrated into the Speciality Metals' Group. During the past quarter the quarry operated profitably and is well positioned to make a solid contribution to the Group's consolidated revenue. The quarry has tendered for several major projects, some of which are expected to be awarded in first quarter of 2020.

Since acquiring the quarry significant upgrades/maintenance have been undertaken on the plant and equipment, workplace health and safety, account and management systems. Whilst these programs created additional operational expenses initially, the Company believes this investment will generate increased efficiency and less down time, due to equipment failure, thus resulting in increased profitability.

UNINCORPORATED JOINT VENTURE & MT CARBINE RETREATMENT PLANT REFURBISHMENT

The joint venture has been operating effectively since its inception during the 3rd quarter of 2019. Much has been achieved with the plant commissioning (refer ASX Announcements "Mt Carbine Update – Wet Commissioning Completed dated 3 December 2019; "Electrical Commissioning Completed on Mt Carbine Project" dated 17 December 2019; and "Cold Commissioning Completed at the Mt Carbine Plant" dated 23 December 2019).

A further two pieces of equipment are currently being added to the production circuit, namely another rolls crusher and wet screen. This equipment will be installed during the first quarter of 2020 and we expect these additions to further enhance production and recovery. The laboratory is also being set-up on-site which will enable immediate product testing and scientific development.

The new plant production staff commenced on 28 January 2020 and are settling into their new roles.



MT CARBINE EXPLORATION

Exploration and tenement administration work has been ongoing despite the focus during the quarter being on the refurbishment and commissioning of the Retreatment Plant. The Company's Geological Team have reviewed historical maps of the area within and immediately adjacent to the Mt Carbine Mining Leases. These areas have been remapped and all available geological data has been updated. The Company's database is continually being updated with this information which is stored digitally to ensure it is readily accessible. The Geological Team is also reviewing the historical drill core samples and re-assaying selected drill core to gain a better understanding of the extent of the scheelite mineralisation zones within the deposit. The whole drill core library is also being reviewed, catalogued and transferred to new premises at the Mt Carbine mine site. This should be completed during first quarter of 2020.

With regards to the Mt Carbine EPMs, additional subblocks have been applied for adjoining the existing tenements and the Company is currently reviewing its tenure consolidation strategy and is in discussions with the Department regarding this. This process is well underway, and this first phase review should be completed during the first half of 2020.



Iron Duke Extension – NE Carbine Hill

CHILEAN EXPLORATION CONCESSIONS

As previously advised, Santo Tomas University Geotechnical Team was engaged to review the Company's Chilean exploration concessions. A significant amount of work was undertaken with the University at very limited cost to Speciality Metals. The quality of the work was excellent, and a number of exciting targets have been identified both within the Company's exploration concessions and in the region generally.

However, the current geo-political climate in Chile has led the Board to conclude not to pursue any further exploration activities. Exit options, such as the potential sale or liquidation of the Chilean Company, are being reviewed.

GOLD EXPLORATION LICENCES

Panama Hat – Broken Hill District

As reported in the last Quarterly Activities Report, the Company holds 100% of EL 8024, Panama Hat, located 20km south east of Broken Hill in NSW. EL8024 covers approximately 80% of the historical gold workings in the Broken Hill district. The Company's previous mapping and sampling program had identified rock chip samples of bonanza grade up to 83 g/t gold. This target, whilst drill ready and permitted, is not sufficiently geologically understood to proceed with a drilling campaign.

During late November and early December 2019, the geological team were on the ground at Panama Hat doing extensive sampling. Their time was somewhat disrupted due to a large dust storm in the area however a significant number of samples have been collected and are currently being reviewed and assessed. The team will make further recommendations as to how best to progress and add value to this project.



Summary map of northern Chile, showing location of Salares de Bellavista and Pintados

Crow Mountain- New England Region NSW

Last quarter we reported that “Crow Mountain (EL 6648) covers part of the Great Serpentine Belt in western New England province of north eastern NSW. The dominate geological structure is the north-south trending Peel Fault which hosts numerous shallow gold workings dating from the 1860’s. The Company’s geological team have reviewed all available data and is in the process of applying for permits for a detailed trenching, sampling and mapping program within this exploration licence.”

As part of ongoing reviews there has been some discussion amongst our Geological Team as to the best way to advance this project. Whilst the trenching project remains in the permitting phase there are other options being considered.

TENEMENT INFORMATION REQUIRED UNDER LISTING RULE 5.3.3

In accordance with Listing Rule 5.3.3 the following information is submitted with respect to the tenements held 100% by Speciality Metals or its wholly owned subsidiaries:-

Tenement Number	Tenement Location
Queensland, Australia	
EPM 14871	Mt Carbine
EPM 14872	Mt Carbine
EPM 27394	Mt Carbine (Application Pending)
ML 4867	Mt Carbine**
ML 4919	Mt Carbine**
New South Wales, Australia	
EL 6648	Crow Mountain
EL 8024	Broken Hill
Chile	
Bellavista 1 – 5*	Salar de Bellavista
Pinta 1 – 15*	Salar de Pintados

* Exploration concessions are held by Speciality Metals’ wholly owned Chilean subsidiary company, Special Metals Chile SpA.

** Acquired as part of the Mt Carbine Quarries Pty Ltd acquisition which was settled on 28 June 2019.

No farm-in or farm-out agreements were entered into during the period.

R H Krause
Executive Chairman

SPECIALITY METALS INTERNATIONAL LIMITED AT A GLANCE

Directors

Mr R.H. (Russell) Krause, Executive Chairman
 Mr O. (Oliver) Kleinhempel, Non-Executive Director (Appointed 12 August 2019)
 Mr S. (Stephen) Layton, Non-Executive Director
 Mr Y. (Yeo) Zhui Pei, Non-Executive Director (Appointed 12 August 2019)

Company Secretary - Mr Adrien Wing

Registered Office

Level 17, 500 Collins Street, Melbourne VIC 3000
 Telephone: +61 3 9614 0600

Principal Place of Business

6888 Mulligan Highway, Mt Carbine QLD 4871
 Telephone: +61 7 4094 3072 | Fax: +61 7 4094 3036

Website and Emails

Please visit Speciality Metals' website for the latest announcements and news: www.specialitymetalsintl.com.au. To receive Speciality Metal's announcements by email, email to: info@specialitymetalsintl.com.au.

General Enquiries

Contact Mr Russell Krause on (03) 9614 0600

Issued Capital and Market Capitalisation

At 23 January 2019 Speciality Metal's issued capital was 985,229,631 ordinary shares. At a share price of \$0.053 on 23 January 2020 the market capitalisation was \$52.22 million.

Number of Shareholders and Major Shareholders

At 23 January 2020 Speciality Metals had 1,463 shareholders. The share register records the following as major shareholders at 23 January 2020 accounting for 55.07% of the issued shares:

Shareholder	%
Hilux Resources Pty Ltd	7.10
Whitfords Holding Investments Ltd	6.59
Lynewood Holdings Ltd	4.75
Bodie Investments Pty Ltd	4.16
Covenant Holdings (WA) Pty Ltd <The Boyd No 3 A/c>	3.76
Shawlane Capital Ltd	3.75
Dr Leon Eugene Pretorius	3.30
Baglora Pty Ltd <Mott Family Super Fund A/c>	2.54
Ang Kay Tiong	2.06
TA Securities Holdings Berhad	2.04
Archer Pacific Holding Limited	2.03
Mr Malcolm John McClure	1.83
Penause Pty Ltd	1.64
Mota Engil Minerals & Mining Investments BV	1.62
Sonnenallee Investments Pty Ltd	1.56
BNP Paribas Noms Pty Ltd <DRP>	1.46
Hemmingway United Investment Ltd	1.43
Citicorp Nominees Pty Limited	1.42
Turbine Capital Limited	1.22
Vision Tech Nominees Pty Ltd	0.81

Cash Balance

At 31 December 2019 Speciality Metals' consolidated cash balance was approximately \$908,000.

Shareholder Enquiries

Matters relating to shares held and changes of address should be directed to the share registry:

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

ASX Listing Code

The Company's ASX listing code is SEI.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Speciality Metals International Limited

ABN

77 115 009 106

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	377	424
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(90)	(138)
(b) development	(89)	(852)
(c) production	(127)	(199)
(d) staff costs	(140)	(238)
(e) administration and corporate costs	(226)	(490)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid	-	(23)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Diesel Fuel Tax Credits)	6	6
1.9 Net cash from / (used in) operating activities	(286)	(1,503)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	(2)	(2)
(c) property, plant and equipment	(294)	(728)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(296)	(730)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,003
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(260)
3.5	Proceeds from borrowings	29	29
3.6	Repayment of borrowings	(3)	(203)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Offtake & Working Advance)	(107)	348
3.10	Net cash from / (used in) financing activities	(81)	2,917

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,574	218
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(286)	(1,503)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(296)	(730)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(81)	2,917

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(3)	6
4.6	Cash and cash equivalents at end of period	908	908

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	908	1,574
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	908	1,574

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

91

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Payments to Directors for fees and consultancy including travel expense reimbursements.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	26	26
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	26	26

7.5 Unused financing facilities available at quarter end

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Secured 3 Year Equipment Finance Loan at an Interest Rate of 4.91% p.a.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(286)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(286)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	908
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	908
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2020

Authorised by:



By the Board of Speciality Metals International Limited (Executive Chairman)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.