



## Barbara ready to go

Nearly 6 Mt in JORC Resources, for 83kt Cu, to be developed; in production before end 2014.

Recommendation  
**Speculative BUY**

Price  
**3.2c**

Valuation  
**8.5c**

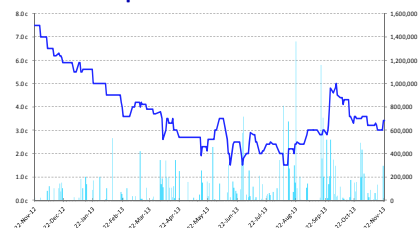
The current management of SMD joined in March 2012, but detailed new work plans were delayed until a settlement was achieved in August 2013 enabling the company to focus on development of the Barbara deposit.

Copper Chem Ltd (CCL) is farming into a 50% share of Barbara by funding drilling that should lead to an extension of the current mining inventory of 1.2Mt that has been established for an open pit at Barbara.

### Snapshot

Last Price	3.4c
Market Cap	\$6.9m
Shares on Issue (pre issue)	204.0m
52 Week High	7.3c
52 Week Low	1.5c
1 month / 6 month VWAP	3.46c / 2.76c
Last Price	3.4c
Market Cap	\$6.9m
Shares on Issue	204.0m

### SMD Share price v. volume



SMD has over 5.9Mt of Resources containing 83kt Cu, 27koz gold and over 400koz silver in its 2,469km<sup>2</sup> tenement package N-E of Mt Isa and N-W of Cloncurry.

SMD has executed a JV agreement with CopperChem, a subsidiary of SOL.ASX, to supply ore to their under-utilised mill at the Great Australian mine near Cloncurry..

Beer & Co estimate that it will cost less than \$20m in capital (ie. \$10m for SMD) for SMD to be in production by 2014 Q4.

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### Barbara, near Cloncurry

Barbara is in North-West Queensland, 60km from Mt Isa and 110km from Cloncurry, on the north side of the Barkly Highway, in a suite of tenements running up to 80km north.

Barbara has JORC Indicated and Inferred resources totalling 5.3Mt, at 1.4% copper, 0.1g/t gold, 2.5g/t silver plus some cobalt, for 76kt contained copper.

SMD has further Resources totalling 600kt for 8.0kt contained copper nearby.

### Agreement to develop the Barbara deposit

On 3 June 2013, SMD announced that it had executed an MOU with Exco Resources to develop the Barbara project. On 16 September, the MOU had become a firm agreement with CopperChem Ltd (CCL) (a related entity of Exco Resources; and a subsidiary of WH Soul Pattinson (SOL.ASX).

This agreement involved

- CCL subscribing \$522k in a share placement and buying out a significant shareholder to move to an 18.9% stake in SMD;
- CCL sole funding until a decision to mine at the Barbara development; and
- CCL buying out a JV partner in some of the ELs in the Barbara project, so that the project becomes a 50:50 SMD-CCL JV.

### Likely Barbara Project

A pit containing 1.2Mt of ore has been defined. The current drill program, which has already reported 42m at 1.57% Cu and other, significant intersections of similar tenor with high grade portions, is to determine ore closer to surface and the presence of mineralisation in an area of pit currently not drilled.

We expect that the development may increase to 1.8Mt of ore at similar high grades.

We expect that this can be developed for less than \$20m (100% basis) for a cash cost of about \$1.65/lb, with first ore in approximately 12 months, with a payback of about 12 months.

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# Syndicated Metals : Into Production

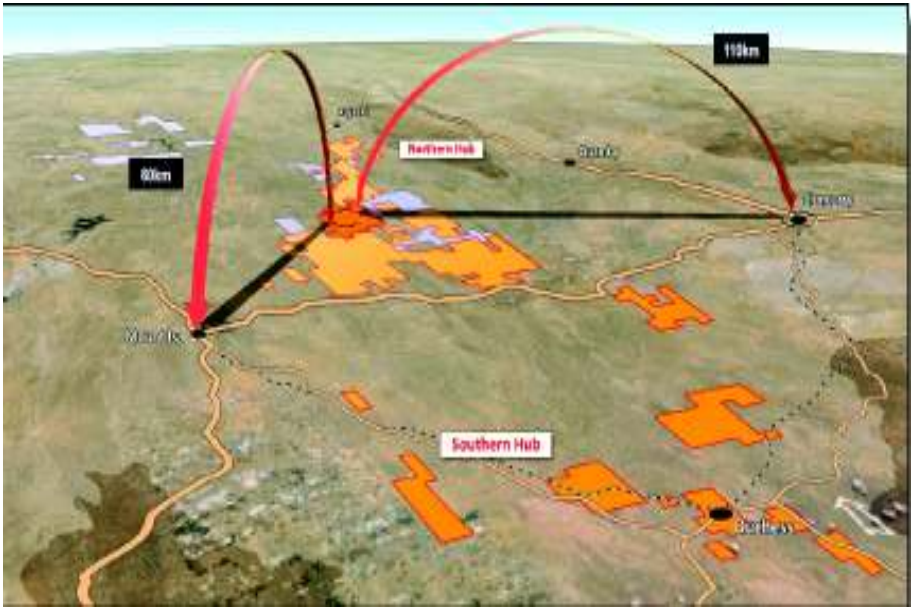
## Background

In August, SMD announced the rationalisation of its tenement areas, down from 4,000km<sup>2</sup> in total to about 2,500km<sup>2</sup>, to facilitate its focus on near term cashflow.

Figure 1 shows that SMD’s tenements are in the Mt Isa district. Its main area, the “northern hub” contains all the reported resources. It is about 60km from Mt Isa and 110km from Cloncurry, and stretch from just north of the Barkly Highway, up to 80km north.

SMD is focussed on an area of nearly 2,500km<sup>2</sup>, in North-West Queensland, between Mt Isa and Cloncurry

Figure 1 : Barbara, in SMD’s “northern hub”



Source : SMD presentation, November 2013

While the current management was installed in SMD in March 2012, its position was contested by parties associated with the previous management and this was finally resolved in August 2013 with the agreement to divest the large but low grade, Kalman deposit.

SMD’s focus is to get into production and generate cash, rather than more drilling.

The focus of the current management is to get into production and generate cash, rather than doing still more exploration drilling.

## Resources

The current Resource estimate for Barbara was announced on 17 November 2010. It was supplemented on 24 October 2011 by satellite resources, as shown in Figure 2.

Figure 3 is regional map showing the SMD tenements, the location of these resources and also the location of other known mineralised occurrences.

**Figure 2 : Resource estimates, Barbara and satellites**

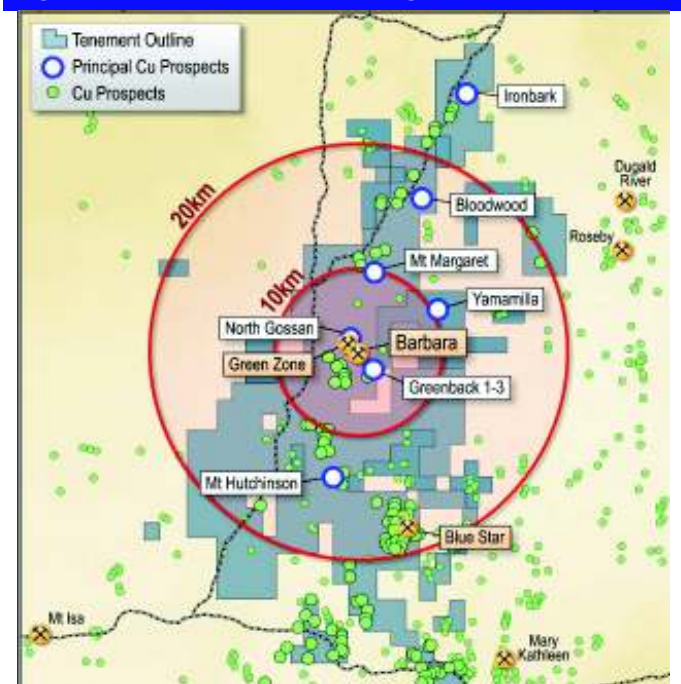
		0.5% Cu c/o	grades				Contained metal			
			copper	gold	silver	cobalt	copper	gold	silver	cobalt
EPM 15564 (50% SMD/ 50% CCL)	Indicated	2,977 kt	1.6 %	0.2 g/t	2.7 g/t	270 ppm	47.3 kt	15 koz	258 koz	800 t
	Inferred	362 kt	1.3 %	0.1 g/t	2.4 g/t	296 ppm	4.7 kt	1 koz	28 koz	110 t
	<b>TOTAL</b>	<b>3,339 kt</b>	<b>1.6 %</b>	<b>0.2 g/t</b>	<b>2.7 g/t</b>	<b>273 ppm</b>	<b>52.0 kt</b>	<b>17 koz</b>	<b>286 koz</b>	<b>910 t</b>
EPM 16112 (50% SMD/ 50% CCL)	Indicated	801 kt	1.4 %	0.1 g/t	2.7 g/t	270 ppm	11.2 kt	3 koz	70 koz	220 t
	Inferred	1,191 kt	1.0 %	0.1 g/t	1.9 g/t	296 ppm	11.9 kt	5 koz	73 koz	350 t
	<b>TOTAL</b>	<b>1,992 kt</b>	<b>1.2 %</b>	<b>0.1 g/t</b>	<b>2.2 g/t</b>	<b>286 ppm</b>	<b>23.1 kt</b>	<b>8 koz</b>	<b>142 koz</b>	<b>570 t</b>
<b>BARBARA TOTAL</b>		<b>5,331 kt</b>	<b>1.4 %</b>	<b>0.1 g/t</b>	<b>2.5 g/t</b>	<b>278 ppm</b>	<b>75.2 kt</b>	<b>25 koz</b>	<b>429 koz</b>	<b>1,480 t</b>

Source : SMD ASX announcements, 17 November 2010 and 24 October 2011

SMD's tenements have 5.3Mt in Resources, for 75kt of contained copper

SMD's tenements are near historic, current and prospective mines.

**Figure 3 : SMD tenements and regional mineralisation**



Source : SMD presentation, March 2012

Figure 3 shows that SMD's tenements are near current (Mt Isa), historic (Mary Kathleen) and prospective mines (Dugald River and Roseby), as well as area that have been mined artisanally in the SMD tenements. It also shows that the small, high grade, Blue Star resource is 20km closer to Cloncurry than Barbara.

Figure 3 also shows further, highly prospective targets with known mineralisation, within the SMD tenements.

**Development of Barbara**

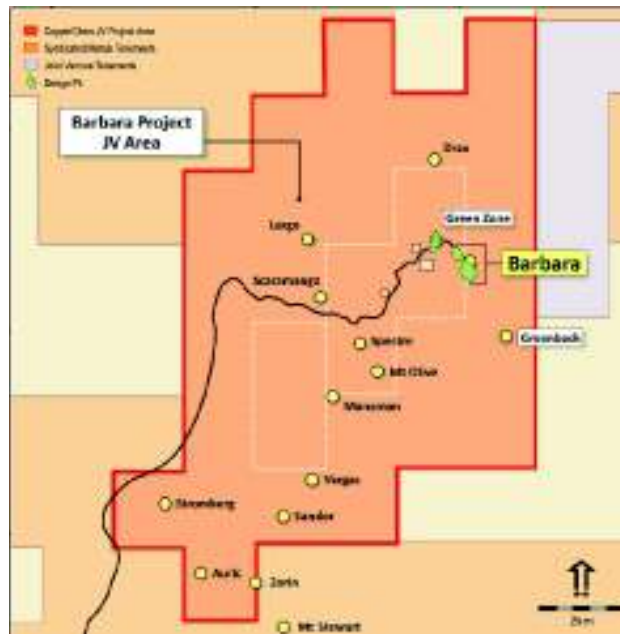
Development of Barbara had been stranded because the deposit overlapped 2 different leases, and SMD held 100% of the major lease but only 51% of the other lease. This can be seen in Figure 4.

**Figure 4 : Barbara and CopperChem JV**

Development of Barbara had been delayed as the deposit was in 2 separate ELs, with differing ownership.

Development is now able to proceed.

A drilling program to infill and extend the JORC resource is currently being executed.



Source : SMD presentation, November 2013

Figure 4 shows that part of the Barbara deposit is in a different EL.

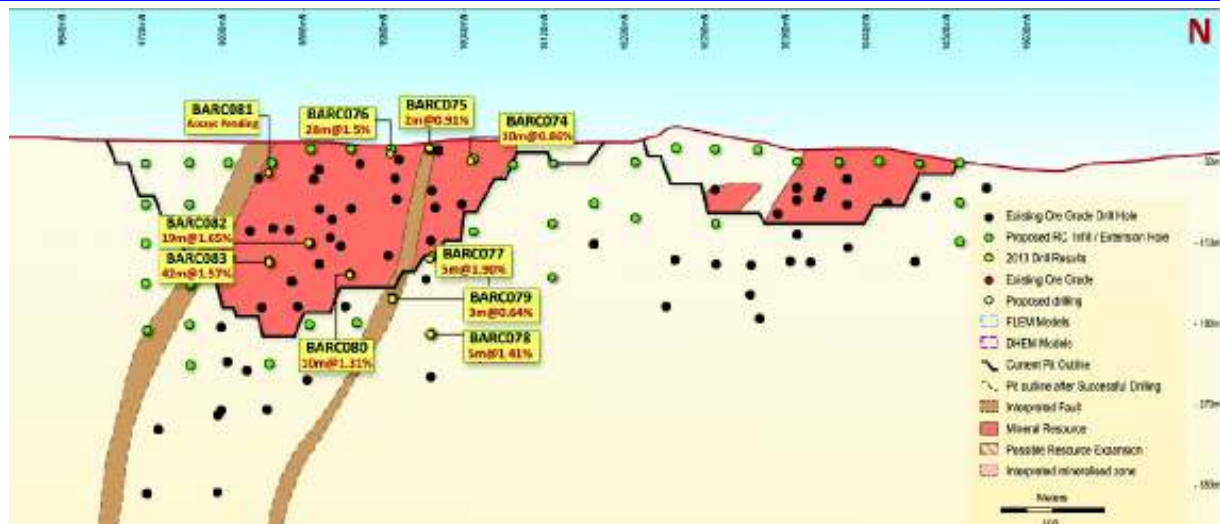
The partner in this EL was Orbis Gold (OBS). CopperChem has purchased OBS's interests in this area and has also purchased a 50% share in the area shown in Figure 4 as the JV area by sole funding activities up to a decision to mine at Barbara.

The project area shown in Figure4 is 100km<sup>2</sup>.

Figure 2 showed a JORC Resource estimate for Barbara of 5.3Mt at 1.4% Cu. A scoping study was carried out on this Resource, which is the basis for the current work.

Figure 5 shows the drilling that has been carried out as part of that Resource estimate and the drilling planned in the current programme.

**Figure 5 : Drilling for the JORC Resource, drilling planned and the open pits scoped**



Source : SMD presentation, November 2013

### Mining Inventory

Figure 2 showed a total resource for Barbara of 5.3Mt at 1.4% for 75kt of contained copper for Barbara, which is the subject of this JV.

The current mining inventory is 1.2Mt, less than 25% of the JORC resource.

However, we assume that only the higher grade portion contained within the open pittable mineralisation is exploited. Figure 6 shows that in this analysis we have assumed a base case of 1.2Mt of high grade ore.

Figure 6 also shows that we allow for an extension to this inventory based on success in the current drill program for inventory both shallower, as shown in Figure 5 with good grades and width from near surface, and also from the drilling proposed in the areas within the open pit that do not already have existing drilling.

**Figure 6 : Barbara potential mining inventory**

		grades			Contained metal		
		copper	gold	silver	copper	gold	silver
Base Case	1,200 kt	1.9 %	0.2 g/t	3.0 g/t	22.8 kt	7.7 koz	116 koz
Extension	600 kt	1.6 %	0.2 g/t	2.5 g/t	9.6 kt	2.9 koz	48 koz

Source : Beer & Co estimates

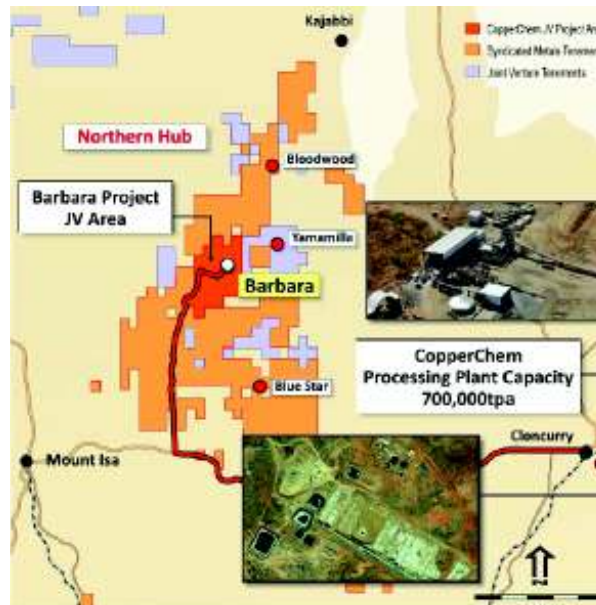
### Development Proposal

CopperChem (CCL) operates the Great Australian Mine (GAM) near Cloncurry. While the GAM still has significant Resources, remaining resources are of lower quality than those which have been exploited to date.

CopperChem operates the Great Australia Mine, near Cloncurry.

At AGM, CCL has 1.2Mt/yr of crushing capacity and 700kt/yr of flotation capacity, plus some SX capacity to treat oxides.

**Figure 7 : SOL's Great Australian Mine**



Source : SMD presentation, November 2013

At GAM, CCL has a crushing circuit with 1.2Mt/yr capacity and about 700kt/yr grinding and flotation capacity.

It currently produces about 7kt/yr of copper in concentrate.

It also has a heap leach and SX capacity to produce CuSO4 for use by nearby zinc producers.

Figure 7 shows that this plant is about 110km from Barbara by road.

The concept, as shown in Figure 6, is to mine higher grade ores so that CCL’s overall output is higher. The mine is relatively shallow with mineralisation near surface. It will be crushed and screened, which will upgrade the ores, reducing volume by about 25% and improving grades by about 20%, for a small loss of contained copper.

We estimate capital costs of \$20m

### Capital Costs

Beer & Co estimates that this project, including crushing and roads as shown in Figure 7, should have a capital cost of, at most, \$20m, as indicated in Figure 8.

**Figure 8 : Est’d Cap.Ex**

Water supply	\$A 1.5m
Camp, offices	\$A 2.0m
Roads, etc	\$A 3.0m
Pre-strip	\$A 2.5m
Crusher	\$A 5.0m
Other	\$A 2.0m
contingency	\$A 1.4m
E P C M	\$A 1.6m
Working Capital	\$A 1.0m
<b>TOTAL</b>	<b>\$A 20.0m</b>

Source : Beer & Co estimates

### Operating Costs

We understand that :

Our estimated operating costs are US 163c/lb

- The waste : ore ratio in the base case is about 5 : 1, though the extension case, with mineralisation both nearer to surface and also within the designed pit will reduce this to about 2 : 1; and
- Processing at the GAM will be done “at commercial rates” (including overhead associated with contract supervision, grade sampling, etc).

Figure 9 shows the operating costs for this operation as estimated by Beer & Co.

**Figure 9 : Beer & Co estimated operating costs for Barbara**

	Dec. 2014	Mar. 2015	Jun. 2015	Sep. 2015	Dec. 2015	Mar. 2016	Jun. 2016	Sep. 2016	Dec. 2016
Waste Moved	375 kt	750 kt	750 kt	750 kt	750 kt	750 kt	750 kt	750 kt	375 kt
waste : ore	5.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1
Ore Mined	75 kt	150 kt	150 kt	150 kt	150 kt	150 kt	150 kt	150 kt	75 kt
Ore sent to Mill	56 kt	113 kt	113 kt	113 kt	113 kt	113 kt	113 kt	113 kt	56 kt
<b>Site Cash Costs</b>									
Waste	\$A 0.8m	\$A 1.4m	\$A 1.5m	\$A 1.7m	\$A 1.8m	\$A 1.9m	\$A 2.1m	\$A 2.2m	\$A 1.3m
AUD /t material	\$A 2.0/t	\$A 1.9/t	\$A 2.0/t	\$A 2.2/t	\$A 2.4/t	\$A 2.6/t	\$A 2.8/t	\$A 2.9/t	\$A 3.5/t
AUD /t ore	\$A 10.1/t	\$A 9.3/t	\$A 10.2/t	\$A 11.1/t	\$A 12.0/t	\$A 12.9/t	\$A 13.8/t	\$A 14.7/t	\$A 17.5/t
Mining	\$A 0.3m	\$A 0.5m	\$A 0.5m	\$A 0.5m	\$A 0.5m	\$A 0.6m	\$A 0.6m	\$A 0.6m	\$A 0.3m
AUD /t ore	\$A 3.7/t	\$A 3.3/t	\$A 3.5/t	\$A 3.3/t	\$A 3.5/t	\$A 3.7/t	\$A 3.9/t	\$A 3.7/t	\$A 4.5/t
Crushing & Admin	\$A 0.7m	\$A 0.8m	\$A 0.8m	\$A 0.8m	\$A 0.8m	\$A 0.8m	\$A 0.8m	\$A 0.8m	\$A 0.7m
AUD /t ore	\$A 9.1/t	\$A 5.4/t	\$A 5.4/t	\$A 5.4/t	\$A 5.4/t	\$A 5.4/t	\$A 5.4/t	\$A 5.4/t	\$A 9.1/t
Transport to mill	\$A 0.8m	\$A 1.7m	\$A 1.7m	\$A 1.7m	\$A 1.7m	\$A 1.7m	\$A 1.7m	\$A 1.7m	\$A 0.8m
AUD /t material	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t	\$A 15.0/t
AUD /t ore	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t	\$A 11.3/t
Processing Costs	\$A 1.8m	\$A 2.6m	\$A 2.6m	\$A 2.6m	\$A 2.6m	\$A 2.6m	\$A 2.6m	\$A 2.6m	\$A 1.8m
AUD /t material	\$A 24.0/t	\$A 17.6/t	\$A 17.6/t	\$A 17.6/t	\$A 17.6/t	\$A 17.6/t	\$A 17.6/t	\$A 17.6/t	\$A 24.0/t
AUD /t ore	\$A 32.0/t	\$A 23.4/t	\$A 23.4/t	\$A 23.4/t	\$A 23.4/t	\$A 23.4/t	\$A 23.4/t	\$A 23.4/t	\$A 32.0/t
<b>TOTAL</b>	<b>\$A 3.2m</b>	<b>\$A 7.2m</b>	<b>\$A 7.3m</b>	<b>\$A 7.4m</b>	<b>\$A 7.6m</b>	<b>\$A 7.8m</b>	<b>\$A 7.9m</b>	<b>\$A 8.0m</b>	<b>\$A 3.8m</b>
	<b>\$A 43/t</b>	<b>\$A 48/t</b>	<b>\$A 49/t</b>	<b>\$A 49/t</b>	<b>\$A 51/t</b>	<b>\$A 52/t</b>	<b>\$A 53/t</b>	<b>\$A 53/t</b>	<b>\$A 51/t</b>

Source : Beer & Co estimates

Figure 9 shows that Beer & Co has

- estimated the cost of transport to the mill to be 12.5c/t-km;
- projected that costs rise slightly with time due to a deepening of the pit and hence a greater transport distance;
- projected processing costs to be less than for many other operations, partly as the crushing is carried out at the Barbara site.

Figure 9 also shows that the project has a short life of about 2 years.

**Our base case is a 2 year mine life, at 600kt/yr to produce just over 20kt of copper.**

Figure 10 shows the detail of Beer & Co's estimated cash costs of US 163c/lb.

**Figure 10 : Beer & Co estimate cash costs of US 163c/lb**

	LoM	2014-15	2015-16	2016-17
Waste	28	23	28	35
Mining	8	8	8	9
Site Admin	39	41	38	40
Processing	42	45	40	44
Transport	2	2	2	2
TC/RC	36	35	36	37
net by-product credit	(5)	(5)	(5)	(5)
Royalties	12	12	12	12
<b>TOTAL</b>	<b>163</b>	<b>161</b>	<b>159</b>	<b>175</b>

Source : Beer & Co estimates

## Financial Outcomes, Barbara Project

Figure 11 shows that Beer & Co projects that, for the base case mining inventory of 1.2Mt, mined at a rate of 600kt/yr, Barbara produces just over 20kt of copper in concentrate, plus nearly 3.6koz gold and nearly 58koz silver.

**Figure 11 : Production from Barbara base case mining inventory**

	Dec. 2014	March 2015	June 2015	Sep. 2015	Dec. 2015	March 2016	June 2016	Sep. 2016	Dec. 2016	TOTAL
Ore Mined	75 kt	150 kt	150 kt	150 kt	150 kt	150 kt	150 kt	150 kt	75 kt	<b>1,200 kt</b>
Copper head-grade	1.90 %	1.90 %	1.90 %	1.90 %	1.90 %	1.90 %	1.90 %	1.90 %	1.90 %	
recovery	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	90 %	
Cu in conc	1,283 t	2,565 t	2,565 t	2,565 t	2,565 t	2,565 t	2,565 t	2,565 t	1,283 t	<b>20,520 t</b>
Conc grade	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	
Cu conc	5,130 t	10,260 t	10,260 t	10,260 t	10,260 t	10,260 t	10,260 t	10,260 t	5,130 t	<b>82,080 t</b>
Gold head grade	0.20g/t	0.20g/t	0.20g/t	0.20g/t	0.20g/t	0.20g/t	0.20g/t	0.20g/t	0.20g/t	
recovery	50 %	50 %	50 %	50 %	50 %	50 %	50 %	50 %	50 %	
Au in conc	241 oz	482 oz	482 oz	482 oz	482 oz	482 oz	482 oz	482 oz	241 oz	<b>3,859 oz</b>
Conc grade	1.5g/t	1.5g/t	1.5g/t	1.5g/t	1.5g/t	1.5g/t	1.5g/t	1.5g/t	1.5g/t	
Silver head grade	3.0g/t	3.0g/t	3.0g/t	3.0g/t	3.0g/t	3.0g/t	3.0g/t	3.0g/t	3.0g/t	
recovery	50 %	50 %	50 %	50 %	50 %	50 %	50 %	50 %	50 %	
Ag in conc	3,617 oz	7,235 oz	7,235 oz	7,235 oz	7,235 oz	7,235 oz	7,235 oz	7,235 oz	3,617 oz	<b>57,878 oz</b>
Conc grade	22g/t	22g/t	22g/t	22g/t	22g/t	22g/t	22g/t	22g/t	22g/t	

Source : Beer & Co estimates

Figure 12 details the financial assumptions used in making our estimates of cash costs and the financial outcomes resulting.

**Figure 12 : Beer & Co projected financial outcomes for Barbara project**

	Dec. 2014	March 2015	June 2015	Sep. 2015	Dec. 2015	March 2016	June 2016	Sep. 2016	Dec. 2016
AUD/USD	0.900	0.880	0.880	0.860	0.860	0.850	0.850	0.850	0.850
Copper	US\$ 6,700/t	US\$ 6,500/t	US\$ 6,500/t	US\$ 6,500/t	US\$ 6,500/t	US\$ 6,500/t	US\$ 6,500/t	US\$ 6,750/t	US\$ 6,750/t
Gold	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz	\$ 1,350/oz
Silver	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz	\$ 22.5/oz
Copper - TC / RC	US\$ 75/t	US\$ 75/t	US\$ 75/t	US\$ 75/t	US\$ 75/t	US\$ 75/t	US\$ 75/t	US\$ 75/t	US\$ 75/t
Copper Revenue	\$A 9.5m	\$A 18.9m	\$A 18.9m	\$A 19.4m	\$A 19.4m	\$A 19.6m	\$A 19.6m	\$A 20.4m	\$A 10.2m
Cu TC / RC	(\$A 1.0m)	(\$A 2.0m)	(\$A 2.0m)	(\$A 2.0m)	(\$A 2.0m)	(\$A 2.1m)	(\$A 2.1m)	(\$A 2.1m)	(\$A 1.0m)
By-products, net	\$A 0.2m	\$A 0.3m	\$A 0.3m	\$A 0.3m	\$A 0.3m	\$A 0.3m	\$A 0.3m	\$A 0.3m	\$A 0.2m
Cash Costs	(\$A 4.4m)	(\$A 7.2m)	(\$A 7.3m)	(\$A 7.4m)	(\$A 7.6m)	(\$A 7.8m)	(\$A 7.9m)	(\$A 8.0m)	(\$A 5.0m)
Royalties	(\$A 0.4m)	(\$A 0.8m)	(\$A 0.8m)	(\$A 0.8m)	(\$A 0.8m)	(\$A 0.8m)	(\$A 0.8m)	(\$A 0.8m)	(\$A 0.4m)
Dep'n & Amort'sn	(\$A 1.3m)	(\$A 2.5m)	(\$A 2.5m)	(\$A 2.5m)	(\$A 2.5m)	(\$A 2.5m)	(\$A 2.5m)	(\$A 2.5m)	(\$A 1.3m)
E B I T	\$A 2.6m	\$A 6.8m	\$A 6.7m	\$A 6.9m	\$A 6.8m	\$A 6.8m	\$A 6.7m	\$A 7.2m	\$A 2.6m
Capital Expenditure	(\$A 20m)								
Net Cashflow	<b>\$A 37m</b>	\$A 3.1m	\$A 7.3m	\$A 7.2m	\$A 7.4m	\$A 7.3m	\$A 7.3m	\$A 7.6m	\$A 3.1m

Source : Beer &amp; Co estimates

**We estimate a total return of \$57m for a \$20m investment;**

**An IRR of 95%**

Figure 12 shows that the Barbara project returns a net of \$37m for an outlay of \$20m, or an IRR of 95%, with a payback period of just over 10 months from commissioning, and an outlay period of about 9 months from the decision to mine.

## Valuation for Syndicated Metals

Figure 12 showed Beer & Co's estimated cashflows for the Barbara project as described, including our commodity price assumptions.

SMD has 50% of the Barbara project. It is being free carried until a decision to mine is made, as part of CCL's farm-in. We expect that a decision to mine will be made in about March 2014.

SMD had cash of \$1.17m as at 30 September. It is currently executing a rights issue to raise a further \$2.0m net of costs. Despite some planned exploration expenditure, this should be sufficient cash to last until Barbara begins to contribute cash.

Beer & Co assumes that SMD is able to source debt financing for half of its capital requirement.

Figure 13 shows Beer & Co's projected cashflows for SMD, including draw-down and repayment of this project debt.

Figure 13 shows that, after raising \$5m in equity to get into production and after repaying the debt finance and also after spending nearly \$8m over 3 years on exploration, SMD still has over \$22m in cash.

Figure 14 shows that Beer & Co's estimated valuation is 8.5c/share.

**Beer & Co projects that, after the current rights issue, and raising a further \$5min equity to get into production, and spending \$8m on exploration over 3 years, that SMD will have \$22m in cash, by the end of 2016.**



**Figure 13 : Beer & Co's projected cashflows for SMD**

	March 2014	June 2014	Sep. 2014	Dec. 2014	March 2015	June 2015	Sep. 2015	Dec. 2015	March 2016	June 2016	Sep. 2016	Dec. 2016
Net Revenue	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 4.4m	\$A 8.6m	\$A 8.6m	\$A 8.8m	\$A 8.8m	\$A 8.9m	\$A 8.9m	\$A 9.3m	\$A 4.7m
Total Cash Costs	\$A 0.0m	\$A 0.0m	\$A 0.0m	(\$A 2.2m)	(\$A 3.6m)	(\$A 3.7m)	(\$A 3.7m)	(\$A 3.8m)	(\$A 3.9m)	(\$A 4.0m)	(\$A 4.0m)	(\$A 2.5m)
Royalties	\$A 0.0m	\$A 0.0m	\$A 0.0m	(\$A 0.2m)	(\$A 0.4m)	(\$A 0.4m)	(\$A 0.4m)	(\$A 0.4m)	(\$A 0.4m)	(\$A 0.4m)	(\$A 0.4m)	(\$A 0.2m)
E B I T D A	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 1.9m	\$A 4.7m	\$A 4.6m	\$A 4.7m	\$A 4.6m	\$A 4.7m	\$A 4.6m	\$A 4.9m	\$A 1.9m
Project Cap.Ex Cap.Ex	(\$A 4.0m)	(\$A 4.0m)	(\$A 2.0m)	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 0.0m	\$A 0.0m
Net Cashflow to equity	(\$A 4.0m)	(\$A 1.0m)	\$A 0.0m	\$A 1.9m	\$A 3.7m	\$A 3.7m	\$A 3.8m	\$A 3.7m	\$A 3.7m	\$A 3.6m	\$A 4.8m	\$A 1.9m
Corporate costs	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)	(\$A 0.3m)
Exploration	(\$A 0.2m)	(\$A 0.2m)	(\$A 0.2m)	(\$A 0.2m)	(\$A 1.0m)	(\$A 1.0m)	(\$A 1.0m)	(\$A 1.0m)	(\$A 1.0m)	(\$A 1.0m)	(\$A 1.0m)	\$A 0.0m
<b>Net Cash Balance</b>	<b>\$A 2.7m</b>	<b>\$A 1.3m</b>	<b>\$A 0.8m</b>	<b>\$A 2.3m</b>	<b>\$A 4.8m</b>	<b>\$A 7.2m</b>	<b>\$A 9.8m</b>	<b>\$A 12.2m</b>	<b>\$A 14.7m</b>	<b>\$A 17.1m</b>	<b>\$A 20.6m</b>	<b>\$A 22.3m</b>

Source : Beer & Co estimates

**Figure 14 : Base case valuation for SMD is 8.5c/share**

discount rate = 12.0 %	risk :	30-Jun-13		27-Nov-13		
		100%	Product	per share		
	Barbara	100 %	\$A 17m	\$A 17m	4.2 c	4.9 c
	extension	75 %	\$A 12m	\$A 9m	2.1 c	2.2 c
	Blue Star	50 %	\$A 8m	\$A 4m	0.9 c	1.0 c
	Franking credits	60 %	\$A 2m	\$A 1m	0.3 c	0.3 c
	Corporate	100 %	(\$A 3m)	(\$A 3m)	(0.8c)	(0.7c)
	Exploration	100 %	\$A 0m	\$A 0m	0.0 c	0.0 c
	Cash / debt	100 %	\$A 1m	\$A 1m	0.2 c	(0.1c)
	Cash to be raised	100 %	\$A 6m	\$A 6m	1.6 c	0.9 c
	<b>TOTAL</b>		<b>\$A 43m</b>	<b>\$A 35m</b>	<b>8.4 c</b>	<b>8.5 c</b>
	Shares on issue		177.9m	FPO shares	0.0m	options
			237.1m	to be issued	0.0m	op. ex'd

**Our base case valuation is 8.5c/share.**

Source : Beer & Co estimates

Certain features of our base case valuation to highlight include :

**Our base case valuation includes :**

- **600kt of mining inventory from the current drill program; and**
- **some value from the small but high grade resource at Blue Star; and**
- **equity to be raised.**

- our projected Life of Mine cash cost is US 163c/lb which, in our view, is a high cost given the high grade of 1.9% Cu;
- the mining inventory is 1.2Mt
  - Figure 14 shows a risk weighted extension, which is that a further 12 months of ore is defined by the current drilling program, as shown in Figure 6; and
  - The Blue Star resource, shown in Figures 2,3 and 7, is exploited;
- our projected commodity prices are generally a little less than the current spot price, with the AUD-USD being the most significant decline (though less than 10%);
- there were 178m shares on issue as at 30 June, and
  - (i). 26.1m were issued to CopperChem in July 2013, at 2.0c each, roughly the share price at that time, raising just over \$0.5m net of fees;
  - (ii). we expect that 68m more shares will be issued at 3.2c by the current rights issue , raising just over \$2.0m net; and
  - (iii). a further 143m shares are expected to be issued in April 2014, after announcement of the decision to mine, at a cost of 3.5c each.

Our base case valuation assumes a

- copper price of \$3.00/lb; and
- AUD-USD rate of 0.850

Our valuation is sensitive to the commodity prices assumed, but the investment decision is not.

We have allowed for \$8m in exploration, and assumed no value is generated, though the area is highly prospective.

### Sensitivity of Valuation

#### Commodity prices

The valuation is not sensitive to the assumed gold or silver prices, due to the low volumes.

We feel quite comfortable with our assumed medium term copper price of about \$3.00/lb, which is about 7% lower than the current price, as we are confident that the market will be in surplus this year and the next 2 years, though the surpluses are not expected to be significant and the market is expected to be in deficit after that.

However, as this is a short term project, it is possible for the project to be squeezed by copper prices being lower than we expect, while the AUD-USD rate remains higher than expected.

Figure 15 shows that our valuation is impacted significantly in the extreme case.

#### Exploration

Figure 13 shows that in our base case projection, after an equity injection of \$5m, SMD spends nearly \$8m in 3 years on exploration and still has over \$22m in cash left.

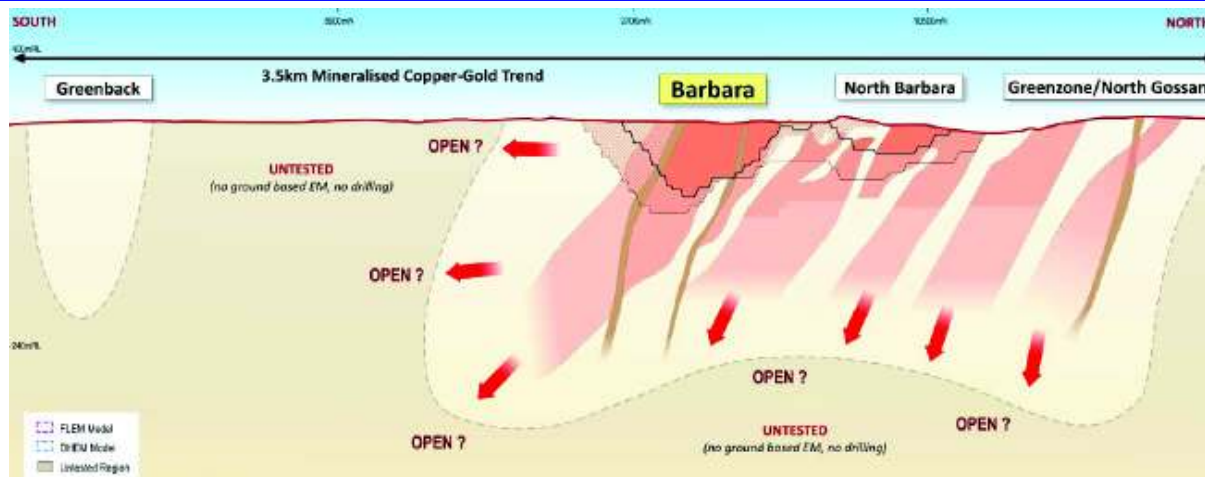
Figure 5 shows the location of drill holes in the design of the pit but not in the current resource estimate or mining inventory. These have been included, risk weighted in our valuation.

**Figure 15 : Financial sensitivity**

AUS/USD	Copper price	
	base case	\$2.50/lb
base case	8.5 c	6.0 c
spot price (0.920)	7.6 c	5.2 c

Source : Beer & Co estimates

**Figure 16 : Barbara – exploration potential**



Source : SMD presentation, November 2013

Figure 16 shows the open pit that is the current mining inventory. It also shows that this is only part of a 1.2km long mineralised corridor, which is shown by the hashed area, with a mineralised trend extending for 3.5km south to north and is open at depth via many shoots.

It still has significant underground potential.

## SMD : Conclusions

### Quick Review

Beer & Co projects that, after raising a further \$5m in equity to get into production, and after spending \$8m on exploration, SMD will have over \$22m in cash in about 3 years from now.

SMD has over 83kt of copper in resources, with over 5.9Mt at 1.4%, plus some gold, silver and cobalt.

SMD has executed a Joint Venture with CopperChem to exploit a high grade zone of 1.2Mt at 1.9% of these resources.

Based on our assumed commodity prices, Beer & Co expects that SMD will generate \$22m of cash by mining in the joint venture, after spending \$10m (SMD share) on capital, of which \$5m is in equity, and a further \$8m in exploration.

SMD intend to spend some of this capital on systematic exploration of the excellent potential within its tenements.

### Investment Proposition

Our base case valuation is 8.5c/share.

The key investment decision criterion is whether SMD will be able to invest its increased capital in exploration in the nearby district to generate further value.

We see good upside potential from expected exploration success.

While success is likely given the mineralisation of the province and the large number of occurrences within SMD tenements, as shown in Figures 3 and 4, it cannot be assured.

We rate investment in SMD as a Speculative Buy.

Beer & Co's base case valuation is 8.5c/share, more than 2.5x the current share price.

Current management has previously shown that it is able to add value to operations.

We rate investment in SMD as a Speculative Buy as it should provide a good return, but there is an element of faith in this regarding the exploration prospectivity of the region.

Current management of SMD has already shown that it is able to add value through operations.



**Beer & Co Research**  
 Syndicated Metals (SMD.ASX)

Year ended June	2013	2014	2015	2016	2017	2018	
<b>Section 1 - P&amp;L</b>							
Sales revenue	\$Am	0	0	22	36	14	0
Interest revenue	\$Am	0	0	0	0	0	0
Other revenue	\$Am	0	0	0	0	0	0
<b>Total Revenue</b>	\$Am	<b>0</b>	<b>0</b>	<b>22</b>	<b>36</b>	<b>14</b>	<b>0</b>
Cost of Goods Sold	\$Am	0	0	9	15	7	0
Corporate Costs	\$Am	(1)	(1)	(1)	(1)	(1)	(1)
Royalties	\$Am	0	0	(1)	(2)	(1)	0
Exploration Expense	\$Am	(5)	(0)	(1)	(1)	(0)	0
Other Operating Expenses	\$Am	(0.1)	0.0	0.0	0.0	0.0	0.0
<b>Total Operating Expenses</b>	\$Am	<b>(6)</b>	<b>(1)</b>	<b>7</b>	<b>12</b>	<b>5</b>	<b>(1)</b>
EBITDA	\$Am	(6.4)	(1.4)	28.5	47.3	18.6	(0.5)
Dep'n & Amort'n	\$Am	0.0	(5.8)	(9.2)	(3.5)	0.0	0.0
EBIT	\$Am	(6.4)	(7.1)	19.3	43.9	18.6	(0.5)
Interest Expense	\$Am	0.0	(0.4)	(0.2)	(0.0)	0.0	0.0
Other	\$Am						
Pre-Tax Profit	\$Am	(6.4)	(7.5)	19.1	43.9	18.6	(0.5)
Tax Expense	\$Am	0.4	(1.0)	(2.1)	(0.6)	0.2	0.0
NPAT	\$Am	(6.0)	(8.5)	16.9	43.3	18.8	(0.5)
Reported NPAT	\$Am	(6.0)	(8.5)	16.9	43.3	18.8	(0.5)

<b>Section 2 - Key Data</b>							
Ordinary shares - year end	m	177.9	415.0	415.0	415.0	415.0	415.0
Fully diluted shares on issue	m	177.9	415.0	415.0	415.0	415.0	415.0
Weighted #shares	m	177.9	326.5	415.0	415.0	415.0	415.0
Earnings per Share		(3.6c)	(0.3c)	0.6 c	1.2 c	0.4 c	(0.1c)
Dividends Per Share	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c

<b>Section 3 - Balance Sheet</b>							
Cash	\$Am	1	1	8	18	22	21
Receivables	\$Am	0	0	4	4	0	0
Other	\$Am	0	0	0	0	0	0
<b>CURRENT ASSETS</b>	\$Am	<b>1</b>	<b>1</b>	<b>12</b>	<b>22</b>	<b>22</b>	<b>21</b>
Receivables	\$Am	0	0	0	0	0	0
P, P & E	\$Am	0	8	7	2	0	0
Mining Properties / Exploration	\$Am	8	10	10	9	9	9
Other	\$Am	0	0	0	0	0	0
<b>NON-CURRENT ASSETS</b>	\$Am	<b>9</b>	<b>18</b>	<b>17</b>	<b>11</b>	<b>9</b>	<b>9</b>
<b>TOTAL ASSETS</b>	\$Am	<b>10</b>	<b>19</b>	<b>29</b>	<b>34</b>	<b>31</b>	<b>30</b>
Payables	\$Am	0	0	1	1	0	0
Debt	\$Am	0	0	3	0	0	0
Other	\$Am	0	0	0	0	0	0
<b>CURRENT LIABILITIES</b>	\$Am	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long Term Debt	\$Am	0	3	0	0	0	0
Deferred Tax Liability	\$Am	0	0	0	0	0	0
Other	\$Am	0	0	0	0	0	0
Provisions	\$Am	0	0	0	0	0	0
<b>NON-CURRENT LIABILITIES</b>	\$Am	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	\$Am	<b>0</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS</b>	\$Am	<b>9</b>	<b>16</b>	<b>25</b>	<b>34</b>	<b>31</b>	<b>30</b>
Accumulated Profit (Loss)	\$Am	(13)	(14)	(11)	(6)	(5)	(5)
Reserves	\$Am	3	3	35	39	35	35
Contributed Equity	\$Am	19	27	0	0	0	0
Minority Interest	\$Am	0	0	0	0	0	0
<b>Total Equity</b>	\$Am	<b>9</b>	<b>16</b>	<b>24</b>	<b>32</b>	<b>31</b>	<b>30</b>

<b>Section 4 - Cashflow</b>							
Net Cashflow from operations	\$Am	0.0	0.0	11.2	18.6	6.8	0.0
Hedging	\$Am	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	\$Am	(0.1)	0.4	0.2	0.0	0.0	0.0
Taxes Paid	\$Am	0.0	0.0	0.0	0.0	(0.9)	0.0
Change in Working Capital	\$Am	0.0	(0.1)	5.4	0.2	(5.6)	0.0
Other	\$Am						
<b>OPERATING CASHFLOW</b>	\$Am	<b>(0.1)</b>	<b>0.3</b>	<b>16.9</b>	<b>18.9</b>	<b>0.2</b>	<b>0.0</b>
Exploration Expenditures	\$Am	(2.9)	(1.4)	(2.4)	(4.0)	(1.0)	0.0
Maintenance Capex	\$Am	0.0	0.0	0.0	0.0	0.0	0.0
Expansion Capex	\$Am	0.0	(8.0)	(2.0)	0.0	0.0	0.0
PPE Acquisitions (Total Capex)	\$Am	(2.9)	(9.4)	(4.4)	(4.0)	(1.0)	0.0
PPE Divestments	\$Am	0.0	0.0	0.0	0.0	0.0	0.0
<b>INVESTING CASHFLOW</b>	\$Am	<b>(2.9)</b>	<b>(9.4)</b>	<b>(4.4)</b>	<b>(4.0)</b>	<b>(1.0)</b>	<b>0.0</b>
Change in Equity	\$Am	2.7	7.3	0.0	0.0	0.0	0.0
Dividends Paid	\$Am	0.0	0.0	0.0	0.0	0.0	0.0
Change in Debt	\$Am	0.0	3.0	0.6	(3.5)	(0.1)	(0.0)
Other	\$Am						
<b>FINANCING CASHFLOW</b>	\$Am	<b>2.7</b>	<b>10.2</b>	<b>0.6</b>	<b>(3.5)</b>	<b>(0.1)</b>	<b>(0.0)</b>
Free Cashflow	\$Am	(3.0)	(9.1)	12.5	14.9	(0.8)	0.0
Net Cashflow	\$Am	(0.3)	1.2	13.0	11.4	(0.9)	(0.0)

<b>Commodity price assumptions</b>							
Year ended June	2013	2014	2015	2016	2017	2018	
AUD-USD		1.027	0.910	0.890	0.855	0.850	0.850
Copper	US\$/t	7,713	6,900	6,600	6,500	6,750	6,750
Gold	US\$/oz	1,658	1,281	1,338	1,350	1,350	1,350
Silver	US\$/oz	30.6	20.5	22.4	22.5	22.5	22.5

<b>Mine Production</b>							
Year ended June	2013	2014	2015	2016	2017	2018	
Ore processed	'000 t	0	375	600	225	0	0
Copper grade		1.90 %	1.90 %	1.90 %	1.90 %	0.00 %	0.00 %
copper recovery		90 %	90 %	90 %	90 %	90 %	90 %
Gold grade		0.20g/t	0.20g/t	0.20g/t	0.20g/t	0.00g/t	0.00g/t
gold recovery		50 %	50 %	50 %	50 %	50 %	50 %
Silver grade		3.0g/t	3.0g/t	3.0g/t	3.0g/t	0.0g/t	0.0g/t
silver recovery		50 %	50 %	50 %	50 %	50 %	50 %

<b>Attributable production</b>							
Year ended June	2013	2014	2015	2016	2017	2018	
Copper	'000 t	0	3,206	5,130	1,924	0	0
Gold	oz	0	603	965	362	0	0
Silver	oz	0	9,043	14,469	5,426	0	0

<b>Resources</b>						
Barbara	Copper	Gold	Silver			
EPM 15564 & EPM 16112 (50% SMD)						
Indicated	3,778	1.5 %	59 kt	0.2g/t	19 koz	2.7g/t 328 koz
Inferred	1,553	1.1 %	17 kt	0.1g/t	6 koz	2.0g/t 101 koz
<b>Blue Star (100% SMD)</b>						
Inferred	177	2.3 %	4 kt	0.3g/t	2 koz	
<b>Green Zone (50% SMD)</b>						
Inferred	430	0.9 %	4 kt	0.01g/t	0.2 koz	
<b>TOTAL</b>	<b>5,938</b>	<b>1.40 %</b>	<b>83 kt</b>	<b>0.14g/t</b>	<b>27 koz</b>	<b>2.2g/t 429 koz</b>

<b>Assumed mining inventory</b>							
		grades			Contained metal		
		copper	gold	silver	copper	gold	silver
Base Case	1,200 kt	1.9 %	0.2 g/t	3.0 g/t	22.8 kt	7.7 koz	116 koz
Extension	600 kt	1.6 %	0.2 g/t	2.5 g/t	9.6 kt	2.9 koz	48 koz

<b>Asset based Valuation</b>						
discount rate = 12.0 %	risking	30-Jun-13		27-Nov-13		
		Product	per share			
Barbara	100 %	\$ 17m	\$ 17m	4.2 c	4.9 c	
extension	75 %	\$ 12m	\$ 9m	2.1 c	2.2 c	
Blue Star	50 %	\$ 8m	\$ 4m	0.9 c	1.0 c	
Franking credits	60 %	\$ 2m	\$ 1m	0.3 c	0.3 c	
Corporate	100 %	(\$3m)	(\$3m)	(0.8c)	(0.7c)	
Exploration	100 %	\$ 0m	\$ 0m	0.0 c	0.0 c	
Cash / debt	100 %	\$ 1m	\$ 1m	0.2 c	(0.1c)	
Cash to be raised	100 %	\$ 6m	\$ 6m	1.6 c	0.9 c	
<b>TOTAL</b>		<b>\$ 43m</b>	<b>\$ 35m</b>	<b>8.4 c</b>	<b>8.5 c</b>	
Shares on issue		177.9m	FPO shares		options	
		237.1m	Issued		exercised	

<b>Assumed Cash Costs, US c/lb</b>						
	LoM	2014	2015	2016	2017	2018
Waste	28	23	28	35	0	0
Mining	8	8	8	9	0	0
Site Admin	39	41	38	40	0	0
Processing	42	45	40	44	0	0
Transport	2	2	2	2	0	0
TC/RC	36	35	36	37	0	0
net by-product credit	(5)	(5)	(5)	(5)	0	0
Royalties	12	12	12	12	0	0
<b>TOTAL</b>	<b>163 c/lb</b>	<b>161 c/lb</b>	<b>159 c/lb</b>	<b>175 c/lb</b>	<b>0 c/lb</b>	<b>0 c/lb</b>

<b>Financial Ratios</b>							
Year ended June	2013	2014	2015	2016	2017	2018	
Revenue	\$Am	0.1	0.0	21.6	35.6	14.0	0.0
EBITDA	\$Am	(6.4)	(1.4)	28.5	47.3	18.6	(0.5)
EBIT	\$Am	(6.4)	(7.1)	19.3	43.9	18.6	(0.5)
NPAT (reported)	\$Am	(6.0)	(8.5)	16.9	43.3	18.8	(0.5)
Adjusted EPS (cps)		(3.6c)	(0.3c)	0.6 c	1.2 c	0.4 c	(0.1c)
EPS Growth (%)			92 %	297 %	108 %	(71%)	(124%)
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	0.0 c
Dividend Yield (%)		0 %	0 %	0 %	0 %	0 %	0 %
PE adj. (x)	x	(0.5)	(10.9)	5.5	2.6	9.1	(37.9)
EV / EBITDA (x)	x	(0.4)	(11.1)	0.3	(0.1)	(0.4)	15.5
EV / EBIT (x)	x	(0.4)	(2.1)	0.5	(0.1)	(0.4)	15.5
Gearing (%)		0 %	16 %	12 %	0 %	0 %	0 %
Return on Assets		(67%)	(37%)	68 %	130 %	61 %	(2%)
Return on Equity		(65%)	(53%)	71 %	134 %	62 %	(2%)
EBITDA Margin (%)		(53%)	n/a	n/a	132 %	133 %	133 %
Interest Cover (x)	x	(9.4)	n/a	(17.2)	79.3	n/a	n/a

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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

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