



Barbara : Looking Good

45 RC hole program for 4,332m completed; ore grade intercepts near surface and at depth.

Recommendation
BUY

Price
3.6c

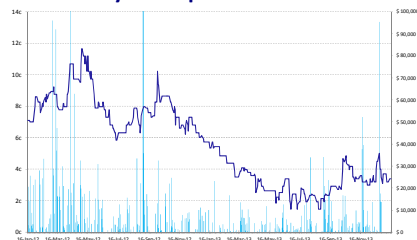
Valuation
8.5c

- Infill and extension programme to upgrade 5.3Mt Indicated and Inferred Resource completed, meeting or exceeding expectations.
- We expect that the Resource and mining inventory will be upgraded leading to an increase in our valuation, which currently remains at 8.5c/share.
- Phase 2, to prepare for mining, is to begin soon.

Snapshot

Last Price	3.6c
Market Cap	\$9.9m
Shares on Issue	272.0m
52 Week High	7.3c
52 Week Low	1.5c
1 month / 6 month VWAP	3.67c / 3.30cc

SMD : daily share price v. value traded



SMD has over 5.9Mt of Resources containing 83kt Cu, 27koz gold and over 400koz silver in its 2,469km² 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.

SMD is currently undertaking a feasibility study, funded by CopperChem, including upgrading existing Resources.

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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Resource upgrade drilling completed

SMD is managing the process to bring Barbara into production. The first step was a 45 hole RC programme, for 4,332m, which was completed in December and all assays received by early January.

Barbara currently has a JORC Resource of 5.3Mt, grading 1.4% Cu. The aim of the recently completed programme was to upgrade the resource estimate, which is 3.8Mt Indicated, grading 1.5% Cu plus 1.5Mt Inferred grading 1.1% Cu, and also to test extensions to surface, along strike and at depth.

Results from completed drilling

The programme was successful in confirming

- SMD's interpretation of a high grade (> 2.5% Cu) hanging wall lode supported by thick zones of lower (> 0.5% Cu) mineralisation;
- A near surface high grade lode in the south, and confirming a blanket of lower grade, oxidised mineralisation from the surface; and
- High grade depth extensions.

The programme has completed the in-fill drilling within the designed pit shell and has confirmed barren areas within the pit shell.

Next steps

SMD expects to resume their drilling programme late in January, to test for water, geotechnical and metallurgical work and further infill drilling.

The plan is still to begin ore extraction later in 2014.

Beer & Co conclusions

Compared with a JORC Resource of 5.3Mt at 1.4% Cu, the mining inventory on which our valuation is based is 1.2Mt at 1.9% Cu. We expect that the mining inventory will be upgraded and that costs will be lowered due to lower waste to ore ratio.

Beer & Co confirms our current valuation, of 8.5c/share, but notes the upside potential from lower costs, extensions of high grade mineralisation at depth as well as the regional potential for SMD.

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Barbara : Looking Good

Background

Figure 1 shows the current JORC Resource for Barbara of 5.3Mt at 1.4% Cu, of which 3.8Mt is Indicated, grading 1.5% Cu and 1.5Mt is Inferred grading 1.1% Cu.

Figure 1 : SMD’s Barbara deposit, current JORC Resource

0.5% Cu c/o	grades				Contained metal				
	copper	gold	silver	cobalt	copper	gold	silver	cobalt	
Indicated	3,778 kt	1.5 %	0.2 g/t	2.7 g/t	270 ppm	58.5 kt	19 koz	328 koz	1,020 t
Inferred	1,553 kt	1.1 %	0.1 g/t	2.0 g/t	296 ppm	16.6 kt	6 koz	101 koz	460 t
TOTAL	5,331 kt	1.4 %	0.1 g/t	2.5 g/t	278 ppm	75.2 kt	25 koz	429 koz	1,480 t

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

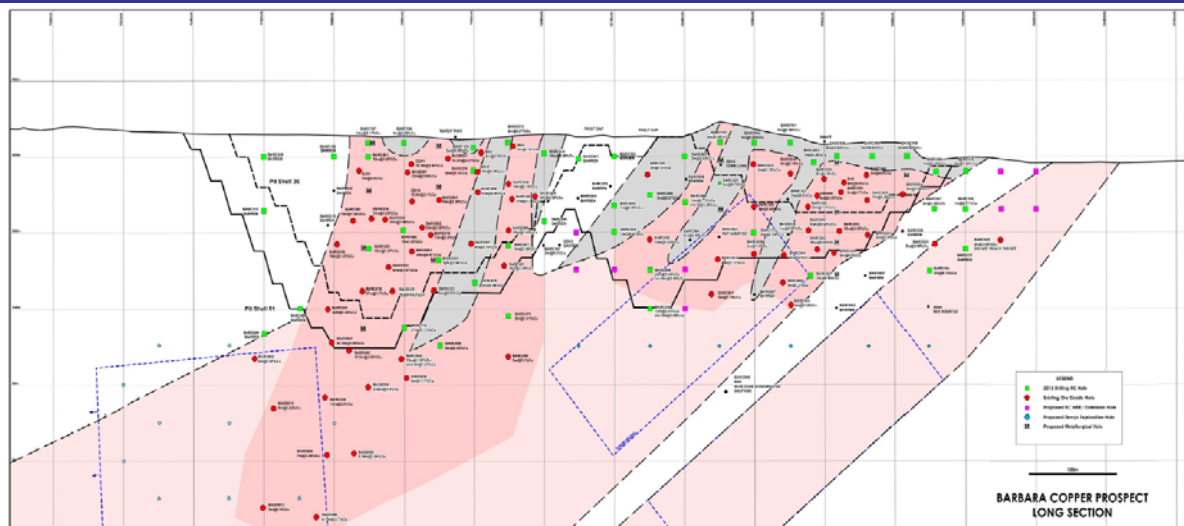
SMD has recently completed a drill programme to upgrade and extend its existing JORC Resource estimate for the Barbara deposit, near Cloncurry, in North-West Queensland.

The recently completed drill programme was designed to upgrade the Resource

- By testing extensions along strike, especially the areas within the existing pit shell design that currently are interpreted as being barren;
- By testing extensions at depth; and
- With infill drilling to upgrade the estimate to facilitate the commencement of ore extraction by the end of 2014.

Figure 2 shows the results of historical and recently completed drilling.

Figure 2 : Results of drilling at Barbara



Source : SMD Quarterly report for December 2013

Figure 2 shows that the infill programme for the currently designed pit has been completed. It confirms near surface mineralisation, with an ore grade shoot towards the southern end reaching very near surface.

The programme has also confirmed that the southern area of the pit is barren.

The results of this programme appear to have been successful on both issues.

Beer & Co expects that SMD will announce an updated Resource estimate soon, and an updated mining inventory by mid year.

Beer & Co expects that this updated mining inventory will have a bigger volume of material and also lower costs.

SMD also has good regional potential, that is yet to be tested.

Impact

Figure 3 shows the mining inventory assumed as the basis for Beer & Co’s current valuation of 8.5c/share.

Figure 3 : Assumed Mining Inventory

	grades			Contained metal			
	copper	gold	silver	copper	gold	silver	
	1,200 kt	1.9 %	0.2 g/t	3.0 g/t	22.8 kt	7.7 koz	116 koz

Source : Beer & Co estimates

Beer & Co’s valuation also assumed a waste : ore ratio of 5.0.

In the view of Beer & Co, SMD is likely to publish a revised project evaluation about mid year and this review is likely to have :

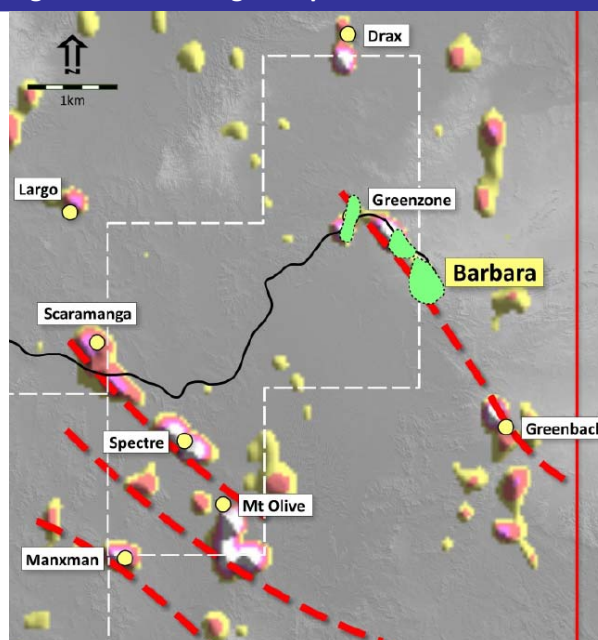
- a lower waste to ore ratio, reflecting the near surface mineralisation, some good grades of mineralisation in areas that had no mineralisation, which will reduce our current cost estimate of \$1.65/lb; and
- an increase in the volume of high grade mineralisation.
 - In earlier modelling, we determined that an increase in the mining inventory of 600kt at 1.6% Cu adds a further 3.0c, or 35% to our valuation.

Regional

SMD had hoped that the current drill program would also be able to test some regional targets that had been identified by a recently completed geophysical survey (IP – Induced Polarisation).

Figure 4 shows that these targets are about 3km from Barbara and that they coincide with north-west trending faults and shear zones mapped in the area and also the copper-in soil anomaly highlighted in the mid-year soil sampling program

Figure 4 : SMD’s regional potential



Source : SMD presentation November 2013

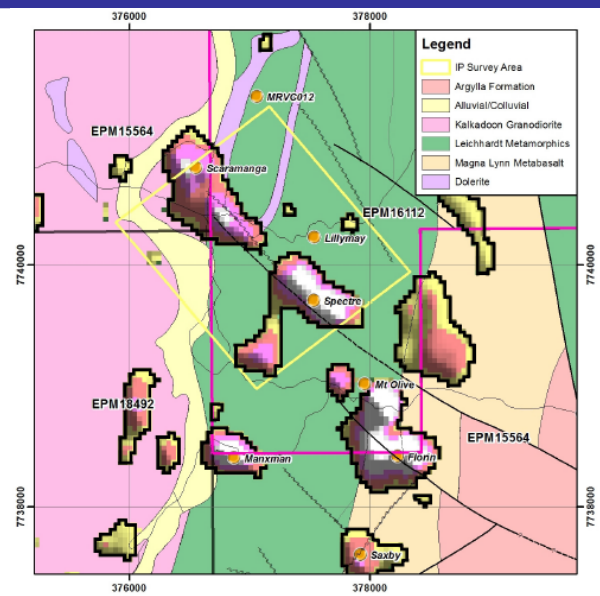
This potential is expected to be tested in the drilling programme that is expected to begin about the end of January.

Figure 5 gives more detail on these anomalies, highlighting the significance of the copper in soils.

While this is still to be drill tested, in the view of Beer & Co, this work shows that these are high quality targets.

SMD now intend to test these targets in the upcoming drilling programme which is to commence about the end of January.

Figure 5 : More detail of targets



Source : SMD ASX announcement, 21 November 2013

Conclusions

Beer & Co confirms our current valuation of 8.5c/share.

SMD has completed Phase 1 of their programme to upgrade the Resource estimate for Barbara. The assays for this work have all been received and reported.

Beer & Co expects that we will upgrade our valuation when SMD publish information on their final project scope, before ore extraction commences before the end of 2014.

In the view of Beer & Co, this work is likely to result in

- an increase in the size of the mining inventory; and
- a reduction in costs as more ore has been identified nearer to the surface, and also in some areas previously not included.

Beer & Co expects that we will increase our current valuation, of 8.5c/share, when SMD makes the appropriate announcement, which we do not expect before mid year.

Beer & Co confirms our BUY recommendation.

Beer & Co also believes that SMD has further value in its nearby exploration targets.

We confirm our BUY recommendation on SMD.

Beer & Co Research

Syndicated Metals (SMD.ASX)

Year ended June	2013	2014	2015	2016	2017	2018	
Section 1 - P&L							
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
Total Revenue	\$Am	0	0	22	36	14	0
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
Total Operating Expenses	\$Am	(6)	(1)	7	12	5	(1)
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)

Section 2 - Key Data

	m	177.9	415.0	415.0	415.0	415.0	415.0
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

Section 3 - Balance Sheet

	\$Am	1	1	8	18	22	21
Cash	\$Am	1	1	8	18	22	21
Receivables	\$Am	0	0	4	4	0	0
Other	\$Am	0	0	0	0	0	0
CURRENT ASSETS	\$Am	1	1	12	22	22	21
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
NON-CURRENT ASSETS	\$Am	9	18	17	11	9	9
TOTAL ASSETS	\$Am	10	19	29	34	31	30
Payables	\$Am	0	0	1	1	0	0
Debt	\$Am	0	0	3	0	0	0
Other	\$Am	0	0	0	0	0	0
CURRENT LIABILITIES	\$Am	0	0	3	0	0	0
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
NON-CURRENT LIABILITIES	\$Am	0	3	0	0	0	0
TOTAL LIABILITIES	\$Am	0	3	4	0	0	0
NET ASSETS	\$Am	9	16	25	34	31	30
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
Total Equity	\$Am	9	16	24	32	31	30

Section 4 - Cashflow

	\$Am	0.0	0.0	11.2	18.6	6.8	0.0
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						
OPERATING CASHFLOW	\$Am	(0.1)	0.3	16.9	18.9	0.2	0.0
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
INVESTING CASHFLOW	\$Am	(2.9)	(9.4)	(4.4)	(4.0)	(1.0)	0.0
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						
FINANCING CASHFLOW	\$Am	2.7	10.2	0.6	(3.5)	(0.1)	(0.0)
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)

Commodity price assumptions

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

Mine Production

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 %

Attributable production

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

Resources

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
Blue Star (100% SMD)							
Inferred	177	2.3 %	4 kt	0.3g/t	2 koz		
Green Zone (50% SMD)							
Inferred	430	0.9 %	4 kt	0.01g/t	0.2 koz		
TOTAL	5,938	1.40 %	83 kt	0.14g/t	27 koz	2.2g/t	429 koz

Assumed 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

Asset based Valuation

discount rate = 12.0 %	risking	100%	30-Jun-13 Product	per share	27-Nov-13
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
TOTAL		\$ 43m	\$ 35m	8.4 c	8.5 c
Shares on issue		177.9m	FPO shares Issued		options exercised
		237.1m			

Assumed Cash Costs, US c/lb

	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
TOTAL	163 c/lb	161 c/lb	159 c/lb	175 c/lb	0 c/lb	0 c/lb

Financial Ratios

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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