

Barbara : Continuing to look good

Resource drilling programme completed.
Assays in April; updated Resource estimate by June

Recommendation

BUY

Price

3.3c

Valuation

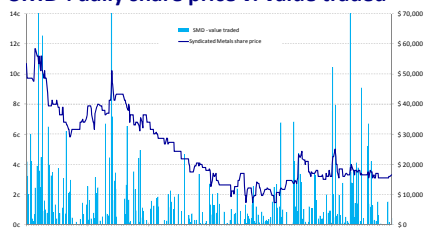
8.5c

- Infill drilling to 20m spacing in high grade zone intersected ore within 1m – 2m of anticipated position and width;
- Coarse ore, so expect good metallurgical recoveries;
- Current resource estimate of 5.3Mt, of which 3.8Mt is Indicated is to be upgraded by June;
- Drilling has started on nearby targets associated with historic workings;
- SMD on track to complete feasibility study before year end.

Snapshot

| | |
|------------------------|----------------|
| Last Price | 3.3c |
| Market Cap | \$9.1m |
| Shares on Issue | 274.4m |
| 52 Week High | 7.3c |
| 52 Week Low | 1.5c |
| 1 month / 6 month VWAP | 3.70c / 3.223c |

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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Phase 2 drilling completed

SMD completed Resource upgrade drilling in January 2014, confirming the resource model. This extra programme was for mine design and to enhance the quality of the resource estimate as it focussed on 20m spaced drilling in the high grade zones.

The resource model performed very well as ore zones were intercepted within 1m – 2m of their expected positions and within 1m – 2m of expected true width.

Assays in April; Resource upgrade in June

Samples have been despatched to the lab and the turn-around is about 4 weeks.

SMD now has the diamond core rig taking samples for metallurgical testing across the differing ore types and grades. Core drilled shows coarse chalcopyrite so good recoveries are expected.

SMD now has the RC rig testing nearby prospects which have historical workings.

Next steps

SMD continues to progress the feasibility study, with assays expected during April and an upgraded resource estimate in June and results of metallurgical testing. The feasibility study is expected before year end.

After publication of the feasibility study, SMD needs to raise finance. Beer & Co expects that the cost to get into production will be less than \$20m, of which SMD has a 50% share.

The low cost is because the ore will be processed through the current plant owned and operated by CopperChem, which is the partner farming in to a 50% share by funding the drilling and the feasibility study.

Beer & Co conclusions

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 : Continuing to look Good

Infill drilling campaign

Barbara currently has a JORC resource estimate 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.

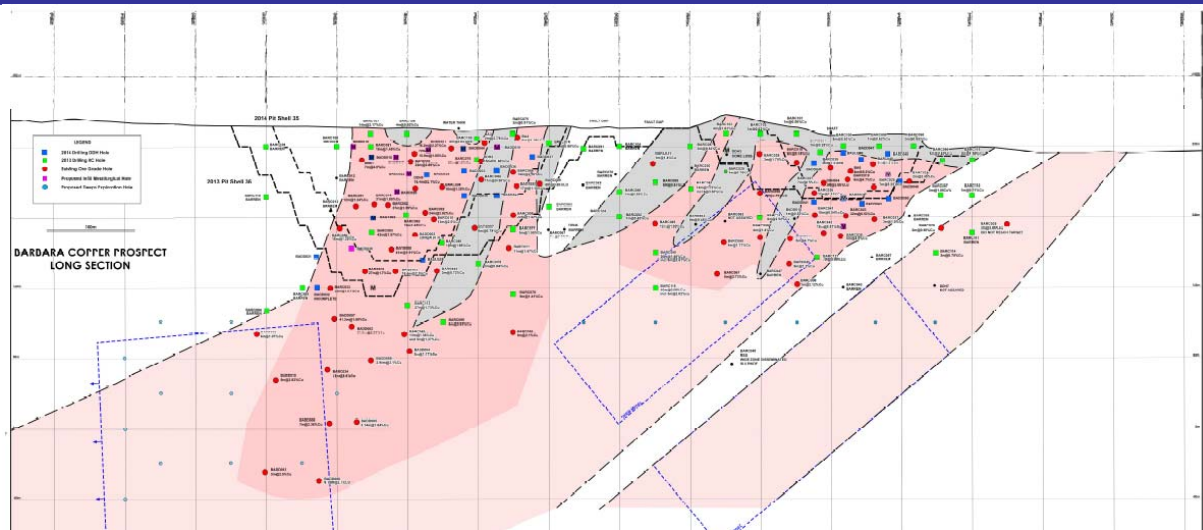
The drill programme that was completed in January 2014 (see BNC note of 16 January 2014) was designed to upgrade the Resource

- 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.

The recently completed drill programme completed in March was undertaken on 20m spaced in-fill drill lines to ensure continuity of the high grade material, which should yield a Measured Resource and be used in mine planning.

Figure 1 shows that the current pit design is strongly focussed on high grade areas.

Figure 1 : Results of drilling at Barbara



Source : SMD Quarterly report for December 2013

Samples for Met Testwork

The drill programmes utilised a diamond core rig, which is now doing further drilling to ensure appropriate metallurgical samples have been used; ie. differing ore grades, copper ore species and weathering.

Figure 2a and 2b show core that has been recovered from the drilling program.

Figure 2a shows coarse grained chalcopyrite associated with quartz veining and pyrite alteration. The coarse grain indicates that good metallurgical recovery should be expected.

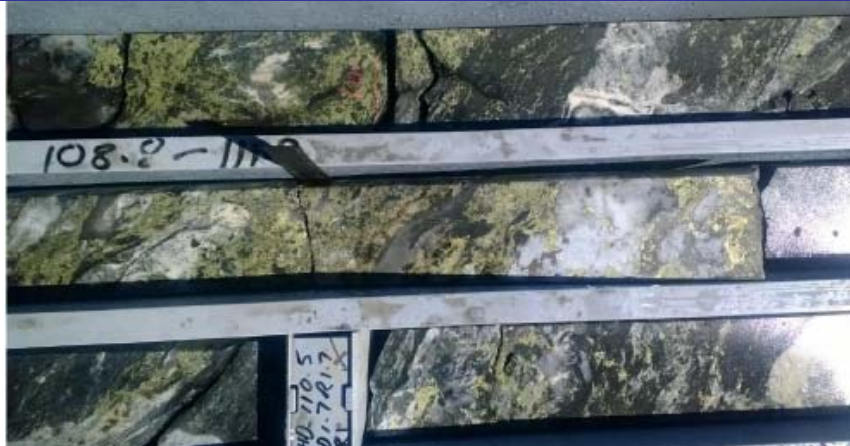
Figure 2a : Drill core from SMD’s Barbara project.



Source : SMD ASX announcement, 25 March 2014

Figure 2b is a typical example of hanging-wall style high-grade copper mineralisation.

Figure 2b : High-grade drill core from hanging-wall of Barbara pit



Source : SMD ASX announcement, 25 March 2014

Figure 2b shows sawn HQ drill core showing coarse grained chalcopyrite associated with quartz veining and silica-pyrite alteration. Note the matrix style fine grained copper mineralisation over printed by coarse grained chalcopyrite.

Exploration Drilling

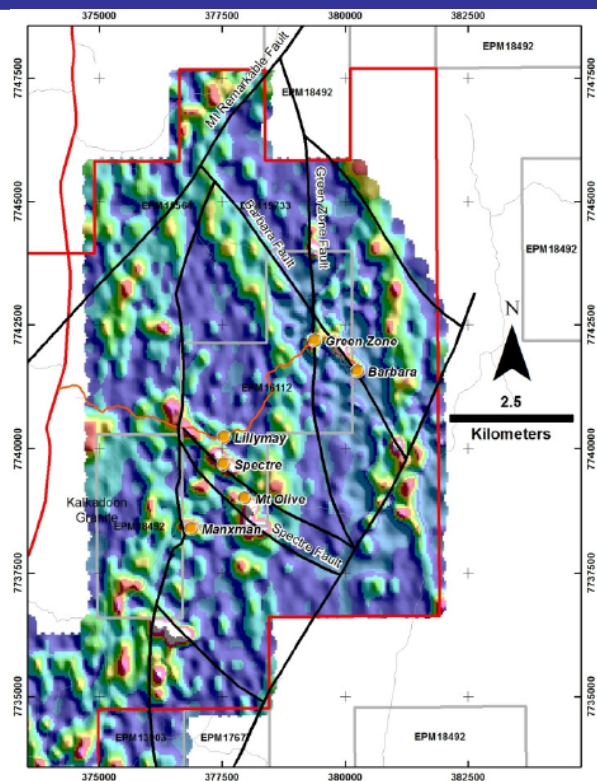
SMD has now started RC drilling on the Lilly May, Spectre, Mt Olive and Manxman areas.

Figure 3 shows these targets, all of which are near Barbara and each of which shows historical surface workings

Figure 3 shows that these areas are targets identified as soil geochemical targets.

The drilling is also guided by coincident electro-magnetic targets and will be followed up with down-hole geophysical surveys to search for additional targets.

Figure 3 : SMD's exploration programme



Source : SMD ASX announcement, 25 March 2014

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

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.

Beer & Co confirms our BUY recommendation.

Conclusions

SMD has now completed Phase 2 of their programme to upgrade the Resource estimate for Barbara. The assays for this work have are expected to be received during April and an upgraded Resource estimate is expected by June.

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 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 | 13 | 36 | 23 | 0 |
| Interest revenue | \$Am | 0 | 0 | 0 | 0 | 0 | 0 |
| Other revenue | \$Am | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | \$Am | 0 | 0 | 13 | 36 | 23 | 0 |
| Cost of Goods Sold | \$Am | 0 | 0 | 6 | 15 | 10 | 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) | (1) | 0 |
| Other Operating Expenses | \$Am | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Operating Expenses | \$Am | (6) | (1) | 4 | 11 | 8 | (1) |
| EBITDA | \$Am | (6.4) | (1.4) | 16.6 | 47.0 | 31.2 | (0.8) |
| Dep'n & Amort'n | \$Am | 0.0 | (3.5) | (9.2) | (5.8) | 0.0 | 0.0 |
| EBIT | \$Am | (6.4) | (4.8) | 7.4 | 41.3 | 31.2 | (0.8) |
| Interest Expense | \$Am | 0.0 | (0.1) | (0.3) | (0.0) | 0.0 | 0.0 |
| Other | \$Am | | | | | | |
| Pre-Tax Profit | \$Am | (6.4) | (4.9) | 7.1 | 41.2 | 31.2 | (0.8) |
| Tax Expense | \$Am | 0.4 | (0.4) | (2.2) | (1.3) | 0.2 | 0.0 |
| NPAT | \$Am | (6.0) | (5.3) | 4.8 | 39.9 | 31.4 | (0.8) |
| Reported NPAT | \$Am | (6.0) | (5.3) | 4.8 | 39.9 | 31.4 | (0.8) |

Section 2 - Key Data

| | m | 177.9 | 274.4 | 417.5 | 417.5 | 417.5 | 417.5 |
|-------------------------------|---|--------|--------|-------|-------|-------|--------|
| Ordinary shares - year end | | | | | | | |
| Fully diluted shares on issue | | | | | | | |
| Weighted #shares | | | | | | | |
| Earnings per Share | | (3.6c) | (0.3c) | 0.2 c | 1.2 c | 0.8 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 | 6 | 4 | 14 | 21 | 20 |
|---------------------------------|------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cash | | | | | | | |
| Receivables | | | | | | | |
| Other | | | | | | | |
| CURRENT ASSETS | \$Am | 1 | 6 | 7 | 19 | 22 | 20 |
| Receivables | | | | | | | |
| P, P & E | | | | | | | |
| Mining Properties / Exploration | | | | | | | |
| Other | | | | | | | |
| NON-CURRENT ASSETS | \$Am | 9 | 10 | 19 | 14 | 10 | 10 |
| TOTAL ASSETS | \$Am | 10 | 16 | 26 | 32 | 32 | 30 |
| Payables | | | | | | | |
| Debt | | | | | | | |
| Other | | | | | | | |
| CURRENT LIABILITIES | \$Am | 0 | 0 | 3 | 1 | 0 | 0 |
| Long Term Debt | | | | | | | |
| Deferred Tax Liability | | | | | | | |
| Other | | | | | | | |
| Provisions | | | | | | | |
| NON-CURRENT LIABILITIES | \$Am | 0 | 0 | 1 | 0 | 0 | 0 |
| TOTAL LIABILITIES | \$Am | 0 | 0 | 4 | 1 | 0 | 0 |
| NET ASSETS | \$Am | 9 | 16 | 22 | 32 | 32 | 30 |
| Accumulated Profit (Loss) | | | | | | | |
| Reserves | | | | | | | |
| Contributed Equity | | | | | | | |
| Minority Interest | | | | | | | |
| Total Equity | \$Am | 9 | 16 | 21 | 30 | 32 | 30 |

Section 4 - Cashflow

| | \$Am | 0.0 | 0.0 | 6.6 | 18.9 | 11.8 | 0.0 |
|---------------------------------------|------|--------------|--------------|---------------|--------------|--------------|--------------|
| Net Cashflow from operations | | | | | | | |
| Hedging | | | | | | | |
| Interest Paid | | | | | | | |
| Taxes Paid | | | | | | | |
| Change in Working Capital | | | | | | | |
| Other | | | | | | | |
| OPERATING CASHFLOW | \$Am | (0.1) | 0.0 | 11.0 | 20.5 | 6.8 | (1.6) |
| Exploration Expenditures | | | | | | | |
| Maintenance Capex | | | | | | | |
| Expansion Capex | | | | | | | |
| PPE Acquisitions (Total Capex) | \$Am | (2.9) | (1.4) | (12.4) | (4.0) | (2.0) | 0.0 |
| PPE Divestments | | | | | | | |
| INVESTING CASHFLOW | \$Am | (2.9) | (1.4) | (12.4) | (4.0) | (2.0) | 0.0 |
| Change in Equity | | | | | | | |
| Dividends Paid | | | | | | | |
| Change in Debt | | | | | | | |
| Other | | | | | | | |
| FINANCING CASHFLOW | \$Am | 2.7 | 7.2 | 4.2 | (3.4) | (0.8) | (0.0) |
| Free Cashflow | \$Am | (3.0) | (1.4) | (1.4) | 16.5 | 4.8 | (1.6) |
| Net Cashflow | \$Am | (0.3) | 5.9 | 2.8 | 13.1 | 4.0 | (1.6) |

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

| | '000 t | 0 | 225 | 600 | 375 | 0 | 0 |
|-----------------|--------|---------|---------|---------|---------|---------|---------|
| Ore processed | | | | | | | |
| 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

| | '000 t | 0 | 1,924 | 5,130 | 3,206 | 0 | 0 |
|--------|--------|---|-------|--------|-------|---|---|
| Copper | | | | | | | |
| Gold | oz | 0 | 362 | 965 | 603 | 0 | 0 |
| Silver | oz | 0 | 5,426 | 14,469 | 9,043 | 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% | 30-Jun-13 | | 02-Apr-14 | |
|-------------------|-----------------------|---------------|---------------|--------------|--------------|
| | | risking | 100% | Product | per share |
| Barbara | 85% | \$ 18m | \$ 15m | 3.6 c | 4.0 c |
| extension | 75% | \$ 12m | \$ 9m | 2.1 c | 2.3 c |
| Blue Star | 50% | \$ 8m | \$ 4m | 1.0 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 | 1.2 c |
| Cash to be raised | 100% | \$ 6m | \$ 6m | 1.6 c | 0.4 c |
| TOTAL | | \$ 43m | \$ 33m | 7.9 c | 8.5 c |
| Shares on issue | | 274.4m | FPO shares | | options |
| | | 143.1m | Issued | | exercised |

Assumed Cash Costs, US c/lb

| | LoM | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|
| Waste | 28 | 23 | 26 | 34 | 0 | 0 |
| Mining | 8 | 8 | 8 | 8 | 0 | 0 |
| Site Admin | 39 | 42 | 38 | 39 | 0 | 0 |
| Processing | 42 | 47 | 40 | 43 | 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 | 162 c/lb | 164 c/lb | 157 c/lb | 170 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 | 13.0 | 35.6 | 23.3 | 0.0 |
| EBITDA | \$Am | (6.4) | (1.4) | 16.6 | 47.0 | 31.2 | (0.8) |
| EBIT | \$Am | (6.4) | (4.8) | 7.4 | 41.3 | 31.2 | (0.8) |
| NPAT (reported) | \$Am | (6.0) | (5.3) | 4.8 | 39.9 | 31.4 | (0.8) |
| Adjusted EPS (cps) | | (3.6c) | (0.3c) | 0.2 c | 1.2 c | 0.8 c | (0.1c) |
| EPS Growth (%) | | | 90% | 168% | 426% | (40%) | (117%) |
| 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) | (9.5) | 13.9 | 2.6 | 4.4 | (26.2) |
| EV / EBITDA (x) | x | (0.4) | (2.1) | 0.6 | (0.1) | (0.4) | 15.1 |
| EV / EBIT (x) | x | (0.4) | (0.6) | 1.3 | (0.1) | (0.4) | 15.1 |
| Gearing (%) | | 0% | 0% | 16% | 2% | 0% | 0% |
| Return on Assets | | (67%) | (30%) | 29% | 128% | 96% | (2%) |
| Return on Equity | | (65%) | (33%) | 23% | 131% | 98% | (2%) |
| EBITDA Margin (%) | | (53%) | n/a | n/a | 128% | 132% | 134% |
| Interest Cover (x) | x | (9.4) | n/a | (42.6) | 24.4 | n/a | n/a |

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