

Barbara : Looking even better

17m at 3.39% Cu from 107m within 42.4m at 1.91%,
within current open pit design

Recommendation

BUY

Price

3.7c

Valuation

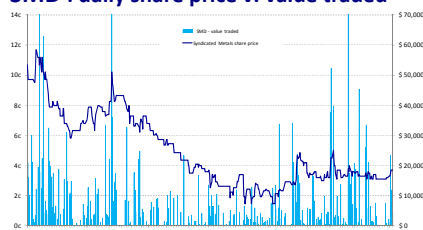
8.5c

- **Infill drilling has yielded large intercepts of high grades in the southern shoot, all within the current conceptual open cut but support the potential for a deeper extension**
- **Our base case valuation assumes 1.2Mt at 1.9% Cu in the open cut, with an extension of 600kt at 1.6%. The large intercepts reported are consistent with the high grades assumed in our analysis.**
- **SMD on track to complete feasibility study before year end.**

Snapshot

Last Price	3.7c
Market Cap	\$10.2m
Cash on hand (31 Dec 2013)	\$2.8m
Shares on Issue	274.4m
52 Week High	7.3c
52 Week Low	1.5c
1 month / 6 month VWAP	3.47c / 3.67cc

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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Assays from first 7 holes reported

On 25 March, SMD reported that infill drilling had been completed. On 2 April, SMD reported assays from the first 7 holes of the 25 hole program.

This is consistent with the time-table given by SMD, leading to an upgraded resource by June.

High grade results reported over large intercepts

Assays have been reported for 7 holes :

- 42.4m at 1.91% Cu, including 17mat 3.39% Cu, including 5.0m at 5.77%;
- 21.3m at 1.86% Cu;
- 17.0m at 2.00% Cu;
- 33.5mat 0.87% Cu, including 5.4m at 2.63% and 2.5m at 1.90%

The other 3 holes all reported intercepts of significant size, with 13.7m at 1.43%, 9.3m @ 1.05% and 22.0m at 0.90%.

All of these results are relatively shallow and within the conceptual open cut design.

Next steps

Assays for the other 18 holes are expected to be received though April.

SMD expect to announce a revised Resource estimate; the current Resource estimate for Barbara is 3.8Mt Indicated and 1.5Mt Inferred; SMD has an addition 600kt in resources at nearby deposits of Blue Star and Green Zone.

The revised Resource estimate will include a significant proportion in the Measured category. The Mining inventory is a small, high grade, portion of the Resource.

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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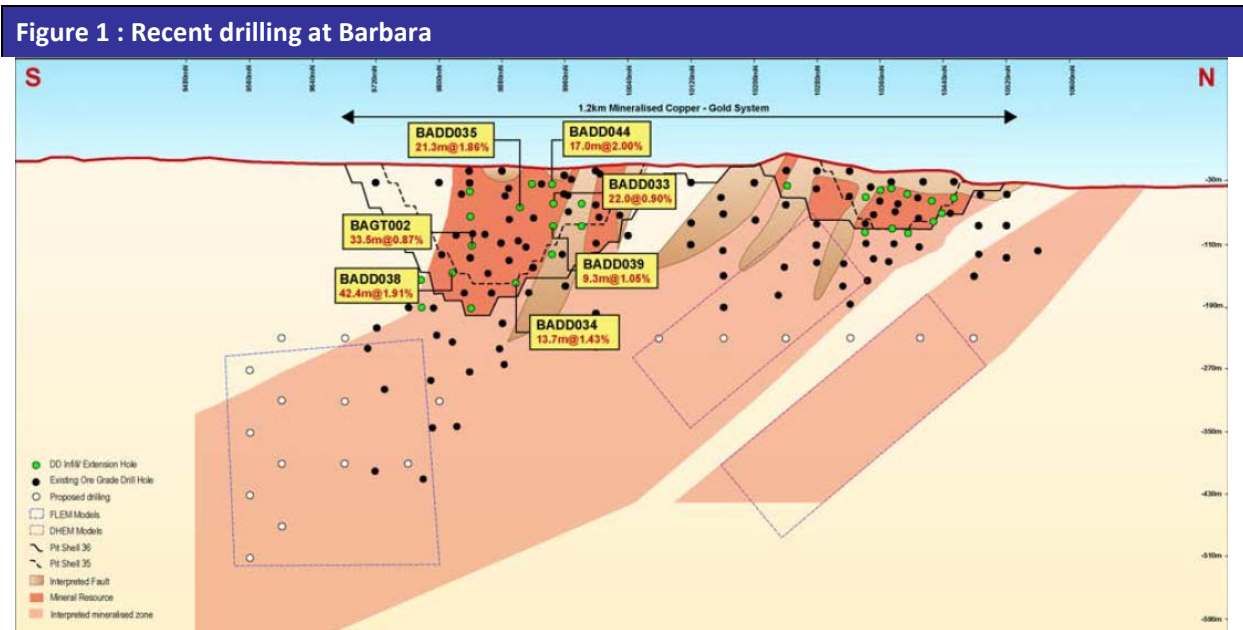
Barbara : Continuing to look Good

Infill drilling campaign

SMD has announced the first 7 assay results from its recently completed 25 hole drill programme.

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.

Figure 1 shows the location of the recently reported drilling results. It shows that they are focussed in the southern shoot and within the current conceptual pit design.



Source : SMD ASX announcement, 2 April 2014

The results show high grade over good intercepts.

Figure 1 also shows the high grade areas, in the dark pink, and also the interpreted mineralised zone.

The results support the potential for a high grade extension of the southern shoot at depth

The results in the lower portion of the southern pit suggest a high grade shoot extending at depth.

This is not included in our analysis, which is based on a small, high grade mining inventory of 1.2Mt at 1.9% Cu, which is expected to provide 2 years of operation, with a further year of supplemental inventory which we have assumed to be 600kt grading 1.6% Cu.

The reported grade are at least consistent with our assumed mining inventory.

Figure 2 shows the surface expression of the present conceptual pit shell and the diamond cored holes, in green, that have been drilled in the programme from January to March. These holes have been drilled for resource estimation as well as to provide samples for metallurgical testing to match the mine design with the processing potential at the CopperChem plant.

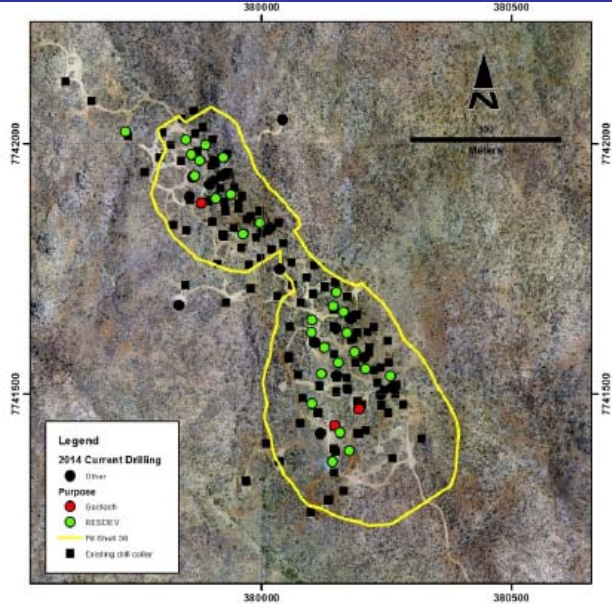
More assays results can be expected through April

A resource update can be expected in June

CopperChem’s plant is about 130 – 135km by road near Cloncurry. It has both a sulphide circuit, able to process about 700kt/yr, and an SX-EW circuit, so the metallurgical testwork will direct which ore is processed through which route

Figure 2 also shows, in red, the holes that are part of the current geo-tech drilling to help with the pit design.

Figure 2 : Infill drilling pattern



Source : SMD ASX announcement, 2 April 2014

Conclusions

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.

SMD expects the feasibility study to be completed before the year end.

The feasibility study is being funded by CopperChem to pay for their farm-in to 50% of the project.

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.

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