

**Barbara : 31.2m at 3.38% Cu**

**Many large, high grade intercepts in Barbara pit;  
Expect upgrade of Resource estimate**

Recommendation

**BUY**

Price

**3.7c**

Valuation

**8.5c**

- SMD has received assays results from 17 of the 25 holes drilled in the Barbara depots in March – April.
- Results of 31.2m at 3.38% Cu, including 11.7m at 7.92% Cu; 26m at 2.13% Cu including 15m at 3.09%, 22m at 2.27% Cu and 4.6m at 2.27% support interpretation of thick high-grade Southern Shoot.
- On track for Resource upgrade before end of June. We expect an upgrade in the average grade and the classification, with some now Measured.

**Snapshot**

Last Price	3.7c
Market Cap	\$10.2m
Cash on hand (30 March 2014)	\$2.3m
Shares on Issue	274.4m
52 Week High	5.0c
52 Week Low	1.5c
1 month / 6 month VWAP	3.50c / 3.65c

**Assays from 17 of 25 hole program at Barbara**

SMD has previously announced that assays from infill drilling at its Barbara project would be reported about 4 weeks after drilling was completed in early April.

**High grade results reported**

SMD reported many shallow, high grade intercepts including:

- 11.7m at 7.92% Cu, from 70m depth, within 31.2m at 3.38% Cu from 69.7m;
- 15m at 3.09% Cu from 10m depth, within 26m at 2.13% Cu from 9m; and
- 22m at 2.72% Cu from surface.

The results come from the southern shoot and show a thick, high-grade interception of the hanging wall.

**Next steps**

Final assays are expected in the next week or so.

These final results will feed into an updated Resource estimate. This should include a significant component in the Measured category.

From this, a Reserve will be developed and announced in the third quarter and a feasibility study before the end of the year.

**Beer & Co conclusions**

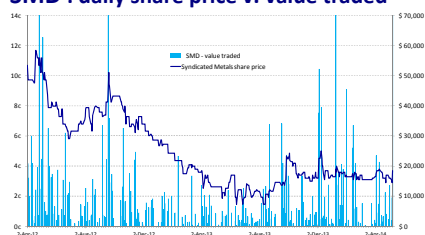
Our current valuation of 8.5c/share assumes an initial mining inventory of 1,200kt at 1.9% Cu, followed by a further 600kt at 1.6% Cu.

Our modelling gives the current share price of SMD from a project of only 1.2Mt at 1.4%, which compares with the Indicated Resource of 3.8Mt at 1.5%.

Beer & Co believes that there is significant upside potential from lower costs, due to a lower strip ratio, plus extensions to the mine life from both Barbara and satellite mineralisation at Lillymay and Mt Olive.

We affirm our BUY recommendation.

**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 2,469km<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.

SMD is currently undertaking a feasibility study, funded by CopperChem.

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.

**Author :** Pieter Bruinstroop  
[pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

This report was produced by Beer & Co Research, an independent research and advisory firm.  
If you do not wish to receive our research, please email to [info@beerandco.com.au](mailto:info@beerandco.com.au) with "unsubscribe"  
If you wish to receive, free of charge, Beer & Co research, please register at <http://beerandco.com.au/all-research/>

**Barbara : High grade, thick intersections**

**Infill drilling at Barbara**

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.

Beer & Co’s base case valuation assumes a mining inventory of 1.2Mt at 1.9% Cu, with an extension of 600kt at 1.6% Cu.

SMD has announced results from a further 17 of the 25 diamond core holes drilled in March – April. SMD expect to be able to announce the results from other holes by the end of next week.

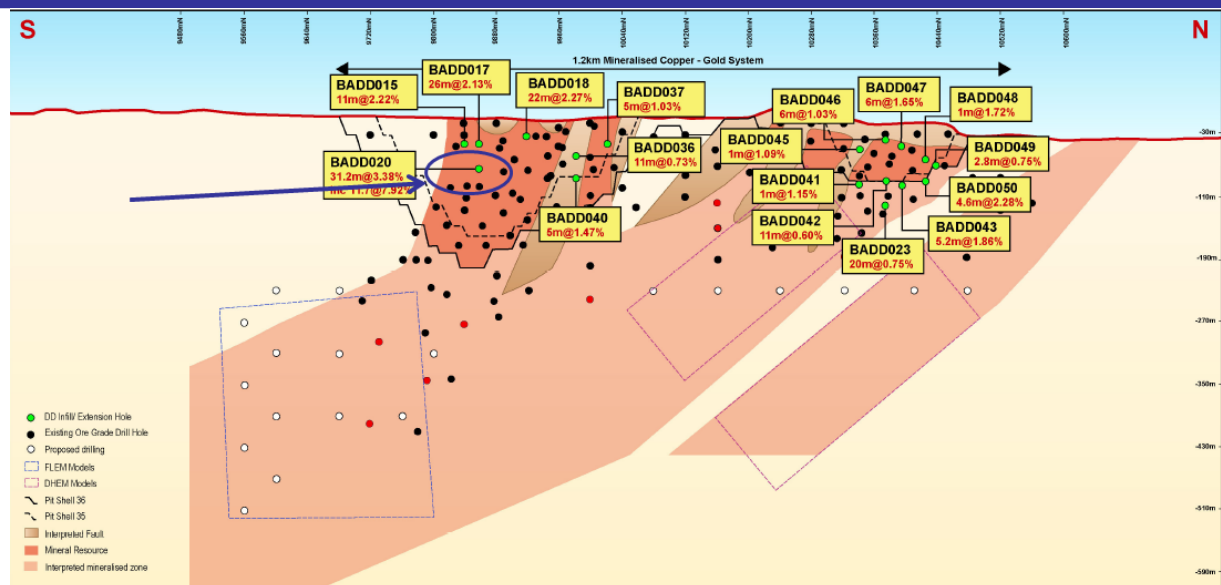
Figure 1 shows core from hole BADD020, showing a thick intersection of coarse grained high grade chalcopyrite from the hanging wall at the southern end.

**Figure 1 : Core from Barbara,**



Source : SMD ASX announcement, 7 May 2014

Figure 2 : SMD's drilling at Barbara



Source : SMD ASX announcement, 7 May 2014, Beer & Co

Figure 2 shows that the results support a thick, high grade zone in the hanging wall at the southern end of the planned pit. We have highlighted the hole shown in Figure 1.

Figure 2 also shows that, in the near future but not as part of the current feasibility study programme, SMD and CopperChem plan to drill some holes to test the depth extension of the Southern Shoot.

### Next Steps

The assays from the final holes at Barbara are expected to be announced next week.

A revised Resource estimate is expected in June. Beer & Co expects that this estimate will include a significant portion in the Measured category.

We also expect there will be a high grade portion which will assist the project NPV.

An inaugural Reserve is expected by September and a Feasibility Study by the end of this year.

### Conclusions

Our analysis indicates that the current share price, even after rising on this good news, assumes that Barbara mines only 1.2Mt at 1.4% Cu, which compares with the Indicated Resource of 3.8Mt at 1.5% Cu.

Beer & Co affirm our BUY rating on SMD. We also expect to be able to upgrade our valuation later this year, due to

- Extension of the project life from satellite deposits; and
- lower costs due to lower strip ratio as mineralisation is nearer surface.

Beer & Co Research

Syndicated Metals (SMD.ASX)

April 2014

Year ended June		2013	2014	2015	2016	2017	2018
<b>Section 1 - P&amp;L</b>							
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
<b>Total Revenue</b>	\$Am	<b>0</b>	<b>0</b>	<b>13</b>	<b>36</b>	<b>23</b>	<b>0</b>
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
<b>Total Operating Expenses</b>	\$Am	<b>(6)</b>	<b>(1)</b>	<b>4</b>	<b>11</b>	<b>8</b>	<b>(1)</b>
<b>EBITDA</b>	\$Am	<b>(6.4)</b>	<b>(1.4)</b>	<b>16.6</b>	<b>47.0</b>	<b>31.2</b>	<b>(0.8)</b>
Dep'n & Amort'n	\$Am	0.0	(3.5)	(9.2)	(5.8)	0.0	0.0
<b>EBIT</b>	\$Am	<b>(6.4)</b>	<b>(4.8)</b>	<b>7.4</b>	<b>41.3</b>	<b>31.2</b>	<b>(0.8)</b>
Interest Expense	\$Am	0.0	(0.1)	(0.3)	(0.0)	0.0	0.0
Other	\$Am						
<b>Pre-Tax Profit</b>	\$Am	<b>(6.4)</b>	<b>(4.9)</b>	<b>7.1</b>	<b>41.2</b>	<b>31.2</b>	<b>(0.8)</b>
Tax Expense	\$Am	0.4	(0.4)	(2.2)	(1.3)	0.2	0.0
<b>NPAT</b>	\$Am	<b>(6.0)</b>	<b>(5.3)</b>	<b>4.8</b>	<b>39.9</b>	<b>31.4</b>	<b>(0.8)</b>
<b>Reported NPAT</b>	\$Am	<b>(6.0)</b>	<b>(5.3)</b>	<b>4.8</b>	<b>39.9</b>	<b>31.4</b>	<b>(0.8)</b>

<b>Section 2 - Key Data</b>							
Ordinary shares - year end	m	177.9	274.4	417.5	417.5	417.5	417.5
Fully diluted shares on issue	m	177.9	274.4	417.5	417.5	417.5	417.5
Weighted #shares	m	177.9	256.2	417.5	417.5	417.5	417.5
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

<b>Section 3 - Balance Sheet</b>							
Cash	\$Am	1	6	4	14	21	20
Receivables	\$Am	0	0	3	4	1	0
Other	\$Am	0	0	0	0	0	0
<b>CURRENT ASSETS</b>	\$Am	<b>1</b>	<b>6</b>	<b>7</b>	<b>19</b>	<b>22</b>	<b>20</b>
Receivables	\$Am	0	0	0	0	0	0
P, P & E	\$Am	0	0	8	3	0	0
Mining Properties / Exploration	\$Am	8	10	11	10	10	10
Other	\$Am	0	0	0	0	0	0
<b>NON-CURRENT ASSETS</b>	\$Am	<b>9</b>	<b>10</b>	<b>19</b>	<b>14</b>	<b>10</b>	<b>10</b>
<b>TOTAL ASSETS</b>	\$Am	<b>10</b>	<b>16</b>	<b>26</b>	<b>32</b>	<b>32</b>	<b>30</b>
Payables	\$Am	0	0	1	1	0	0
Debt	\$Am	0	0	3	1	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>1</b>	<b>0</b>	<b>0</b>
Long Term Debt	\$Am	0	0	1	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>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	\$Am	<b>0</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS</b>	\$Am	<b>9</b>	<b>16</b>	<b>22</b>	<b>32</b>	<b>32</b>	<b>30</b>

Accumulated Profit (Loss)	\$Am	(13)	(14)	(13)	(7)	(4)	(5)
Reserves	\$Am	3	3	33	38	36	35
Contributed Equity	\$Am	19	27	0	0	0	0
	\$Am	9	16	21	30	32	30
Minority Interest	\$Am	0	0	0	0	0	0
<b>Total Equity</b>	\$Am	<b>9</b>	<b>16</b>	<b>21</b>	<b>30</b>	<b>32</b>	<b>30</b>

<b>Section 4 - Cashflow</b>							
Net Cashflow from operations	\$Am	0.0	0.0	6.6	18.9	11.8	0.0
Hedging	\$Am	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	\$Am	(0.1)	0.1	0.3	0.0	0.0	0.0
Taxes Paid	\$Am	0.0	0.0	0.0	0.0	(0.9)	(0.1)
Change in Working Capital	\$Am	0.0	(0.1)	4.1	1.5	(4.1)	(1.5)
Other	\$Am						
<b>OPERATING CASHFLOW</b>	\$Am	<b>(0.1)</b>	<b>0.0</b>	<b>11.0</b>	<b>20.5</b>	<b>6.8</b>	<b>(1.6)</b>
Exploration Expenditures	\$Am	(2.9)	(1.4)	(2.4)	(4.0)	(2.0)	0.0
Maintenance Capex	\$Am	0.0	0.0	0.0	0.0	0.0	0.0
Expansion Capex	\$Am	0.0	0.0	(10.0)	0.0	0.0	0.0
<b>PPE Acquisitions (Total Capex)</b>	\$Am	<b>(2.9)</b>	<b>(1.4)</b>	<b>(12.4)</b>	<b>(4.0)</b>	<b>(2.0)</b>	<b>0.0</b>
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>(1.4)</b>	<b>(12.4)</b>	<b>(4.0)</b>	<b>(2.0)</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	(0.0)	4.2	(3.4)	(0.8)	(0.0)
Other	\$Am						
<b>FINANCING CASHFLOW</b>	\$Am	<b>2.7</b>	<b>7.2</b>	<b>4.2</b>	<b>(3.4)</b>	<b>(0.8)</b>	<b>(0.0)</b>
<b>Free Cashflow</b>	\$Am	<b>(3.0)</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>16.5</b>	<b>4.8</b>	<b>(1.6)</b>
<b>Net Cashflow</b>	\$Am	<b>(0.3)</b>	<b>5.9</b>	<b>2.8</b>	<b>13.1</b>	<b>4.0</b>	<b>(1.6)</b>

<b>Commodity price assumptions</b>							
<b>Year ended June</b>							
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>							
Ore processed	'000 t	0	225	600	375	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>							
Copper	'000 t	0	1,924	5,130	3,206	0	0
Gold	oz	0	362	965	603	0	0
Silver	oz	0	5,426	14,469	9,043	0	0

<b>Resources</b>							
<b>Barbara</b>							
		<b>Copper</b>		<b>Gold</b>		<b>Silver</b>	
EPM 15564 & EPM 16112 (50% SMD)							
Indicated		3,778	1.5%	59 kt	0.2g/t	19 koz	2.7g/t
Inferred		1,553	1.1%	17 kt	0.1g/t	6 koz	2.0g/t
<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</b>

<b>Assumed mining inventory</b>							
		<b>grades</b>			<b>Contained metal</b>		
		<b>copper</b>	<b>gold</b>	<b>silver</b>	<b>copper</b>	<b>gold</b>	<b>silver</b>
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%							
		<b>risking</b>		<b>30-Jun-13</b>		<b>24-Apr-14</b>	
		<b>100%</b>		<b>Product</b>		<b>per share</b>	
Barbara		85%	\$ 18m	\$ 15m	3.6 c	4.1 c	
extension		75%	\$ 12m	\$ 9m	2.1 c	2.3 c	
Blue Star		50%	\$ 8m	\$ 4m	1.0 c	1.1 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	1.3 c	
Cash to be raised		100%	\$ 6m	\$ 6m	1.6 c	0.3 c	
<b>TOTAL</b>			<b>\$ 43m</b>	<b>\$ 33m</b>	<b>7.9 c</b>	<b>8.6 c</b>	
Shares on issue			274.4m	FPO shares		options	
			143.1m	Issued		exercised	

<b>Assumed Cash Costs, US c/lb</b>							
		<b>LoM</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
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
<b>TOTAL</b>		<b>162 c/lb</b>	<b>164 c/lb</b>	<b>157 c/lb</b>	<b>170 c/lb</b>	<b>0 c/lb</b>	<b>0 c/lb</b>

<b>Financial Ratios</b>							
<b>Year ended June</b>							
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%)
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%
PE adj. (x)	x	(0.5)	(9.8)	14.3	2.7	4.5	(27.0)
EV / EBITDA (x)	x	(0.4)	(2.3)	0.6	(0.1)	(0.4)	14.8
EV / EBIT (x)	x	(0.4)	(0.6)	1.3	(0.1)	(0.4)	14.8
Gearing (%)				0%	0%	16%	2%
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

### Important Information

#### **Confidential**

This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Beer & Co Pty Ltd. It has been prepared at the request of Syndicated Metals Limited and Beer & Co Pty Ltd will receive a fee for its preparation.

#### **Disclaimer**

The persons involved in or responsible for the preparation and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions, conclusions or recommendations are reasonably held at the time of compilation. No warranty is made as to the accuracy of the information in this document and, to the maximum extent permitted by law, Beer & Co Pty Ltd and its related entities, their respective directors and officers disclaim all liability for any loss or damage which may be suffered by any recipient through relying on anything contained or omitted from this document.

#### **General Advice**

The content is of a general nature and is based on a consideration of the securities alone, and as such is conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Beer & Co Pty Ltd has not undertaken detailed due diligence on the information provided and has no obligation to provide revised assessments in the event of changed circumstances.

#### **Disclosure**

Beer & Co Pty Ltd has been engaged by Syndicated Metals Limited to prepare this research report and is being paid a fee for its preparation. In the future, Beer & Co Pty Ltd may provide capital raising services to Syndicated Metals Limited on commercial terms. Directors of Beer & Co or other associate companies may own securities in Syndicated Metals Limited. Beer & Co Pty Ltd seeks to do work with those companies it researches. As a result, investors should be aware that Beer & Co Pty Ltd may have a conflict of interest that could affect the objectivity of this report.

#### **Analyst Certification**

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

Report prepared by : Pieter Bruinstroop [pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

---

BEER & CO PTY LTD ABN 88 158 837 186,  
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

---

Melbourne Office:  
Suite 4, Level 2, Bank House  
11 - 19 Bank Place,  
Melbourne, Vic, Australia 3000  
Telephone: (+613) 9600 3599  
Facsimile: (+613) 9602 2291  
Email: [info@beerandco.com.au](mailto:info@beerandco.com.au)  
Web: [www.beerandco.com.au](http://www.beerandco.com.au)