

More good drilling results

Lillymay – drilling to get a Resource
Barbara – good extensions below open pit

Recommendation

BUY
High Risk

Price

4.2c

Valuation

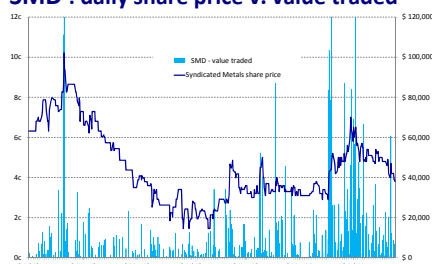
11c

- At Barbara, SMD reported very wide intersections of good grades below the current open pit shell, of 40m at 1.76% Cu and 32.5m at 1.90% Cu.
- At Lillymay, SMD has defined mineralisation with a strike of 400m and depth to 125m and is about to estimate a Mineral Resource based on the 18 holes drilled to date.
- SMD expects to complete the feasibility study by December, be mining by March with first sales in 2015 Q2.

Snapshot

Last Price	4.2c
Market Cap	\$11.5 m
Cash on hand (30 Sept 2014)	\$1.6m
Shares on Issue	274.4m
52 Week High	7.0c
52 Week Low	2.9c
1 month / 6 month VWAP	4.5c / 5.0c

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-W of Cloncurry.

SMD has executed a JV agreement with CopperChem, a subsidiary of SOL.ASX, to supply ore to their recently closed 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, and assume 50% debt funded) for SMD to be in production by 2015 Q2.

Author : Pieter Bruinstroop
pbruinstroop@beerandco.com.au

Barbara depth confirming under-ground potential

On 24 September, SMD announced that drilling had intersected broad zones of mineralisation below the Barbara South open pit, with

- 40m at 1.75% Cu from 186m down-hole, including 9m at 4.01% Cu; and
- 32.5m at 1.90% Cu from 225m down-hole, including 14m at 2.73% Cu.

Assays are awaited for a 28m zone of mineralisation from 325.5m. Further high grade zones are now emerging below the mid lode and the south lode, with 6m at 2.23% Cu from 290.5m down-hole and 0.9m at 2.14% Cu from 288m.

Lillymay Resource drilling

On 22 September, SMD announced recent infill RC drilling confirmed extension of the mineralised zone, with

- 2m at 1.80% Cu from 91m down-hole; and
- 3m at 1.69% Cu from 98m down-hole.

SMD are targeting a maiden JORC Resource before the end of 2014.

SMD have an exploration target of 400kt - 800kt at 2.0% - 3.0% Cu for Lillymay.

Beer & Co valuation

SMD is now drilling to target a 5 to 7 year mine life.

SMD expect to complete the feasibility study before the end of 2014.

Beer & Co's valuation is based on a risk weighted 4 year mine life.

Our base case valuation has increased to 11c/share due to the higher grades in the Lillymay exploration target.

Beer & Co conclusions

Our valuation was recently revised from 8.5c/share to 10.5c/share. It has now been further revised to 11c/share, and we believe there is still upside as the project is progressively de-risked and mine life extended.

We affirm our BUY recommendation.

This report was produced by Beer & Co Research, an independent research and advisory firm.

It is intended for wholesale investors ONLY.

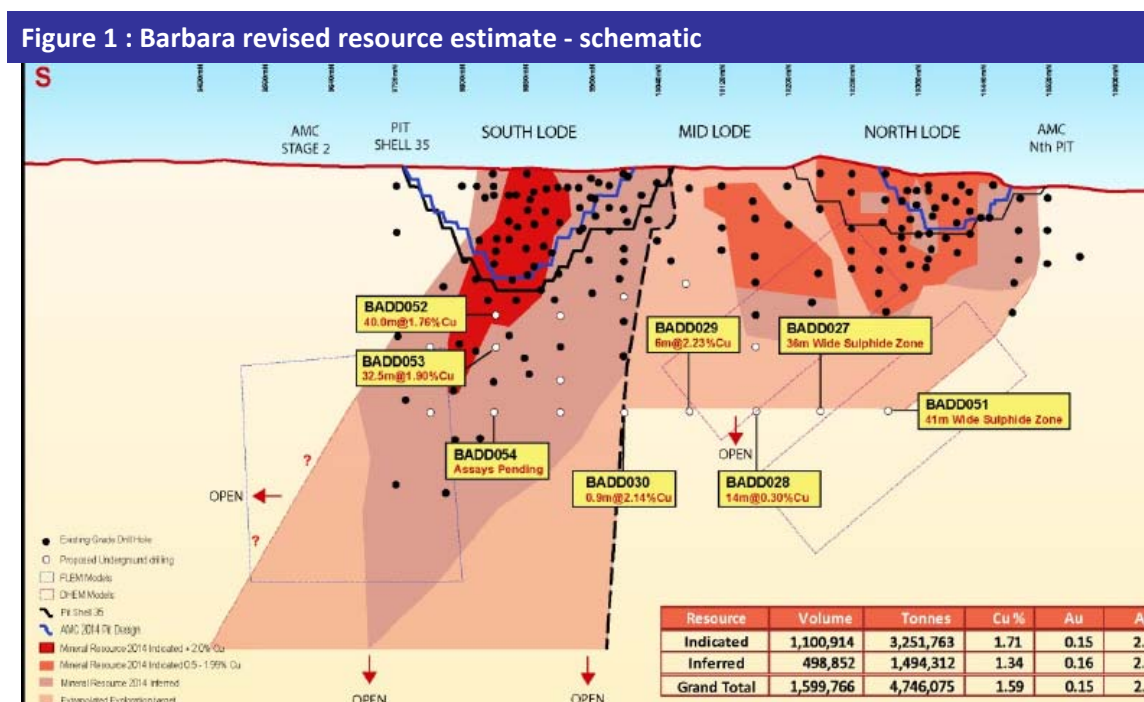
If you do not wish to receive our research, please email to info@beerandco.com.au with "unsubscribe" If you wish to receive, free of charge, Beer & Co research, please register at <http://beerandco.com.au/all-research/>

Barbara : Under-ground potential

Broad zones of good grades below pit

SMD has previously announced a Resource estimate for Barbara of about 4.75Mt at 1.59% Cu, 0.15g/t Au and 2.57g/t Ag.

Figure 1 shows the areas included in the Resource estimate.



Source : SMD ASX announcement, 24 September 2014

SMD has recently reported large, good grade intercepts below the present open pit shell designed for the south lode

Figure 1 shows the current designed shells for the open pits. The south lode is shown as the higher grade area with greater depth. It also shows significant intercepts below the open pit shells as designed, including

- 40.0m at 1.76% Cu from 186m down-hole, including 9m at 4.01% Cu, from drill hole BADD052;
- 32.5m at 1.90% Cu from 225m down-hole, including 14m at 2.73% Cu, from drill-hole BADD053.

SMD has also reported good grades below the north lode pit shell

Figure 1 also shows recent intercepts below north lode, which also has an open pit design shown, as well as in the area in-between the north and the south lodes, now referred to as the mid-lode area. It shows 6m at 2.23% Cu, from 290.5m down-hole, including 3m, at 3.27% Cu, in BADD029, below the mid-lode area.

Figure 1 shows 2 wide zones of mineralisation, of 34m wide below the mid lode, in BADD027 and 41m wide zone in BADD051, below the north lode. The assays showed minor copper, similar to BADD038. It is encouraging that the mineralizing system is still in place raising the potential that there are other chalcopyrite rich zones lower down in the system.

Under-ground potential

SMD has determined a well-defined mineralised structure, steeply plunging, open at depth.

This gives a good basis for an under-ground extension.

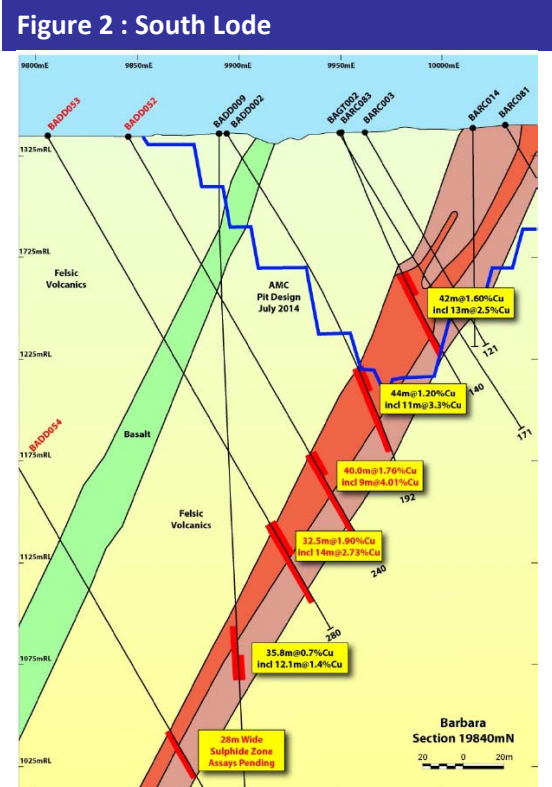
South Lode

Figure 2 is a diagram of the interpreted south lode mineralised zone. It shows a steeply plunging lode with strongly defined mineralisation, extending much deeper than the current open pit design.

Figure 2 suggests that to chase this mineralisation by the open cut will involve an increasing waste : ore ratio; it appears to be well suited to under-ground mining.

Figure 2 also suggests good depth extension.

In the view of Beer & Co, given that there is a very high likelihood of an under-ground mine, SMD may determine to have a shallower open-pit, reducing the amount of waste to be moved, and mine more of the material from under-ground.



Source : SMD ASX announcement, 24 September 2014

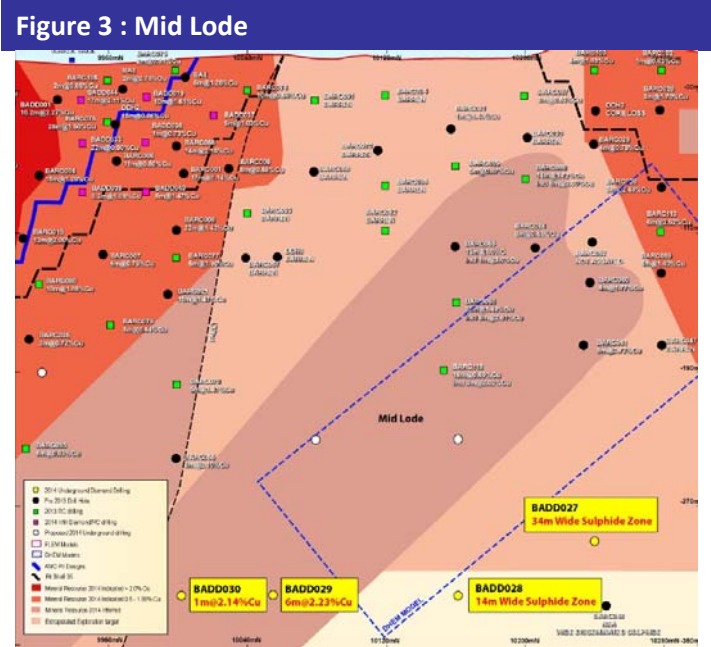
Mid Lode

SMD has reported good intercepts in the mid-lode region that can only be accessed economically by under-ground mining from other lodes

Figure 1 showed that Mid Lode is between the open pits of the South Lode and the North Lode.

Figure 1 also shows that while there is some material in mid lode that is included in the Resource estimate, there is no material that is part of the current mine plan.

It has been interpreted as a largely barren zone.



Source : SMD ASX announcement, 24 September 2014

Grades at depth in the mid-lode appear to be much better than nearer to surface.

Figure 3 shows

- many holes at depths of less than 100m from surface, especially at the southern end of the mid lode, failing to report any meaningful copper;
- some reasonable intercepts from about 100m below surface, especially at the northern side reporting good intercepts
 - 6m at 2.52% Cu, at about 30m below the pit shell for the North lode, about 110m below the surface, in BARC 113;
 - 14m at 1.72% Cu, including 6m at 3.3% Cu, about 90m below surface, in BARC088;
 - 4m at 1.70% Cu, about 140m below surface, in BARC060;
 - 20m at 1.48% Cu, including 9m at 2.61% Cu, about 160m below surface, in BARC090.
- some better grades at greater depth, including :
 - 5m at 2.73% Cu, about 175m below surface, in BARC061;
 - 6m at 2.23% Cu, about 330m below surface, in BADD030;
 - 1m at 2.14% Cu, about 330m below surface, in BADD029.

The grades and widths appear to be good enough to suggest under-ground potential below an area that is too low grade for an open cut to be viable.

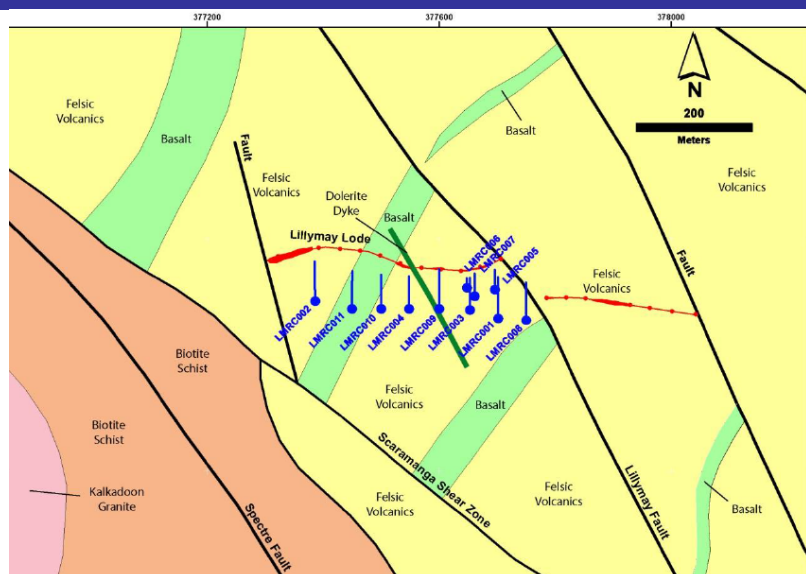
Lillymay : Resource estimate pending

Lillymay is 4km from Barbara. Mineralisation over a strike of 400m and to a depth of 125m has been demonstrated. SMD has announced an Exploration Target of 0.4Mt to 0.8Mt at a grade of 2.0% to 3.0% Cu.

SMD has drilled 18 RC holes at Lillymay and assay results have been received for 12 of these holes. When the remaining results have been received, SMD will be able to prepare a Mineral Resource estimate.

Lillymay has a well defined surface expression, parts of which are defined by historical, artisanal mining.

Figure 4 : Proposed drilling at Lillymay

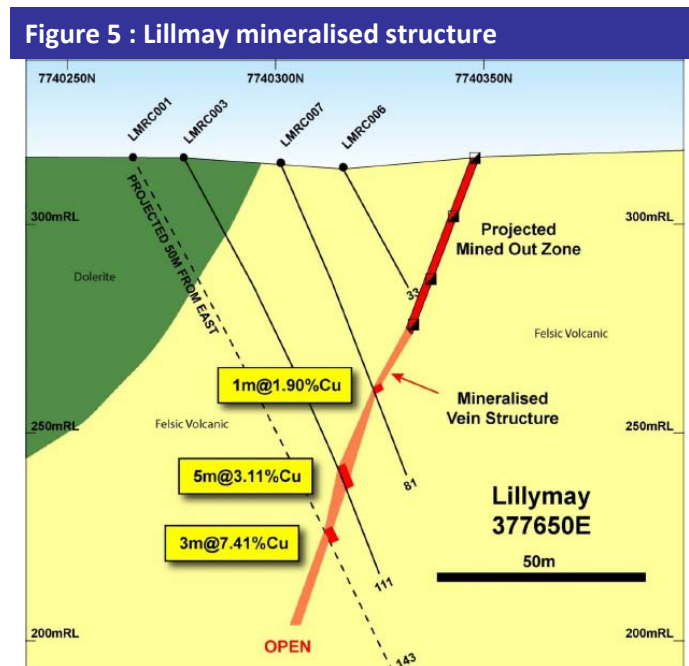


Source : SMD ASX announcement, 22 September 2014

SMD has completed a drill campaign that will enable the preparation of a maiden Resource estimate for Lillymay

Based on the maiden Resource estimate, and subsequent down-hole EM surveys, SMD will start a further drill campaign, as shown in Figure 4, to be able to produce an updated Resource estimate.

Figure 5 shows the expected mineralised structure at Lillymay. Figure 5 also shows higher grade and thicker intercepts at depth.



Source : SMD ASX announcement, 22 September 2014

SMD advised that the Resource estimate should be announced before the end of 2014.

SMD : Updated Valuation

Status

In addition to the expected announcements on drill results and assays over October and November, and the announcement of a maiden Resource estimate for Lillymay, SMD also advised, in their October 2014 presentation :

SMD is expected to have good newsflow with :

- Drill results
- Lillymay Resource estimate
- Feasibility study for Barbara

- The feasibility study on Barbara should be announced by December 2014;
- Mining should start during 2015 Q1; and
- First sales should be in 2015 Q2.

The mined material will be processed at CopperChem's plant at Cloncurry. We understand that sulphide circuit at this plant ceased operation in September due to a lack of feed from its own mining operations at Mt Colin; Mt Colin has proven to have more oxidised material than expected, at the expense of hard, fresh rock.

Projected Mine-life

SMD also announced that it has a target for the mine life of 5 to 7 years. We assume this will be at the rate of 600k/yr.

Figure 6 shows the mining inventory on which Beer & Co's valuation is based. It shows a total mining inventory of 2.2Mt, or just under 4 years of operation.

Figure 6 : Beer & Co's assumed mining inventory

		grades			Contained metal		
		copper	gold	silver	copper	gold	silver
Open Cut							
Barbara	1,200 kt	2.0 %	0.2 g/t	3.0 g/t	24.0 kt	7.7 koz	116 koz
Satellites	400 kt	2.0 %	0.2 g/t	2.5 g/t	8.0 kt	1.9 koz	32 koz
Under-ground							
Barbara	400 kt	2.5 %	0.2 g/t	3.0 g/t	10.0 kt	2.6 koz	39 koz
Satellites	200 kt	2.5 %	0.2 g/t	2.5 g/t	5.0 kt	1.0 koz	16 koz

Source : Beer & Co estimates

SMD now expect a 5 to 7 year mine life.

Beer & Co's valuation still assumes a 4 year mine-life.

This will require some investment in drilling

Accordingly, there is further upside to our valuation.

Compared with SMD's exploration target for Lillymay, Beer & Co has assumed that mining will be dominated by open cut at a grade that is the low end of the estimate range given. However, this is an upward revision of our earlier estimate, which was for 400kt from the open cut at 1.6% Cu, which was an estimate pre-dating SMD's announcement of their Exploration Target.

Projected Cashflows

Figure 7 shows the detail of Beer & Co's projections for the Barbara project. It details our commodity price assumptions and capital cost estimates, including the cost of developing the under-ground operations, as well as the exploration and drilling required to get to our projected 4 year mine life.

Figure 7 : Beer & Co projected cashflows for Barbara project

AUD m	2014-15	2015-16	2016-17	2017-18	2018-19
Copper - USD/t	\$ 6,228/t	\$ 6,669/t	\$ 6,724/t	\$ 6,724/t	\$ 6,724/t
Copper - TC / RC	\$ 95/t	\$ 95/t	\$ 95/t	\$ 95/t	\$ 95/t
AUD/USD	0.863	0.850	0.850	0.850	0.850
Copper produced - tonnes	2,025 t	10,800 t	10,800 t	12,206 t	6,469 t
Gold produced - ounces	362 oz	1,929 oz	1,839 oz	1,698 oz	764 oz
Silver produced - ounces	5,426 oz	28,939 oz	28,035 oz	26,628 oz	12,259 oz
Copper Revenue	14.3	78.0	84.7	96.6	51.2
Cu TC / RC	(1.8)	(10.0)	(10.3)	(11.7)	(6.2)
By-products, net	0.2	1.2	1.1	0.5	0.1
Cash Costs	(5.8)	(30.0)	(32.4)	(39.6)	(23.4)
Royalties	(0.6)	(3.1)	(3.4)	(3.8)	(2.0)
Dep'cn & Amort'sn	(1.4)	(7.5)	(7.5)	(11.0)	0.0
E B I T	4.9	28.7	32.1	31.0	19.7
Project Cap.Ex	(20.0)	0.0	0.0	0.0	0.0
Sus. Cap. Ex	0.0	0.0	0.0	(7.2)	0.0
Exploration	(2.4)	(4.0)	(4.0)	(1.0)	0.0
Net Cashflow	(15.2)	27.6	30.0	25.4	13.8

Source : Beer & Co estimates

Some of SMD's drilling will be on its 100% owned tenements and some will be on the ground of the JV with CopperChem.

SMD valuation

SMD is projected to have a 50% project share. CopperChem is earning the other 50% by funding the drilling and the feasibility study.

Beer & Co assume SMD needs to raise \$5m in equity

Figure 7 shows that Beer & Co has used an estimate of \$20m to bring the Barbara project into production. Our assumption is that, on a 100% basis, the venture needs to have about 4 months of working capital due to the lags in receiving revenue from concentrate sales, which is about \$11.5m of the \$20m total.

We have assumed that half of this is debt sourced, so we assume that SMD needs to raise \$5m, as shown in Figure 8.

Figure 8 : Beer & Co's valuation of SMD is 11c/share

Beer & Co's valuation is now 11c/share

Our higher valuation is because we now assume that the grade of the Lillymay material is at the bottom end of guidance, rather than below guidance.

	discount rate = 12.0 %	risk :	30-Jun-14		10-Oct-14	
			100%	Product	per share	
Barbara Open Cut		85 %	\$ 25m	\$ 21m	5.1 c	4.5 c
Satellites Open Cut		75 %	\$ 9m	\$ 7m	1.6 c	1.6 c
Barbara under-ground		70 %	\$ 8m	\$ 6m	1.4 c	1.4 c
Satellites under-ground		65 %	\$ 4m	\$ 3m	0.7 c	0.7 c
Blue Star		60 %	\$ 5m	\$ 3m	0.8 c	0.8 c
Franking credits		60 %	\$ 8m	\$ 5m	1.1 c	1.2 c
Corporate		100 %	(\$4m)	(\$4m)	(0.9c)	(0.9c)
Exploration		100 %	(\$9m)	\$ 0m	0.0 c	0.0 c
Cash / debt		100 %	\$ 2m	\$ 2m	0.5 c	1.0 c
Cash to be raised		100 %	\$ 4m	\$ 4m	1.0 c	0.8 c
TOTAL			\$ 54m	\$ 47m	11.2 c	11.1 c
Shares on issue			274.4m	FPO shares	37.0m	options
			143.1m	to be issued	5.0m	op. ex'd

Source : Beer & Co estimates

Conclusions

Beer & Co's valuation of SMD is risk weighted.

There is upside from extensions to mine life and from successful project delivery.

Beer & Co confirms our BUY recommendation.

Figure 8 shows that Beer & Co has risked the cashflows used in our valuation.

As SMD announces the results of its feasibility studies and progressively de-risks the project, our risk weighting will be reduced.

As stated above and shown in Figure 7, Beer & Co's valuation is based on a 4 year mine life, while SMD have a target of 5 to 7 years.

Beer & Co has allowed for an equity raising of \$5m to being the project into production.

Beer & Co's valuation has risen as we have now aligned our assumption on the grade of the open-cut material from Lillymay to the low end of the guidance by the company.

SMD will be planning further drilling based on a project review which is underway, involving :

- Mineral Resource estimate
- Down Hole EM survey; and
- Receipt of currently outstanding assay results.

Beer & Co confirms our Buy recommendation.

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

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

Web: www.beerandco.com.au