

**Feasibility Study by September**  
5 to 7 year mine life; estimated AISC US\$1.60/lb

Recommendation

**Strong BUY**

**High Risk**

Price

**2.3c**

Valuation

**12c**

SMD's quarterly report for March 2015 showed :

- SMD is funded, by CopperChem, to complete the feasibility study during the September quarter;
- The feasibility is based on 5 to 7 year mine life, with a transportable processing facility at the Barbara mine site;
- SMD is funded to drill mineralisation in SMD tenements outside of the JV with CopperChem.

Beer & Co estimates that SMD will invest \$A 13.5m to produce about 5,500t/yr of copper, for its 50% share, for 7 years at an All In Cost of US\$1.60/lb.

**Snapshot**

|                              |                                    |
|------------------------------|------------------------------------|
| Last Price                   | 2.3c                               |
| Market Cap                   | \$8.6m                             |
| Cash on hand (31 March 2015) | \$0.67m                            |
|                              | \$1.996m in equity raised in April |
| Shares on Issue              | 374.24m                            |
| 52 Week High                 | 7.0c                               |
| 52 Week Low                  | 1.9c                               |
| 1 month / 6 month VWAP       | 2.6c / 2.7c                        |

**Feasibility Study during September quarter**

SMD is managing the Feasibility Study, while CopperChem, a wholly owned subsidiary of W H Soul Pattinson (SOL.ASX) fund the feasibility.

The plan is now to prove a 5 to 7 year mine life to feed a transportable processing facility that will be sited at the Barbara mine site.

**A much better project**

Beer & Co estimate that the total capital cost will now be \$A 27m, and that the project will produce about 11kt/yr of copper for 7 years at an all in cost of AUD 212c/lb, or US\$ 1.60/lb (AUD-USD = 0.750).

By shifting at least primary processing to the Barbara site, Beer & Co estimate that cash costs are reduced by AUD 14c/lb, or \$24m for the Life of Mine, for an incremental \$A 7m in cap.ex.

**SMD fully funded**

While SMD is executing the feasibility study, it is being funded by Copper Chem as part CopperChem's earn-in to 50% of the JV areas.

SMD recently raised \$1.996m in equity through an under-written rights issue. These funds provide SMD with working capital and also the funds to drill mineralisation in SMD tenements that are outside the JV area.

**Beer & Co valuation**

Beer & Co allow for a further equity raising of nearly \$5m, at a discount to the current share price.

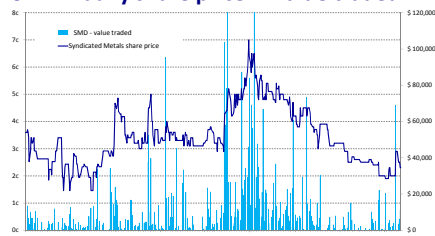
Our valuation of SMD, with a 50% stake in a project to produce 11kt/yr of copper for 7 years at an all in cost of US \$1.60/lb, is 12c/share.

**Beer & Co conclusions**

Our valuation is a multiple of the current share price. We believe that the feasibility study, which will be completed in about 4 months, will significantly de-risk the project.

We affirm our Strong BUY recommendation, High Risk

**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-W of Cloncurry.

SMD has a JV with CopperChem, a subsidiary of SOL.ASX.

On 21 Jan 2015, SMD announced that the JV has decided to expand the feasibility study, to increase the volume of mining inventory so that the plant could be shifted to near the mine, saving US 32c/lb in cash costs for minimal capital to SMD.

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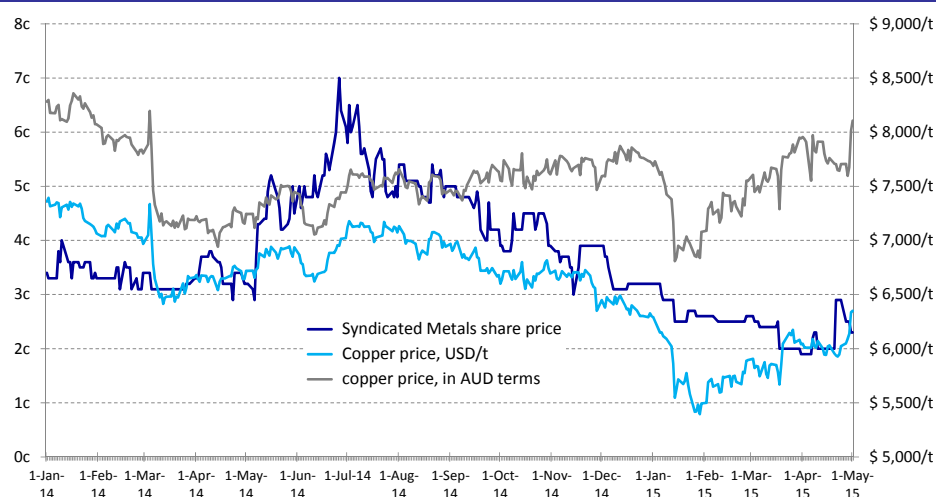
## Feasibility Study by September

### Copper price firming, but share price weak

Figure 1 shows that, after plunging early in 2015, the copper price, in USD terms, has recovered to the levels in late 2014.

In AUD terms, the copper price is now higher than it has been, except for a brief period in January 2014, for about 3 years and not far from the highs of late 2011.

Figure 1 : SMD share price v. copper prices since 1 January 2014



Source : IRESS, Beer & Co

### A much better project

In late 2013, the proposal was to truck ore to CopperChem’s plant near Cloncurry for a period about 2 years, with the potential for extensions.

However, CopperChem’s plant exhausted its local ore supplies more quickly than expected, and SMD has continued to have further exploration success.

The current feasibility study, which is expected to be completed by September (ie. in 4 months) is now based on a 5 to 7 year mine life, with the major processing being done by a transportable facility at the Barbara mine site.

SMD has continued to report exploration success. SMD has announced :

- An exploration target for Lillymay of 400kt – 800kt at 2% - 3% Cu;
- An exploration target for Barbara under-ground of 2.5Mt – 4.0Mt at 1.5% - 2.5% Cu; and
- A resource estimate for Lillymay of 225kt, containing 5.2kt of copper, grading 2.33%, as shown in Figure 2.

Fig. 2 : Lillymay Resource estimate

| Inferred Resource | grades        |               |                 |
|-------------------|---------------|---------------|-----------------|
|                   | copper        | gold          |                 |
| West Lode         | 65 kt         | 1.83 %        | 0.02 g/t        |
| East Lode         | 160 kt        | 2.53 %        | 0.02 g/t        |
| <b>TOTAL</b>      | <b>225 kt</b> | <b>2.33 %</b> | <b>0.02 g/t</b> |

Source: SMD, 16 December 23014

SMD has also announced an exploration target for Blue Star of 500kt – 800kt at 2% - 3% Cu.

Figure 3 shows Beer & Co’s updated assumed mining inventory for SMD’s Barbara project.

**Figure 3 : Revised assumed mining inventory**

|                        |                 | grades        |         |         | contained metal |                 |                |
|------------------------|-----------------|---------------|---------|---------|-----------------|-----------------|----------------|
|                        |                 | copper        | gold    | silver  | copper          | gold            | silver         |
| Barbara Oxides         | 150 kt          | 2.0 %         |         |         | 3.0 kt          |                 |                |
| Barbara Open Cut       | 1,050 kt        | 2.0 %         | 0.2 g/t | 3.0 g/t | 21.0 kt         | 6.8 koz         | 101 koz        |
| Barbara under-ground   | 1,500 kt        | 2.5 %         | 0.2 g/t | 3.0 g/t | 37.5 kt         | 9.6 koz         | 145 koz        |
| Lillymay oxides        | 100 kt          | 2.0 %         | 0.0 g/t |         | 2.0 kt          | 0.0 koz         |                |
| Lillymay open cut      | 300 kt          | 2.3 %         | 0.0 g/t |         | 6.9 kt          | 0.0 koz         |                |
| Lillymay under-ground  | 200 kt          | 2.5 %         | 0.0 g/t |         | 5.0 kt          | 0.0 koz         |                |
| Blue Star oxides       | 100 kt          | 2.0 %         | 0.2 g/t |         | 2.0 kt          | 0.6 koz         |                |
| Blue Star open cut     | 300 kt          | 2.0 %         | 0.2 g/t |         | 6.0 kt          | 1.9 koz         |                |
| Blue Star under-ground | 200 kt          | 2.5 %         | 0.2 g/t |         | 5.0 kt          | 1.3 koz         |                |
| Trey Bit               | 0 kt            | 0.0 %         |         |         | 0.0 kt          |                 |                |
| <b>TOTAL</b>           | <b>3,900 kt</b> | <b>2.27 %</b> |         |         | <b>88.4 kt</b>  | <b>20.3 koz</b> | <b>246 koz</b> |

Source : Beer & Co estimates

CopperChem’s plant has a rated capacity of 600kt/yr of sulphidic ore.

SMD’s 21 January 2015 announcement, expanding the feasibility study, gives a target of 5 to 7 years for the plant to be shifted to the mine site.

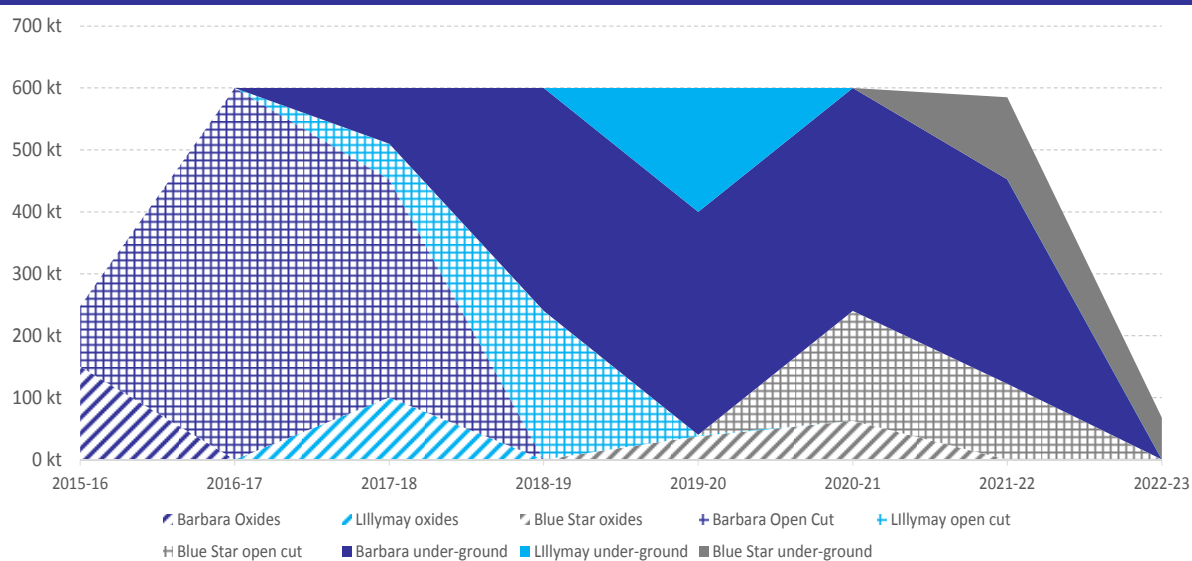
Figure 3 shows over 6 years of primary material, which justifies the cost of shifting the plant from Cloncurry to Barbara, though we expect that the oxide material will be crushed and then trucked to CopperChem’s Cloncurry operations.

### Operations

Figure 3 shows that SMD has 9 different ore sources, with relatively small differences in grade and trucking distance, as well as oxide v sulphide ores.

Figure 4 shows Beer & Co’s projected mine plan, which shows the mix of ores, partly constrained by an assumed under-ground capacity of 350kt/yr for Barbara and 300kt/yr for Lillymay and Blue Star, and the logical need to mine the oxide ore to reach the sulphide ore, and also to nearly complete the open-cut before being able to develop the under-ground off the open-cut.

**Figure 4 : Beer & Co’s projected mine plan for SMD**



Source : Bee & Co estimates

## Lower operating costs

The original plan, based on a 2 to 3 year mine life at Barbara, was to do a primary crush on site at Barbara and then truck the ore 140km to CopperChem's plant at Cloncurry.

This is an annual cost of about \$12.6m.

Figure 5 shows the impact on Beer & Co's estimated costs, including royalties and sustaining capital, of the changes in operations.

**Figure 5: Lower operational costs**

| AISC     | June 2014  | 6 year life | Mill shifted | oil price  |
|----------|------------|-------------|--------------|------------|
| US c/lb  | 190 c/lb   | 188 c/lb    | 162 c/lb     | 160 c/lb   |
| Aus c/lb | A 226 c/lb | A 223 c/lb  | A 214 c/lb   | A 212 c/lb |

Source : Beer & Co estimates

## Project Value

Figure 6 shows Beer & Co's projected cashflows for the Barbara project.

It shows that Beer & Co project capital cost is now assumed to be \$27m; The 21 January 2015 announcement stated that the plant will remain the property of CopperChem.

**Figure 6 : Beer & Co's projected cashflows, Barbara project**

| AUD m                | 2014-15    | 2015-16       | 2016-17     | 2017-18     | 2018-19     | 2019-20     | 2020-21     | 2021-22     |
|----------------------|------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Copper - USD/t       | \$ 6,228/t | \$ 6,669/t    | \$ 6,724/t  | \$ 6,724/t  | \$ 6,724/t  | \$ 6,724/t  | \$ 6,724/t  | \$ 6,724/t  |
| Copper - TC / RC     | \$ 95/t    | \$ 95/t       | \$ 95/t     | \$ 95/t     | \$ 95/t     | \$ 95/t     | \$ 95/t     | \$ 95/t     |
| AUD/USD              | 0.750      | 0.750         | 0.750       | 0.750       | 0.750       | 0.750       | 0.750       | 0.750       |
| Copper cathode t     | 0 t        | 2,250 t       | 0 t         | 1,500 t     | 0 t         | 0 t         | 1,500 t     | 0 t         |
| Copper in conc t     | 0 t        | 756 t         | 10,665 t    | 9,419 t     | 13,068 t    | 13,401 t    | 10,688 t    | 12,375 t    |
| Gold produced (oz)   | 0 oz       | 145 oz        | 1,929 oz    | 1,592 oz    | 1,158 oz    | 1,158 oz    | 1,559 oz    | 1,881 oz    |
| Silver produced (oz) | 0 oz       | 2,170 oz      | 28,939 oz   | 23,875 oz   | 17,363 oz   | 17,363 oz   | 17,363 oz   | 15,916 oz   |
| Copper Revenue       | 0.0        | 25.6          | 94.8        | 97.9        | 117.2       | 120.1       | 109.3       | 110.9       |
| Cu TC / RC           | 0.0        | (0.6)         | (8.7)       | (7.7)       | (10.7)      | (10.9)      | (8.7)       | (10.1)      |
| By-products, net     | 0.0        | 0.1           | 1.2         | 0.9         | 0.0         | 0.0         | 0.4         | 0.5         |
| Cash Costs           | 0.0        | (9.8)         | (23.3)      | (35.1)      | (34.5)      | (34.7)      | (36.2)      | (35.3)      |
| Royalties            | 0.0        | (1.1)         | (3.9)       | (4.1)       | (4.8)       | (4.9)       | (4.5)       | (4.5)       |
| Dep'cn & Amort'sn    | 0.0        | (3.8)         | (10.7)      | (14.3)      | (5.5)       | 0.0         | 0.0         | 0.0         |
| <b>E B I T</b>       | <b>0.0</b> | <b>10.4</b>   | <b>49.5</b> | <b>37.6</b> | <b>61.7</b> | <b>69.7</b> | <b>60.3</b> | <b>61.4</b> |
| Project Cap.Ex       | 0.0        | (27.0)        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Sus. Cap. Ex         | 0.0        | 0.0           | 0.0         | (4.0)       | (3.2)       | 0.0         | 0.0         | 0.0         |
| Exploration          | (0.8)      | (0.8)         | (4.0)       | (4.0)       | (4.0)       | 0.0         | 0.0         | 0.0         |
| <b>Net Cashflow</b>  | <b>0.0</b> | <b>(15.9)</b> | <b>45.3</b> | <b>36.6</b> | <b>45.5</b> | <b>48.8</b> | <b>42.2</b> | <b>39.8</b> |

Source : Beer & Co estimates

The net cashflow assumes that 70% of the \$27m project capital is debt financed, and the net cashflow is the cashflow to equity so includes repayment of principal plus interest.

It also includes the impact of working capital. It shows that the Barbara project has a very high return.

## SMD Value

SMD has a 50% share in the project. CopperChem earn their 50% interest by funding the feasibility study. Hence this extension is at virtually no cost to SMD.

SMD has raised \$1.996m in equity for working capital purposes and also to explore in areas that are 100% SMD and not part of the joint venture, but are expected to supply ore.

Beer & Co assumes :

- Feasibility study now completed by September 2015
- Financing in December quarter;
- Mine construction completed early in 2016, with first ore in March 2016.

Beer & Co assume that SMD raises nearly \$5m in equity in October 2015. Figure 7 shows that Beer & Co's valuation of SMD is 12c/share.

**Figure 7 : Beer & Co's valuation of SMD**

|                         | discount rate = 12.0 % | 30-Jun-14     |               | 4-May-15      |               |
|-------------------------|------------------------|---------------|---------------|---------------|---------------|
|                         |                        | risk :        | 100%          | Product       | per share     |
| Barbara Open Cut        | 80 %                   | \$ 12m        | \$ 10m        | 1.6 c         | 1.7 c         |
| Barbara under-ground    | 70 %                   | \$ 40m        | \$ 28m        | 4.5 c         | 5.0 c         |
| Satellites Open Cut     | 75 %                   | \$ 21m        | \$ 16m        | 2.5 c         | 2.8 c         |
| Satellites under-ground | 50 %                   | \$ 16m        | \$ 8m         | 1.3 c         | 1.5 c         |
| Franking credits        | 30 %                   | \$ 15m        | \$ 5m         | 0.7 c         | 0.8 c         |
| Corporate               | 100 %                  | (\$5m)        | (\$5m)        | (0.8c)        | (0.7c)        |
| Exploration             | 100 %                  | (\$9m)        | \$ 0m         | 0.0 c         | 0.0 c         |
| Cash / debt             | 100 %                  | \$ 2m         | \$ 2m         | 0.4 c         | 0.3 c         |
| Cash to be raised       | 100 %                  | \$ 5m         | \$ 5m         | 0.9 c         | 0.7 c         |
| <b>TOTAL</b>            |                        | <b>\$ 98m</b> | <b>\$ 69m</b> | <b>11.1 c</b> | <b>12.1 c</b> |
| Shares on issue         |                        | 274.4m        | FPO shares    | 30.9m         | options       |
|                         |                        | 332.3m        | to be issued  | 10.9m         | op. ex'd      |

Source : Beer & Co estimates

## Conclusions

In Beer & Co's view, the current feasibility work will significantly de-risk the Barbara project.

Our valuation is a multiple of the current share price.

We note that over 36% of the stock is now held by insiders.

Beer & Co confirms our Strong BUY, High Risk rating.

However, we expect that the SMD share price will be subdued until the feasibility study has been published.

**Beer & Co Research**  
Syndicated Metals (SMD.ASX) May 2015

| Year ended June                 | 2013-14 | 2014-15    | 2015-16    | 2016-17    | 2017-18     | 2018-19     |             |
|---------------------------------|---------|------------|------------|------------|-------------|-------------|-------------|
| <b>Section 1 - P&amp;L</b>      |         |            |            |            |             |             |             |
| Sales revenue                   | \$Am    | 0          | 0          | 16         | 44          | 46          | 53          |
| Interest revenue                | \$Am    | 0          | 0          | 0          | 0           | 0           | 0           |
| Other revenue                   | \$Am    | 1          | 0          | 0          | 0           | 0           | 0           |
| <b>Total Revenue</b>            | \$Am    | <b>1</b>   | <b>0</b>   | <b>16</b>  | <b>44</b>   | <b>46</b>   | <b>53</b>   |
| Cost of Goods Sold              | \$Am    | 0          | 0          | (6)        | (12)        | (17)        | (18)        |
| Corporate Costs                 | \$Am    | (1)        | (1)        | (1)        | (1)         | (1)         | (1)         |
| Royalties                       | \$Am    | 0          | 0          | (1)        | (2)         | (2)         | (2)         |
| Exploration Expense             | \$Am    | (0)        | (0)        | (0)        | (1)         | (1)         | (1)         |
| <b>Total Operating Expenses</b> | \$Am    | <b>(1)</b> | <b>(1)</b> | <b>(7)</b> | <b>(16)</b> | <b>(21)</b> | <b>(22)</b> |
| <b>EBITDA</b>                   | \$Am    | <b>(0)</b> | <b>(1)</b> | <b>9</b>   | <b>27</b>   | <b>25</b>   | <b>31</b>   |
| Dep'n & Amort'sn                | \$Am    | 0          | (4)        | (9)        | (8)         | (1)         | 0           |
| <b>EBIT</b>                     | \$Am    | <b>(0)</b> | <b>(5)</b> | <b>(0)</b> | <b>20</b>   | <b>23</b>   | <b>31</b>   |
| Interest Expense                | \$Am    | 0          | (0)        | (1)        | (0)         | (0)         | (0)         |
| Other                           | \$Am    |            |            |            |             |             |             |
| <b>Pre-Tax Profit</b>           | \$Am    | <b>(0)</b> | <b>(5)</b> | <b>(1)</b> | <b>20</b>   | <b>23</b>   | <b>31</b>   |
| Tax Expense                     | \$Am    | 0          | (1)        | (5)        | (5)         | (9)         | (10)        |
| <b>NPAT</b>                     | \$Am    | <b>(0)</b> | <b>(7)</b> | <b>(6)</b> | <b>14</b>   | <b>14</b>   | <b>21</b>   |
| <b>Reported NPAT</b>            | \$Am    | <b>(0)</b> | <b>(7)</b> | <b>(6)</b> | <b>14</b>   | <b>14</b>   | <b>21</b>   |

| Section 2 - Key Data          |   | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|-------------------------------|---|---------|---------|---------|---------|---------|---------|
| Ordinary shares - year end    | m | 274.4   | 374.2   | 606.7   | 606.7   | 606.7   | 606.7   |
| Fully diluted shares on issue | m | 274.4   | 374.2   | 606.7   | 606.7   | 606.7   | 606.7   |
| Weighted # shares             | m | 256.2   | 299.4   | 548.6   | 606.7   | 606.7   | 606.7   |
| Earnings per Share            |   | (0.2c)  | (0.3c)  | 0.5 c   | 2.1 c   | 1.9 c   | 3.4 c   |
| 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       |      | 2013-14   | 2014-15    | 2015-16   | 2016-17   | 2017-18   | 2018-19   |
|---------------------------------|------|-----------|------------|-----------|-----------|-----------|-----------|
| Cash                            | \$Am | 2         | 2          | 9         | 26        | 41        | 62        |
| Receivables                     | \$Am | 0         | 0          | 4         | 6         | 6         | 7         |
| Other                           | \$Am | 0         | 0          | 0         | 0         | 0         | 0         |
| <b>CURRENT ASSETS</b>           | \$Am | <b>3</b>  | <b>2</b>   | <b>13</b> | <b>32</b> | <b>47</b> | <b>69</b> |
| Receivables                     | \$Am | 0         | 0          | 0         | 0         | 0         | 0         |
| P, P & E                        | \$Am | 0         | 0          | 11        | 6         | 3         | 4         |
| Mining Properties / Exploration | \$Am | 9         | 10         | 9         | 10        | 11        | 14        |
| Other                           | \$Am | 0         | 0          | 0         | 0         | 0         | 0         |
| <b>NON-CURRENT ASSETS</b>       | \$Am | <b>9</b>  | <b>10</b>  | <b>20</b> | <b>16</b> | <b>14</b> | <b>18</b> |
| <b>TOTAL ASSETS</b>             | \$Am | <b>12</b> | <b>12</b>  | <b>34</b> | <b>48</b> | <b>61</b> | <b>87</b> |
| Payables                        | \$Am | 0         | 0          | 1         | 1         | 1         | 1         |
| Debt                            | \$Am | 0         | (8)        | 6         | 2         | 0         | 0         |
| Other                           | \$Am | 0         | 0          | 0         | 0         | 0         | 0         |
| <b>CURRENT LIABILITIES</b>      | \$Am | <b>0</b>  | <b>(8)</b> | <b>6</b>  | <b>2</b>  | <b>0</b>  | <b>0</b>  |
| Long Term Debt                  | \$Am | 0         | 8          | 2         | 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>8</b>   | <b>2</b>  | <b>0</b>  | <b>0</b>  | <b>0</b>  |
| <b>TOTAL LIABILITIES</b>        | \$Am | <b>0</b>  | <b>0</b>   | <b>8</b>  | <b>2</b>  | <b>0</b>  | <b>0</b>  |
| <b>NET ASSETS</b>               | \$Am | <b>12</b> | <b>12</b>  | <b>25</b> | <b>46</b> | <b>61</b> | <b>87</b> |
| Accumulated Profit (Loss)       | \$Am | (13)      | (14)       | (11)      | 2         | 13        | 34        |
| Reserves                        | \$Am | 3         | 3          | 8         | 15        | 18        | 24        |
| Contributed Equity              | \$Am | 21        | 23         | 28        | 28        | 28        | 28        |
| <b>Total Equity</b>             | \$Am | <b>11</b> | <b>12</b>  | <b>25</b> | <b>45</b> | <b>59</b> | <b>86</b> |

| Section 4 - Cashflow                  |      | 2013-14    | 2014-15    | 2015-16     | 2016-17    | 2017-18    | 2018-19    |
|---------------------------------------|------|------------|------------|-------------|------------|------------|------------|
| Net Cashflow from operations          | \$Am | 0          | 0          | 10          | 29         | 27         | 33         |
| Interest Paid                         | \$Am | 0          | (0)        | (1)         | (0)        | (0)        | (0)        |
| Taxes Paid                            | \$Am | 0          | 0          | 0           | (1)        | (3)        | (5)        |
| Change in Working Capital             | \$Am | (0)        | 1          | (5)         | (2)        | (1)        | (1)        |
| <b>OPERATING CASHFLOW</b>             | \$Am | <b>(0)</b> | <b>0</b>   | <b>4</b>    | <b>27</b>  | <b>23</b>  | <b>27</b>  |
| Exploration Expenditures              | \$Am | (1)        | (1)        | (1)         | (4)        | (4)        | (4)        |
| Maintenance Capex                     | \$Am | 0          | 0          | 0           | 0          | (2)        | (2)        |
| Expansion Capex                       | \$Am | 0          | 0          | (14)        | 0          | 0          | 0          |
| <b>PPE Acquisitions (Total Capex)</b> | \$Am | <b>(1)</b> | <b>(1)</b> | <b>(14)</b> | <b>(4)</b> | <b>(6)</b> | <b>(6)</b> |
| PPE Divestments                       | \$Am | 0          | 0          | 0           | 0          | 0          | 0          |
| <b>INVESTING CASHFLOW</b>             | \$Am | <b>(1)</b> | <b>(1)</b> | <b>(14)</b> | <b>(4)</b> | <b>(6)</b> | <b>(6)</b> |
| Change in Equity                      | \$Am | 3          | 2          | 4           | 0          | 0          | 0          |
| Dividends Paid                        | \$Am | 0          | 0          | 0           | 0          | 0          | 0          |
| Change in Debt                        | \$Am | (0)        | (0)        | 8           | (6)        | (2)        | 0          |
| <b>FINANCING CASHFLOW</b>             | \$Am | <b>3</b>   | <b>2</b>   | <b>12</b>   | <b>(6)</b> | <b>(2)</b> | <b>0</b>   |
| <b>Free Cashflow</b>                  | \$Am | <b>(2)</b> | <b>(1)</b> | <b>(10)</b> | <b>23</b>  | <b>17</b>  | <b>22</b>  |
| <b>Net Cashflow</b>                   | \$Am | <b>1</b>   | <b>1</b>   | <b>3</b>    | <b>16</b>  | <b>15</b>  | <b>22</b>  |

| Major Shareholders |  | 30.89 % | 115.609m | Board & Management     |        |        |        |
|--------------------|--|---------|----------|------------------------|--------|--------|--------|
| CopperChem Limited |  | 4.39 %  | 16.435m  | David Morgan (Chair)   | 8.062m | 2.15 % | 2.027m |
| Ottomin Group      |  | 3.63 %  | 13.600m  | Andrew Munckton (MD)   | 7.798m | 2.08 % | 2.365m |
| Korea Zinc         |  |         |          | Peter Langworthy (NED) | 4.984m | 1.33 % | 0.914m |

| Commodity price assumptions |         |         |         |         |         |         |         |  |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|--|
| Year ended June             | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |  |
| AUD-USD                     | 0.750   | 0.750   | 0.750   | 0.750   | 0.750   | 0.750   | 0.750   |  |
| Copper US\$/t               | 6,228   | 6,669   | 6,724   | 6,724   | 6,724   | 6,724   | 6,724   |  |
| Gold US\$/oz                | 1,200   | 1,200   | 1,200   | 1,200   | 1,200   | 1,200   | 1,200   |  |
| Silver US\$/oz              | 18.5    | 18.5    | 18.5    | 18.5    | 18.5    | 18.5    | 18.5    |  |

| Mine Production |         |         |         |         |         |         |         |     |
|-----------------|---------|---------|---------|---------|---------|---------|---------|-----|
|                 | '000 t  | 248     | 600     | 600     | 600     | 600     | 600     | 600 |
| Ore processed   |         | 248     | 600     | 600     | 600     | 600     | 600     | 600 |
| Copper grade    | 2.00%   | 2.00%   | 2.10%   | 2.42%   | 2.47%   | 2.30%   | 2.34%   |     |
| Copper recovery | 79%     | 79%     | 89%     | 88%     | 90%     | 89%     | 89%     |     |
| Gold grade      | 0.13g/t | 0.20g/t | 0.16g/t | 0.12g/t | 0.13g/t | 0.20g/t | 0.20g/t |     |
| gold recovery   | 30%     | 50%     | 45%     | 50%     | 46%     | 45%     | 50%     |     |
| Silver grade    | 2.0g/t  | 3.0g/t  | 2.4g/t  | 1.8g/t  | 1.8g/t  | 1.8g/t  | 1.7g/t  |     |
| silver recovery | 30%     | 50%     | 45%     | 50%     | 50%     | 50%     | 50%     |     |

| Attributable production |    |       |       |        |        |       |       |       |
|-------------------------|----|-------|-------|--------|--------|-------|-------|-------|
|                         | t  | 1,125 | 0     | 750    | 0      | 281   | 469   | 0     |
| Copper cathode          | t  | 1,125 | 0     | 750    | 0      | 281   | 469   | 0     |
| Copper in conc          | t  | 819   | 5,333 | 4,780  | 6,534  | 6,326 | 5,648 | 6,306 |
| Gold                    | oz | 0     | 157   | 965    | 711    | 579   | 579   | 864   |
| Silver                  | oz | 0     | 2,351 | 14,469 | 10,671 | 8,682 | 8,682 | 8,682 |

| Resources                       |              | Copper       | Gold         | Silver         |               |               |                |
|---------------------------------|--------------|--------------|--------------|----------------|---------------|---------------|----------------|
| Barbara                         |              |              |              |                |               |               |                |
| 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        |
| <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>429 koz</b> |

|                        |                 | grades       |         |         | Contained metal |                 |                |
|------------------------|-----------------|--------------|---------|---------|-----------------|-----------------|----------------|
|                        |                 | copper       | gold    | silver  | copper          | gold            | silver         |
| Barbara Oxides         | 150 kt          | 2.0%         | 0.0 g/t | 0.0 g/t | 3.0 kt          | 0.0 koz         | 0 koz          |
| Barbara Open Cut       | 1,050 kt        | 2.0%         | 0.2 g/t | 3.0 g/t | 21.0 kt         | 6.8 koz         | 101 koz        |
| Barbara under-ground   | 1,500 kt        | 2.5%         | 0.2 g/t | 3.0 g/t | 37.5 kt         | 9.6 koz         | 145 koz        |
| Lillymay oxides        | 100 kt          | 2.0%         | 0.0 g/t | 0.0 g/t | 2.0 kt          | 0.0 koz         | 0 koz          |
| Lillymay open cut      | 300 kt          | 2.3%         | 0.0 g/t | 0.0 g/t | 6.9 kt          | 0.0 koz         | 0 koz          |
| Lillymay under-ground  | 200 kt          | 2.5%         | 0.0 g/t | 0.0 g/t | 5.0 kt          | 0.0 koz         | 0 koz          |
| Blue Star oxides       | 100 kt          | 2.0%         | 0.2 g/t | 0.0 g/t | 2.0 kt          | 0.6 koz         | 0 koz          |
| Blue Star open cut     | 400 kt          | 2.0%         |         |         | 2.0 kt          |                 |                |
| Blue Star under-ground | 200 kt          | 2.5%         |         |         | 5.0 kt          |                 |                |
| <b>TOTAL</b>           | <b>3,900 kt</b> | <b>2.27%</b> |         |         | <b>88.4 kt</b>  | <b>20.3 koz</b> | <b>246 koz</b> |

| Asset based Valuation   |         |                |                         |               |                   |  |
|-------------------------|---------|----------------|-------------------------|---------------|-------------------|--|
| discount rate = 12.0 %  | risking | 30-Jun-14      |                         |               | 04-May-15         |  |
|                         |         | 100%           | Product                 | per share     |                   |  |
| Barbara Open Cut        | 80 %    | \$ 13m         | \$ 10m                  | 1.6 c         | 1.8 c             |  |
| Barbara under-ground    | 70 %    | \$ 40m         | \$ 28m                  | 4.5 c         | 5.0 c             |  |
| Satellites Open Cut     | 75 %    | \$ 21m         | \$ 16m                  | 2.6 c         | 2.8 c             |  |
| Satellites under-ground | 50 %    | \$ 21m         | \$ 11m                  | 1.7 c         | 1.9 c             |  |
| Franking credits        | 30 %    | \$ 16m         | \$ 5m                   | 0.8 c         | 0.8 c             |  |
| Corporate               | 100 %   | (\$5m)         | (\$5m)                  | (0.8c)        | (0.7c)            |  |
| Exploration             | 100 %   | (\$9m)         | \$ 0m                   | 0.0 c         | 0.0 c             |  |
| Cash / debt             | 100 %   | \$ 2m          | \$ 2m                   | 0.4 c         | 0.3 c             |  |
| Cash to be raised       | 100 %   | \$ 5m          | \$ 5m                   | 0.9 c         | 0.7 c             |  |
| <b>TOTAL</b>            |         | <b>\$ 104m</b> | <b>\$ 72m</b>           | <b>11.7 c</b> | <b>12.7 c</b>     |  |
| Shares on issue         |         | 274.4m         | FPO shares to be issued | 30.9m         | options exercised |  |
|                         |         | 332.3m         |                         | 10.9m         |                   |  |

| Assumed Cash Costs, US c/lb |                 |                 |                 |                 |                 |                 |                 |  |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
|                             | LoM             | 2015-16         | 2016-17         | 2017-18         | 2018-19         | 2019-20         | 2020-21         |  |
| Waste                       | 25              | 17              | 30              | 38              | 14              | 2               | 9               |  |
| Mining                      | 27              | 28              | 7               | 21              | 39              | 47              | 44              |  |
| Site Admin                  | 6               | 8               | 6               | 6               | 5               | 5               | 6               |  |
| Processing                  | 33              | 67              | 33              | 38              | 20              | 18              | 26              |  |
| Transport                   | 13              | 8               | 14              | 13              | 14              | 14              | 14              |  |
| TC/RC                       | 33              | 15              | 37              | 32              | 37              | 35              | 34              |  |
| net by-product credit       | (2)             | (2)             | (4)             | (2)             | (0)             | (0)             | (1)             |  |
| Royalties                   | 14              | 13              | 14              | 14              | 14              | 14              | 14              |  |
| Sustaining Capital          | 9               | 0               | 0               | 12              | 8               | 0               | 0               |  |
| <b>TOTAL</b>                | <b>160 c/lb</b> | <b>155 c/lb</b> | <b>138 c/lb</b> | <b>173 c/lb</b> | <b>152 c/lb</b> | <b>136 c/lb</b> | <b>146 c/lb</b> |  |

| Financial Ratios   |         |         |         |         |         |         |       |
|--------------------|---------|---------|---------|---------|---------|---------|-------|
| Year ended June    | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |       |
| Revenue            | \$Am    | 1       | 0       | 16      | 44      | 46      | 53    |
| EBITDA             | \$Am    | (0)     | (1)     | 9       | 27      | 25      | 31    |
| EBIT               | \$Am    | (0)     | (5)     | (0)     | 20      | 23      | 31    |
| NPAT (reported)    | \$Am    | (0)     | (7)     | (6)     | 14      | 14      | 21    |
| Adjusted EPS (cps) |         | (0.2c)  | (0.3c)  | 0.5 c   | 2.1 c   | 1.9 c   | 3.4 c |
| EPS Growth (%)     |         |         | (21%)   | 289%    | 321%    | (8%)    | 77%   |
| 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</     |         |         |         |         |         |       |

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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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