

Syndicated Metals Limited (ASX:SMD) is a base metals and gold exploration company with controlling interests in a portfolio of tenements covering ~4,000km² in the Mount Isa mining region in north-western Queensland, Australia. SMD's two key projects are: (i) the Barbara Cu-Au resource within the Mount Remarkable tenement area, and (ii) the Kalman Mo-Re-Cu-Au joint venture.

Company Data

ASX Code	SMD
Share Price (A\$)	0.12
Shares on Issue (m)	104.3
Options (m)	28.4
Market Cap (Fully diluted, A\$m)	15.9

Financials (A\$m)

Cash (est)	3.2
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Resources (KtCu)

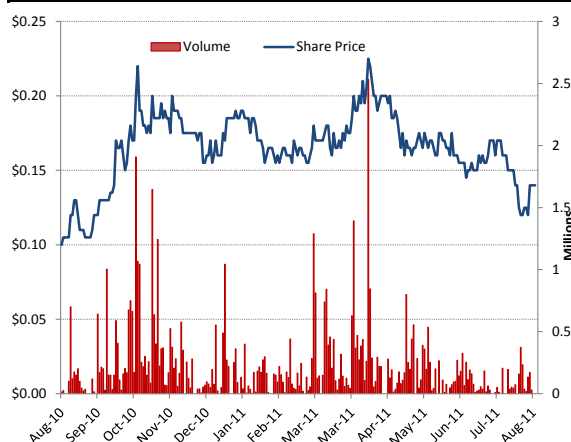
Measured & Indicated	59
Inferred	134*
Total	193*

*Includes assumption of SMD 60% on Kalman

Board

Martin Pyle	Non Exec. Chairman
Russell Davis	Managing Director
Bruce McCullagh	Non Exec. Director
Jan Hope	Non Exec. Director
Ki Deok Park	Non Exec. Director

Share price performance



Analyst

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RECOMMENDATION: SPECULATIVE BUY

- SMD has the potential to significantly increase its resource base over the next 12-18 months, having identified several targets at a low discovery cost of A\$80/t.
- SMD has considerable upside potential from its large tenement holdings in the Mount Isa region. The company's key value driver will be any resource increase at Mount Remarkable and the Kalman JV.
- Our valuation is A\$0.27 per share**, with the stock currently trading at a >41% discount to its peer average on an EV/t basis. **As such, we initiate coverage with a Speculative Buy recommendation.**

KEY POINTS

- Growing resource inventory:** A maiden JORC resource is expected for the Blue Star and Green Zone targets at Mount Remarkable in 3Q 2011, and a JORC upgrade at Kalman in 4Q 2011/1Q 2012. The company's potential for re-rating sits with any growth in its resource inventory and the feasibility for long term exploitation of these resources. SMD currently holds a combined resource inventory of 269kt Cu, 30kt Mo, 2.3moz Re and 315koz Au (100% basis). The company's 2011 drilling campaign is forecast to complete 6,000-8,000m of RC and diamond drilling, with an additional ~20,000m planned for 2012.
- Commanding ground position:** The company's tenement interests are strategically located in the Mount Isa region adjacent to major players, with access to road and rail infrastructure in a world-recognised premier base metals region hosting the George Fisher-Hilton, Century, Cannington, Dugald River, and Ernest Henry deposits.
- Strong cornerstone investor:** 13% of SMD is held by Korea Zinc, the world's second largest zinc smelter with a combined group zinc output accounting for 8% of global production.

RISKS

- Approvals and environmental licensing:** The approvals and environmental licensing process for SMD may take longer than expected.
- Copper prices:** The company's feasibility studies are dependent on prevailing copper prices which are highly volatile by nature and influenced by a number of market factors outside of the company's control. A decline in prevailing copper prices may significantly erode future project economics and as a result the ability to fund further development of SMD's assets.
- Exploration risk:** There is a risk that the exploration program at Mount Remarkable and Kalman may not result in the delineation of further economic resources.

Company Background

SMD was listed in 2007 and is an ASX-listed base metals and gold exploration company. Their exploration portfolio consists of ~4,000km² in the Mount Isa mining region in north-western Queensland, Australia. SMD’s projects are located close to major players in the area including BHPB, Xstrata, Ivanhoe and MMG.

The company has two key projects:

- **Mount Remarkable Project:** comprising an existing copper-gold resource at Barbara and a number of exploration targets within the Mount Remarkable tenement area; and
- **Kalman Project:** a joint venture with Cerro Resources NL (ASX:CJO) which includes the Kalman molybdenum-rhenium-copper-gold deposit and surrounding exploration tenements.

In addition, SMD has a joint venture with Deep Yellow Limited on exploration tenements in proximity to Mount Remarkable considered highly prospective for IOCG (iron oxide copper gold) deposits.

SMD currently manages a combined resource inventory of 269kt Cu, 30kt Mo, 2.3moz Re and 315koz Au (100% basis). The company’s 2011 drilling campaign is forecast to complete 6,000-8,000m of RC and diamond drilling, with an additional ~20,000m planned for 2012.

SMD’s immediate focus is to increase the resource size at the Mount Remarkable Project whilst continuing work at the Kalman Project, whereby completion of a PFS is anticipated over the next 18 months. We also note that SMD has several targets identified and not yet drilled at both projects.

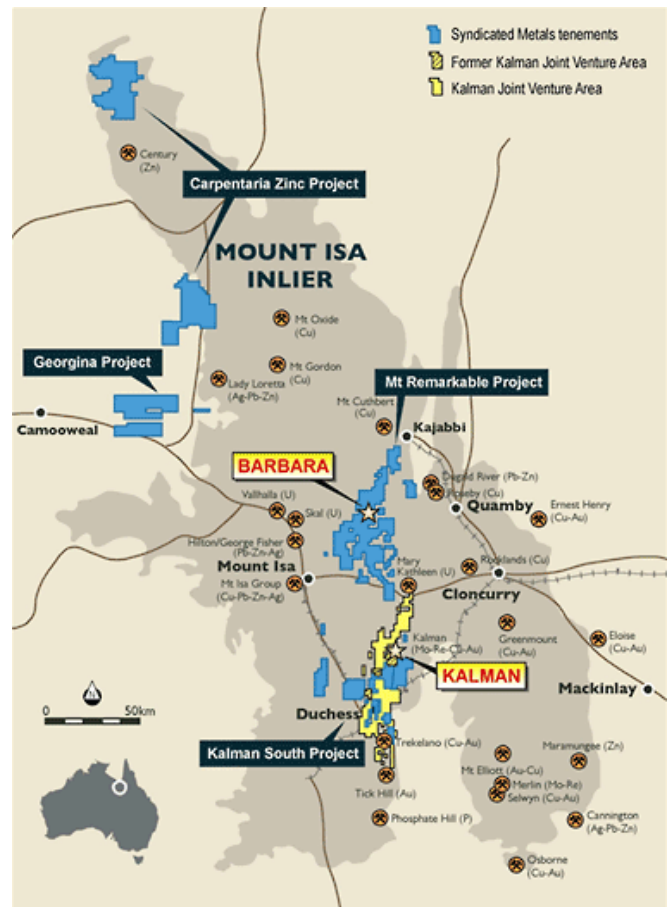
We recently visited SMD’s projects in the Mount Isa region and came away particularly impressed with the quality of SMD’s management team, projects and potential exploration upside in the area.

To date SMD has been successful in building an initial resource base, and identifying a number of highly prospective targets. The recent JV with CJO at the Kalman Project has given the company a significant increase in its resource base and prospective exploration area. SMD and CJO’s combined expenditure to date at both the Barbara and Kalman projects is in excess of A\$26m.

Mount Remarkable Tenement Area

Project Overview	
Ownership	100%*
Location	Mount Isa region
Licence Area	1,100km ²
Status	Exploration

*Excluding 2 tenements held 51% by SMD under the Leichardt JV



SMD projects in the Mount Isa region (Source: SMD)

The Mount Remarkable tenement area is located approximately 60km north-east of Mount Isa. The area comprises tenements covering a combined area of approximately 1,100km².

All tenements are 100% owned by SMD with the exception of EPM16112 and EPM16197 which cover the north-western part of the Barbara copper-gold deposit and the area surrounding the Blockade copper mine. These form the Leichardt JV with Mount Isa Metals Limited, which is 51% owned and managed by SMD.

The Company has expended A\$5.8m at Mount Remarkable. SMD’s exploration program to date has focused on RC

drilling of established copper targets derived from previous regional soil and rock chip geochemical sampling programs. The previous sampling focused on the terrain adjacent to the principal structural zones and magnetic anomalies. As a result, SMD has identified the Barbara deposit, as well as a number of prospective exploration targets including Ironbark, Bloodwood, Mt. Margaret, Mt. Hutchinson, Trey Bit and Blue Star.

SMD has delineated a JORC resource of 5.3Mt @ 1.4% Cu, 0.1 g/t Au, 2.5 g/t Ag, and 267ppm Co at Mount Remarkable, at the Barbara Project. The company expects to finalise a maiden JORC resource at Green Zone and Blue Star in 3Q 2011. Historical drilling and exploration undertaken to date by SMD at Blue Star has identified a number of encouraging results, including 14m @ 1.15% Cu and 0.17 g/t Au, 14m @ 1.63% Cu and 0.25 g/t Au and 9m @ 6.1% Cu and 0.7 g/t Au.

Bloodwood and Iron Bark, located north-east of the Barbara Project, were identified by mapping strong magnetic trends. Initial rock chip samples have shown a strong copper anomalism of up to 25% Cu and 12 g/t Au. Given the magnetic footprint of these targets we believe that they could add significant exploration upside to SMD's mineral resource base.

In our view the Mount Remarkable area has a significant strategic location with options for treating its high grade ore. The tenement is located ~50km from Xstrata's existing operations in Mount Isa and 10-30km from Altona's (AOH:ASX) Roseby project (currently under an aggressive drilling campaign). AOH may be likely to build a processing plant to treat its growing 177mt @ 0.62% Cu JORC resource in 2014. As a result we would estimate that SMD's future ore transport by truck to Xstrata or AOH could attract a low operating cost of A\$2-12/t (Helmsec's assumption of 20c t/km). This could provide synergies for SMD to develop ore-only operations without building a 'capex-hungry' processing plant to treat its own ore if it wished to do so

Barbara Project

The Barbara Project is a copper and gold deposit located approximately 60km northeast of Mount Isa and as part of the Mount Remarkable tenement area. The Project is accessible via the main Barkly Highway and the Lake Julius Road.

The mineralisation occurs within a shear zone termed the Barbara Fault. Outcrops (gossans) occur along the fault extending for over one kilometre. Orientation generally dips towards the southeast at between 60 and 70 degrees and within this envelope a number of shoots are developed

which plunge steeply to the southeast and are open at depth.

Initial works on mineralogy have shown encouraging results for mineral recovery. Metallurgical test work carried out by AMDEL Mineral Laboratories in Perth on two composite samples of sulphide ore grading 3.5% Cu and 4.9% Cu (from diamond drilling) have produced copper concentrate averaging 25% Cu with a recovery of 91-96%. Although it is early days to draw conclusions given the small sample tested, we could expect between 85-95% copper recovery due to the fact that the copper sulphide ore is mostly chalcopyrite.

The Barbara Project currently hosts two known deposits which are less than 500m apart:

- Barbara
- Green Zone

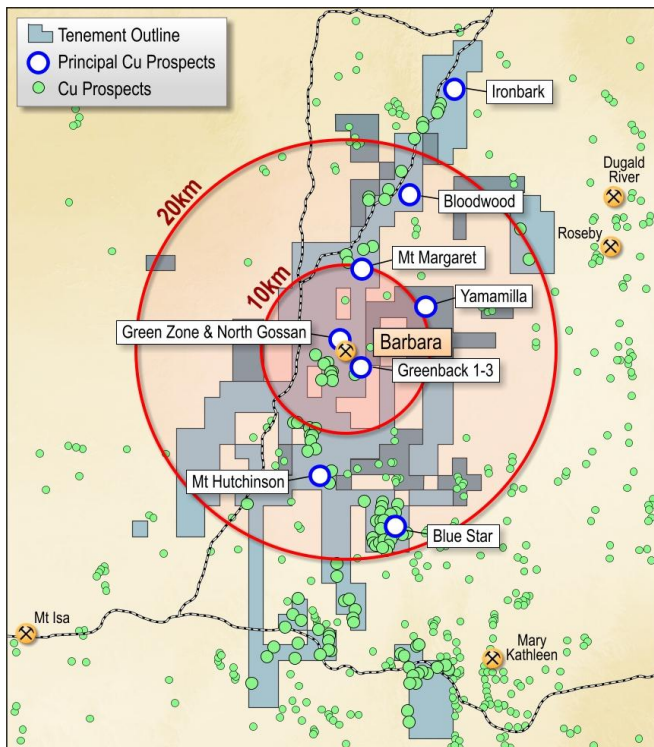
There are additional high priority targets nearby at Greenback 1-3 and the North Gossan cobalt zone.

The weathering profile of the Barbara Project area is relatively shallow with depths to the base of oxidation averaging around 10 to 15m. Approximately 2% of the current resource base has been classified as either oxide or transitional material. The company has indicated that the rock competence to date has shown to be good. This combination of facts is relevant for future mining cost savings as it potentially can help to have steeper walls in an open pit reducing the ore to waste strip ratio and the cost associated with re-enforcing underground tunnels.

The company's current focus is to drill out these existing deposits to add further tonnages through extension drilling, and improving resource confidence through infill drilling. SMD's aim is to delineate a resource of sufficient size to support a stand-alone project with its own processing plant, or alternatively to provide sufficient ore to feed Xstrata's and possibly AOH's plants as a long life project.

Barbara exploration targets include 15 VTEM conductors (magnetic survey) which are expected to be tested in 2012.

SMD anticipates releasing a maiden JORC resource at Green Zone in 3Q 2011. Given the current drilling and quality of drilling targets, the Company expects a short to medium term resource increase from 76kt contained Cu to 100-150kt of contained Cu (excluding credits). We are of the view that there is room for even further upside on the basis that the deposits remain open at depth.

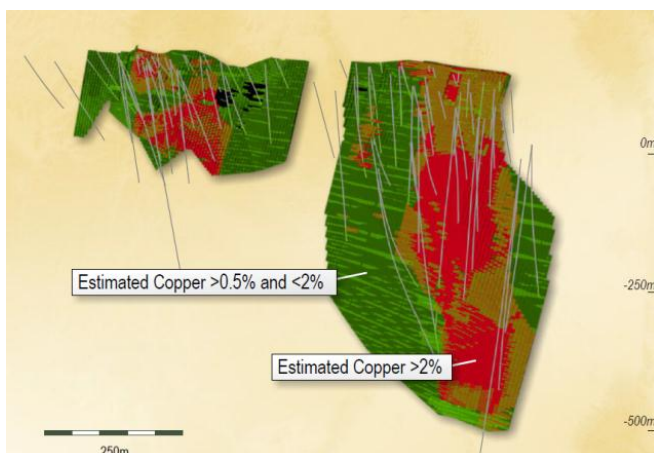


Barbara Deposit (Source:SMD)

Barbara Resources - Copper Zone - 0.5% Cu Cut-off

Category	Mt	Cu%	Au (g/t)	Ag (g/t)	Cu (kt)	Au (koz)	Ag (koz)
Indicated	3.778	1.6	0.2	2.7	59	18	328
Inferred	1.552	1.1	0.1	2.0	17	6	102
Total	5.331	1.4	0.1	2.5	76	25	430

Barbara JORC Resources (Source:SMD)



Barbara 3D resource model (Source: SMD)

Kalman Project

Project Overview	
Ownership	Up to 80%
Location	Mount Isa region
Licence Area	700km ²
Status	Exploration

The Kalman Project is a polymetallic molybdenum, copper, rhenium and gold deposit located approximately 60km south east of Mount Isa and covering a total area of approximately 700km². SMD has an extensive ground position over a major regional structure known as the Pilgrim Fault. The project's geology and metallurgy are well understood, with substantial metallurgical and geological studies for the project having previously been completed.

Following the restructure of the Kalman JV with CJO announced on 16 May 2011, SMD can earn up to 80% of the Kalman Project and surrounding exploration tenements in 2 Stages as follows:

- **Stage 1:** Issue A\$2m of SMD shares (completed) and expend A\$4m on exploration over 2 years to earn 60%; and
- **Stage 2:** Issue A\$1m of SMD shares and expend A\$7m over 3.5 years to earn 80%.

Other key features of the JV agreement include:

- Option to acquire 100% of the mine development following decision to mine;
- 2% NSR over EPM13870 which contains a large portion of the Kalman mineralisation; and
- SMD will be the operator of this new joint venture with a final option to take its interest to 100% in any individual deposit once a bankable feasibility study has been produced and a decision to mine made. This option's exercise price is still open to negotiation.

Kalman's ore is hosted in a steeply dipping shear zone adjacent to the regional-scale Pilgrim Fault. The mineralisation comprises chalcopyrite, molybdenite and pyrite within the altered calc-silicates (sediments) of the Corella Formation now comprised dominantly of alkali feldspar, actinolite and chlorite.

The mineralisation at Kalman has been traced continuously over a strike length of 1,000m, at a depth of 900m below surface which consistently averages 80-90m in width. Copper grades are consistently elevated, although variable,

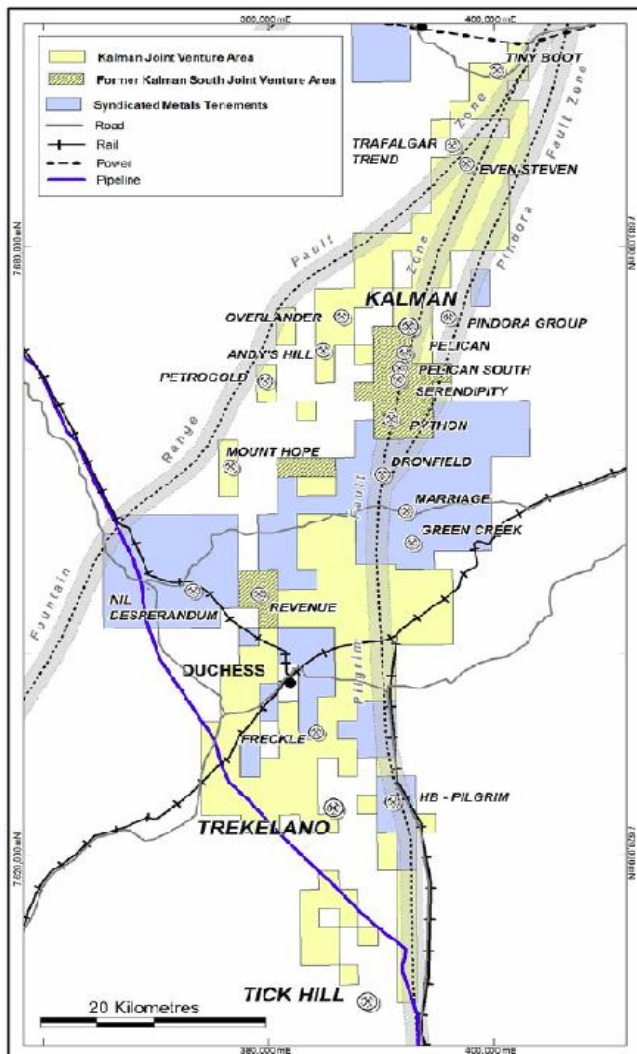
over broad widths and molybdenite-rhenium grades are often highly elevated over lesser widths. A higher grade mineralised core in the centre of the system averages between 10-30m in width.

The current focus on the Kalman Project is to gain a greater understanding of the ore body boundaries and grade distribution. As such, a program of infill drilling has been planned to take the current Inferred resources to Indicated status as well as testing boundaries with a program of extensional drilling. The near-surface potentially open pitted sections of the deposit will also be a focus as to date there has been limited drilling in this zone.

Previous mining studies have assessed Kalman as initially being mined by open pit, followed by an underground operation focusing on the high grade molybdenum and copper zones. Since this time the market dynamics for molybdenum have changed significantly, and as a result the focus for SMD is now on maximising the understanding of the copper domain.

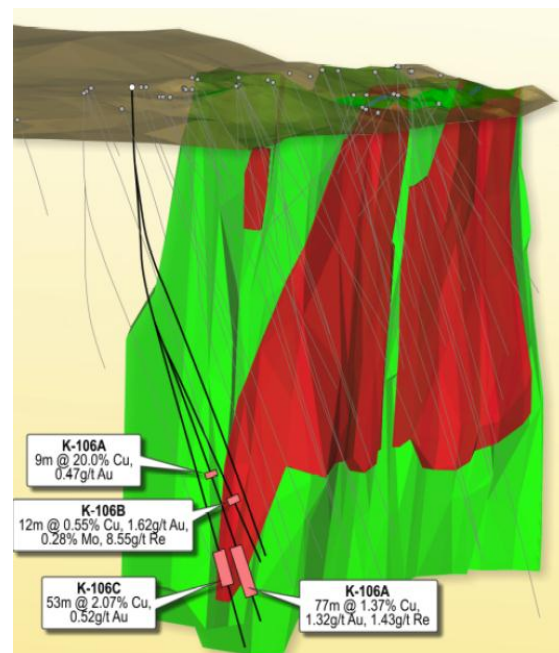
Preliminary metallurgical test work results announced by CJO have indicated strong recoveries for both zones. Flotation tests for copper and gold have shown recoveries of 95% and 82% respectively for the copper zone, whilst flotation tests for the Mo, Cu and Au have shown recoveries of 88%, 95% and 78% respectively. Results to date have also shown that Re can be recovered from the Mo roasting process.

In our view, Kalman’s recoveries are in line with the ore rock type as the known ore have shown that the most common copper species was chalcopyrite (>90%) with chalcocite and bornite present in trace amounts. The only molybdenum bearing mineral was molybdenite.



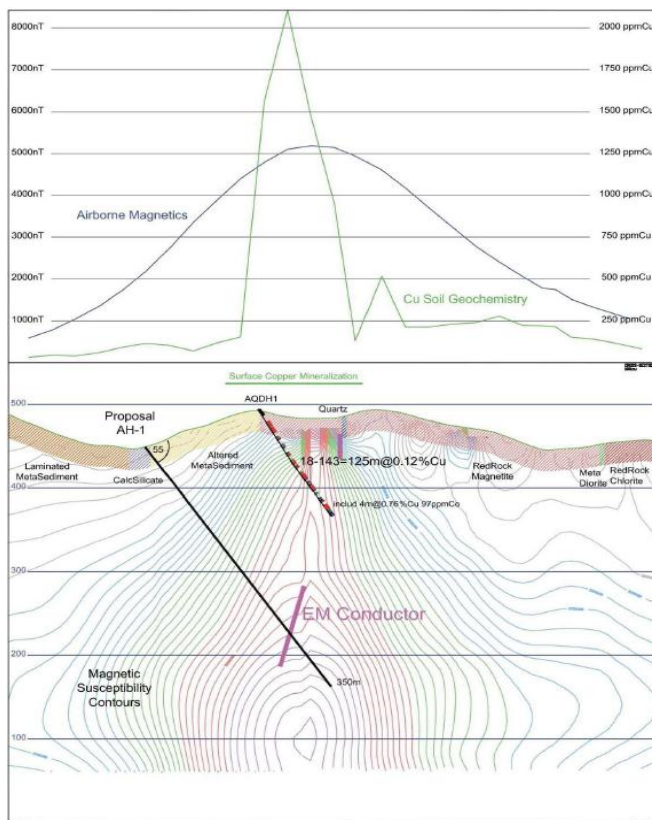
Kalman Project Area (Source: SMD)

The current JORC mineral resource at the Kalman Project comprises 60.8 Mt @ 0.32% Cu, 0.05% Mo, 1.19g/t Re and 0.15g/t Au at the copper zone and 24.9Mt @ 0.26% Cu, 0.11% Mo, 2.78 g/t and 0.13 g/t Au at the moly zone. Re has shown a positive correlation with Mo grades.



Kalman South resource Model (Source: SMD)

SMD has identified other targets to the south of the Kalman Project. We highlight the recent announcement on Andy’s Hill showing a strong EM conductor for an IOGC target below 200m from surface, using a government co-funding drilling grant. This area is not new to exploration, with historical exploration at a location between the two possible EM sources having intersected 125m averaging 0.12% Cu.



Andy's Hill Cross-Section (Source: SMD)

Following the Pilgrim Fault to the south, SMD has identified several other targets in the Kalman Project area including Pelican, Pelican South, Serendipity, Python, Dronfield, Marriage and Green Creek.

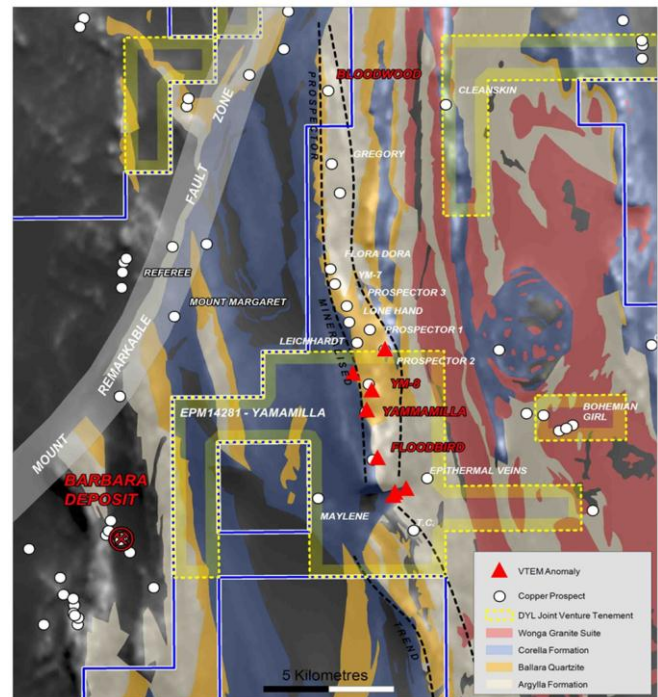
Kalman Inferred Resources Estimate at 0.2% Cu & 0.02% Mo cut-off

Zone	Mt	Mo (%)	Re (g/t)	Cu (%)	Au (g/t)	Mo (kt)	Re (moz)	Cu (kt)	Au (koz)
Cu	60.8	0.05	1.19	0.32	0.15	30.4	2.3	194.7	294.9
Mo	24.9	0.11	2.78	0.26	0.13	27.3	2.2	64.0	102.2

Kalman JORC Resources (Source:SMD)

Deep Yellow Farm-in and JV

In June 2011 SMD signed a Farm-in and Joint Venture Agreement with Deep Yellow Limited (ASX:DYL) over four tenements covering an area of 650km² adjacent to its Mount Remarkable Project. The terms of the agreement include the potential to earn an interest of up to 80% by spending A\$800k over 4 years, with the remaining 20% to be sold at market. The rights agreed are for non-uranium minerals.



Deep Yellow JV targets (source: SMD)

These tenements are of significant interest to SMD as they contain a number of stand-out gold and base metals targets. In particular EPM14281 (Yamamilla) contains several drill-ready targets with outcropping copper mineralisation with co-incident VTEM, magnetic and geochemical anomalies which were defined by a previous explorer but not drilled.

The targets are located ~10km from SMD's Barbara copper-gold deposit and within the Prospector trend which contains known IOCG-style alteration systems. We note that AOH's Roseby Project also contains an IOCG-style deposit with the Little Eva deposit containing 75Mt @ 0.6% Cu and 0.1 g/t Au, located ~20km away from Bloodwood and Yamamilla.

Valuation

We have derived a valuation of SMD of A\$0.27 per share, reflecting a 100% premium to the current market price.

Given the early stage of the projects, we have valued SMD by benchmarking against a basket of comparable companies with projects in Queensland, including both copper explorers and developers being Altona Mining (AOH:ASX), Copper Strike (CSE:ASX), Ivanhoe Australia (IVA:ASX) and Queensland Mining (QMC:ASX).

We have calculated the average the EV/t Cu Eq of these companies using their JORC resources as a base and market multiples as at 17 of August 2011. We have then applied the

average peer multiple EV/t Cu Eq resource (\$81/t) to our SMD resource estimation (assuming SMD 60% of Kalman) of 237kt Cu Eq to derive a valuation of A\$0.27/share comprised of A\$0.19/share (resource), A\$0.05/share of SMD exploration upside and A\$0.03/share (cash). For our Cu Eq calculations we have used a long term Cu price of US\$2.50/lb, Au price of USD\$1,100/oz and a A\$/US\$ exchange rate of A\$0.875.

We have not applied any discounts given that the company has a good understanding of the ore bodies and metallurgy from previous studies.

Given the current small resource size for SMD, exploration success doubling the current resource would imply a value of **~\$0.37/share** on an undiluted basis. We believe this is plausible given the company has a significant portfolio of targets to test at Mount Remarkable and Kalman.

The perceived modest size of the current resource at Mount Remarkable is a possible deterrent to potential investors. However, we believe that SMD has several targets to test to

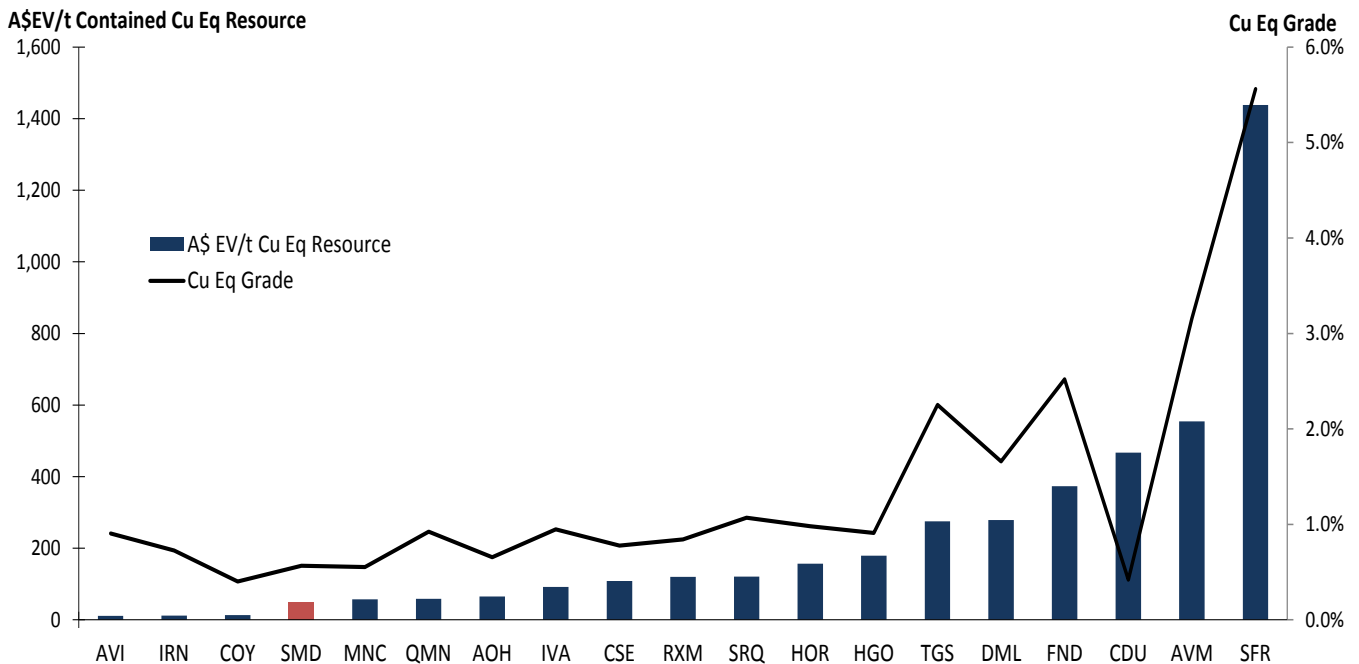
turn around this perception and to substantially increase its resource base over the next 12-18 months.

With further resource upgrades and exploration success we would anticipate that SMD should trade at levels significantly higher than the implied EV of A\$48/t of contained copper.

The key catalysts for a significant re-rating will be the maiden JORC resources for Blue Star and Green Zone and any further drilling results from the current campaign.

SMD Sum of Parts Valuation Summary

Valuation	A\$m	A\$/Share
In-Situ Valuation	19.2	0.184
Cash (est)	3.45	0.033
Debt (est)	0.0	0.0
Hedging	0.0	0.0
Exploration	5.0	0.05
Total Valuation	27.7	0.27
Share Premium/(Discount) to valuation		-125.0%



SMD copper peer valuation based on EV/Resource (fourth from the left)

Directors and Management

Martin Pyle (Chairman)

Martin Pyle has a broad range of experience gained over 24 years in the resources industry in Australia. He is highly regarded in the corporate finance markets both here and overseas having served as Corporate Finance Director initially at stockbroking firm Hartley Poynton Limited for six years and subsequently for a further six years at Hartleys Limited following the management buyout of the Perth Wealth Management Division in 2003. During this time he was responsible for the generation and execution of resources related equity raisings, mergers & acquisitions, corporate advisory and research. Most recently he has provided corporate advisory services to a number of junior resource companies and is an Executive Director of Aurora Minerals Limited and Desert Energy Limited.

Russell Davis (Managing Director)

Russell Davis is a founding director of SMD. He is a geologist by background with over 25 years experience in mineral exploration, management, property acquisition, mining and development. During this period he has worked on the exploration and development of a range of commodities for companies including Texasgulf Australia Ltd, Elf Aquitaine Australia Ltd, Noranda Australia Ltd, ASARCO Australia Ltd, Wiluna Mines Ltd and ASARCO Exploration Company, Inc. During this time he held senior positions including Chief Mine Geologist, Exploration Manager and Regional Manager and most recently founding and Exploration Director of Eleckra Mines Limited – now Gold Road Resources Limited. Mr Davis is presently a Non-Executive Director of Gold Road Resources Limited.

Mr Davis holds a Bachelor of Science with Honours from the University of Queensland, a Graduate Diploma of Applied Finance and Investment and an MBA. Mr Davis is a Member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Financial Services Institute of Australasia.

Bruce McCullagh (Non-executive Director and Company Secretary)

Bruce McCullagh has a wide range of experience in accounting, company secretarial and management in mineral and petroleum companies in Australia, the Libyan Arab Republic, the Arabian Gulf and the USA. He is a Certified Practising Accountant and a member of the Institute of Chartered Secretaries. He was appointed Company Secretary to ASARCO Australia Ltd in 1987 and continued with that organisation through to 1996. Since that time he has held roles combining directorships and company secretarial duties with publicly listed junior mineral and petroleum exploration companies in Western Australia.

Jan Hope (Non-executive Director)

Jan Hope is a public relations and investor relations professional with well over 20 years experience in the industry. She founded the public relations firm Jan Hope & Partners in 1986, providing strategic advice and input to CEO's and senior management in the mining, financial, technology, and environmental industries. After building Jan Hope & Partners into a highly successful national corporate communications and investor relations consultancy specialising mainly in the mining sector, Jan stepped down as Managing Director in 2007. She has been a director of SMD since IPO. Ms Hope has also previously served as Chairman of the ASX listed company Ampella Mining Limited.

Ki Deok (KD) Park (Non-executive Director)

Ki Deok Park was appointed to the Board in February 2010 and has significant experience in business development, equity and debt financing, accounting and management in non-ferrous metals industries in Korea and Australia. An experienced accountant and business developer, he has held a number of management positions and accounting roles with both Sun Metals Corporation Pty Ltd and Korea Zinc Company Ltd.

He is currently an executive director and the chief financial officer of Sun Metals Corporation zinc refinery in Townsville, Queensland and a director of Minocqua Metals Pty Ltd. He also holds seats on the board of various Australian subsidiary companies of Korea Zinc Company Ltd.

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