Syndicated Metals Limited — Speculative Buy

Maiden Kalman Resource

Date
3 January 2008

ASX Code
SMD

Share Price
31.5cps

Market Cap (fully diluted)
$18.1m ($20.0m)

Issued Capital (fully diluted)
57.4m shares (63.35m)

Cash (as at 12 December 2007)
$6.0m

Management
Bruce McCullagh (Chairman & Secretary)
Russell Davis (Managing Director)
Andrew Dinning (Non-exec Dir)
Jan Hope (Non-exec Dir)

Top Shareholders
Sun Metals Corp. Pty Ltd (10.5%)
McCullagh Accounting Pty Ltd (9.4%)

Resources Analyst
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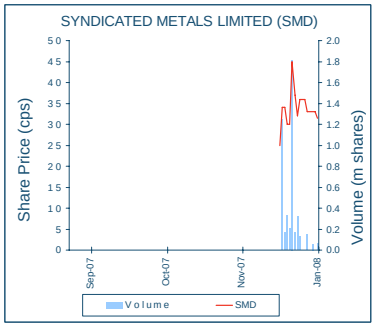
Share Price Performance



Source: Iress

Syndicated Metals Limited ("Syndicated", "SMD", "Company"), in conjunction with Kings Minerals Limited ("KMN"), its partner in the Pelican Joint Venture ("PJV") (KMN earning 70%), has released the maiden resource for the Kalman deposit located 62km southeast of Mt Isa. The resource estimate for the deposit is 49.7Mt. The PJV's share of this is 29.4Mt. The estimate has significantly beaten our expectations in terms of size as we had used conservative depth and width parameters, as well as only focussing on the high grade Molybdenum core. The deposit is still open at depth and along strike which bodes well for additional upgrades, which we expect to take the total resource to over 70Mt.

The PJV tenement contains the southern portion and majority of the Kalman deposit. The PJV ground also appears to have the most upside due to the deposit still being open to the south. We believe that Syndicated provides excellent leverage to this deposit, especially considering it does not have to contribute any expenditure until the completion of a Final Feasibility Study. The recent discovery of another two copper-gold +/- molybdenum systems in the JV ground to the south of Kalman, highlights the excellent potential to find similar such deposits. We rate ***Syndicated Metals Limited*** *as a* ***Speculative Buy****.*

Investment Highlights

- **Kalman Resource 49.7Mt** - The maiden resource for the Kalman Molybdenum-Copper-Gold deposit is 49.7Mt @ 0.06% Mo, 0.35% Cu & 0.16g/t Au. The deposit consists of a ~30m wide high grade molybdenum core grading 0.12% Mo, with a ~90m wide copper-gold halo grading 0.39% Cu. Due to the two completely different mineralisation areas, the resource estimate has been split into these two domains, and then combined to give the total resource estimate.
- **PJV Has ~60% of Deposit** - The majority of the deposit is located on the PJV ground, with the PJV's share of the deposit being 29.4Mt (see table 1). Of this, SMD's share is 5.01kt Mo, 29.5kt Cu and 42.2koz Au.

Table 1: Kalman Deposit Resource on PJV Tenement EPM 13870

Domain	Mt	Cu %	Mo%	Au g/t	Cu (t)	Mo (t)	Au Oz
Copper	15.9	0.40	0.003	0.18	64.1	0.5	89.4
Molybdenum	13.5	0.25	0.12	0.12	34.1	16.2	51.3
Total	**29.4**	**0.33**	**0.06**	**0.15**	**98.2**	**16.7**	**140.7**

Source: Syndicated Metals Limited

- **Deposit Open At Depth And To The South -** The majority of the resource was calculated down to ~500m depth, though mineralisation was intersected up to 700m below surface with the deposit still open at depth. Kalman has a strike length of over 1km and is still open to the south. Drill testing of these extensions, as well as an infill drilling program is scheduled to commence in the New Year.
- **Two New Mineralised Zones in PJV Ground** – The mineralised shear system that passes through Kalman extends to the south through the PJV ground. A rock chip sampling program targeting this shear zone resulted in the discovery of two new Cu-Au+/-Mo mineralised zones. The program returned a number of significant results including 14.5% Cu & 0.58g/t Au at Pelican, 3.4% Cu & 3.38g/t Au at an Un-named prospect, and 4.3% Cu from Pelican West. These high grades were up to 6km south of Kalman, highlighting the significant potential for additional ore bodies on this highly prospective shear.

Kalman Resource

KMN has released the maiden resource for the Kalman molybdenum-copper-gold deposit near Mt Isa in Queensland. The total resource of 49.7Mt is detailed in Table 2. Due to the relatively coarse drill hole spacing (Figure 1), the resource is only classified at an inferred level. The deposit consists of a high grade molybdenum core, with a copper-gold halo (Figure 2). The copper-gold halo is ~90m wide, with the internal molybdenum halo ~30m wide. Consequently, the resource estimate has been split into calculated using a copper domain and a molybdenum domain.

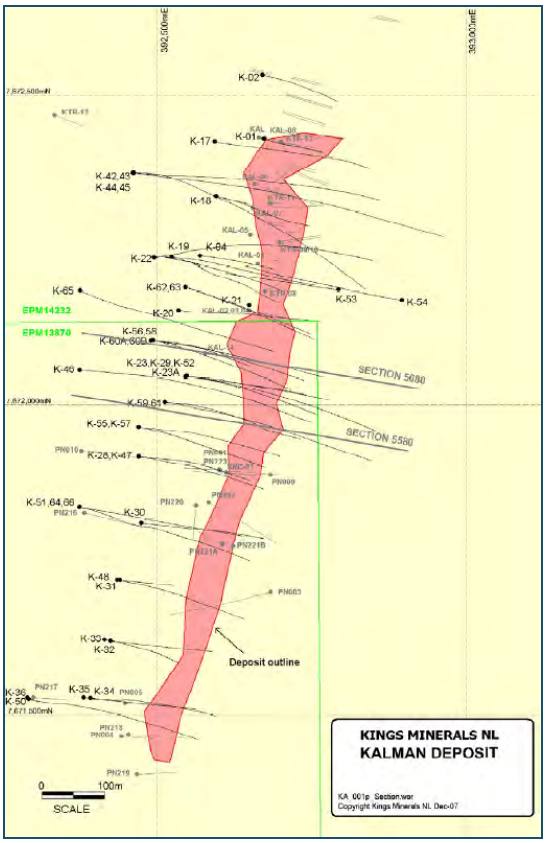
Table2: Kalman Deposit (100%) Maiden Resource

Domain	Mt	Cu %	Mo%	Au g/t	Cu (t)	Mo (t)	Au Oz
Copper	28.0	0.39	0.004	0.18	109,500	1,100	160,800
Molybdenum	21.7	0.29	0.12	0.13	62,700	26,700	89,800
Total	**49.7**	**0.35**	**0.06**	**0.16**	**172,200**	**27,800**	**250,600**

Source: Kings Minerals Limited

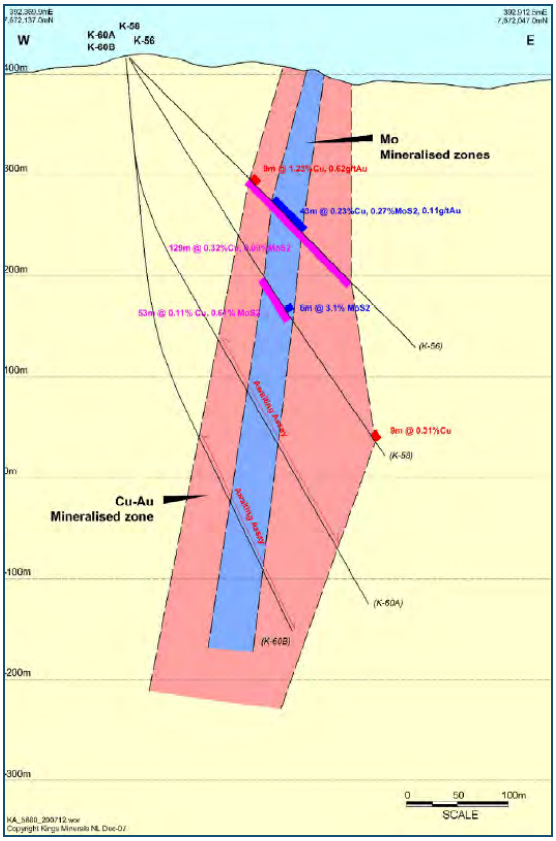
The resource was calculated from 57 drill holes on a nominal 100m x 100m spacing as well as some historical trenching. The majority of the resource was calculated down to ~500m depth, though mineralisation was intersected up to 700m below surface, and the deposit is still open at depth. The deposit has a strike of over 1000m and is still open to the south. KMN plans to drill test these strike and dip extensions, as well as complete an infill drilling program in the near future.

Figure 1: Outline of the Kalman Deposit



Source: Kings Minerals Limited

Figure 2: Cross Section through Kalman



Source: Kings Minerals Limited

The majority of the deposit is located on the southern tenement EPM 13870, which is subject to the Pelican Joint Venture, where KMN is earning a 70% interest from Syndicated. Under the terms of the PJV, SMD is free carried with KMN having the right to earn a 51% interest by spending $4 million on exploration, and up to a 70% interest by completing a Final Feasibility Study.

The resource on the PJV ground is 29.4Mt @ 0.33% Cu, 0.06% Mo & 0.15g/t Au (Table 3).

Table 3: Kalman Deposit Resource on PJV Tenement EPM 13870

Domain	Mt	Cu %	Mo%	Au g/t	Cu (t)	Mo (t)	Au Oz
Copper	15.9	0.40	0.003	0.18	64,100	500	89,400
Molybdenum	13.5	0.25	0.12	0.12	34,100	16,200	51,300
Total	**29.4**	**0.33**	**0.06**	**0.15**	**98,200**	**16,700**	**140,700**

Source: Kings Minerals Limited

Development Options

Whilst this initial resource is encouraging, we believe that the deposit will need to be larger to justify the commencement of mining operations. If a critical size was achieved for the deposit to be economically viable, we would expect the orebody to be mined via an open cut operation taking both the Mo and Cu-Au zones. This could potentially lead to an underground operation focussing only the high grade Mo core accessed via a decline in the pit wall. Treatment would be likely to involve a flotation style plant on site producing Cu and Mo concentrates.

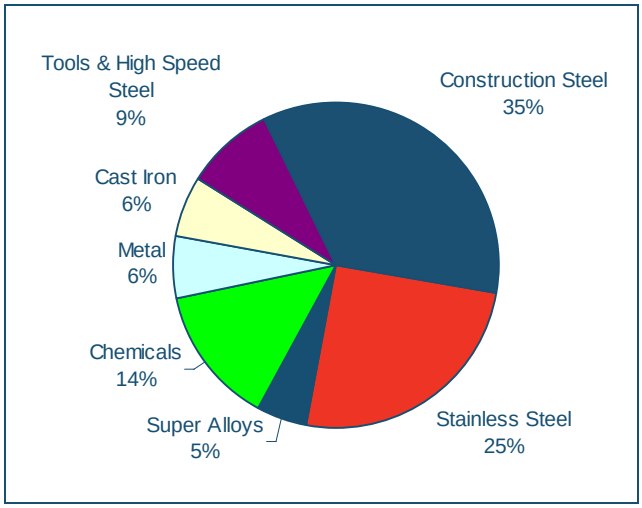
Molybdenum Overview

Uses

Molybdenum is mainly used in high-strength steel alloys due to its ability to withstand extreme temperatures without significantly expanding or softening that makes it useful in applications involving intense heat such as aircraft parts, electrical contacts, industrial motors, and filaments. It is also used in alloys that benefit from its high corrosion resistance and weldability with most high-strength steel alloys 0.25% to 8% molybdenum. Molybdenum is used heavily in the petroleum industry where extracting, transporting and refining oil and gas needs significant amounts of corrosion resistant molybdenum steels

It is also used in various forms as a lubricant, in ceramics, plastics and as an adhesive between enamels and metals.

Figure 3: 2007 Estimated Molybdenum Demand: 396mlb

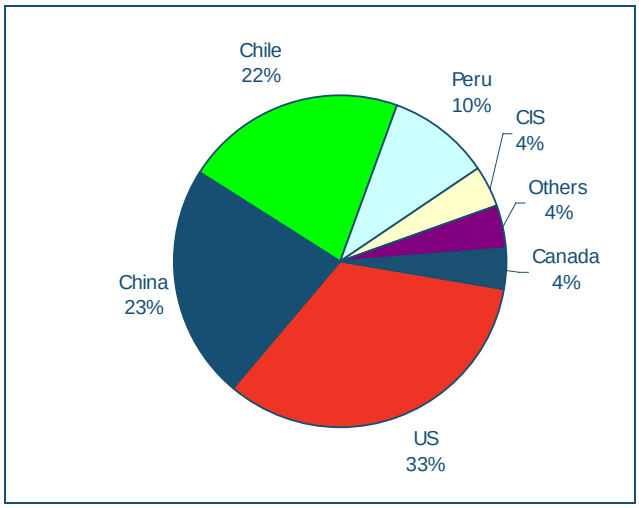


Source: IMOA 2007

Demand Trends

Demand for Molybdenum is seen to be growing at between 3.5 – 5%pa, primarily linked to growth in steel production. It is also increasingly being used in a broader range of steel products due to the nature of its attributes and the more demanding environments requiring new blends of steel. Examples include the requirement to operate in higher temperatures, more corrosive environments, and tougher environmental standards as well as the requirement for better strength to weight ratios. Due to the unique blend of attributes, as well as its relatively low cost as an input, the threat of substitution is relatively low.

Figure 4: 2006 Mine Production: 398mlb Mo



Source: Mining Engineering Journal – July 2007

Production

The world's largest producers of molybdenum are the United States, Canada, Chile, Russia, and China (Figure 4).

Molybdenum can be mined either as a primary product or as a by-product. Following mining, the ore

is concentrated, usually via a flotation process to produce a molybdenum disulphide concentrate. In primary molybdenum mines, the concentrate is ~90% molybdenite, (55% Mo content). When produced as a by-product of copper mining, the molybdenum is separated from the copper concentrate through multiple flotation stages, yielding a molybdenum concentrate grading 70%– 80% molybdenum sulphide or 45% Mo content.

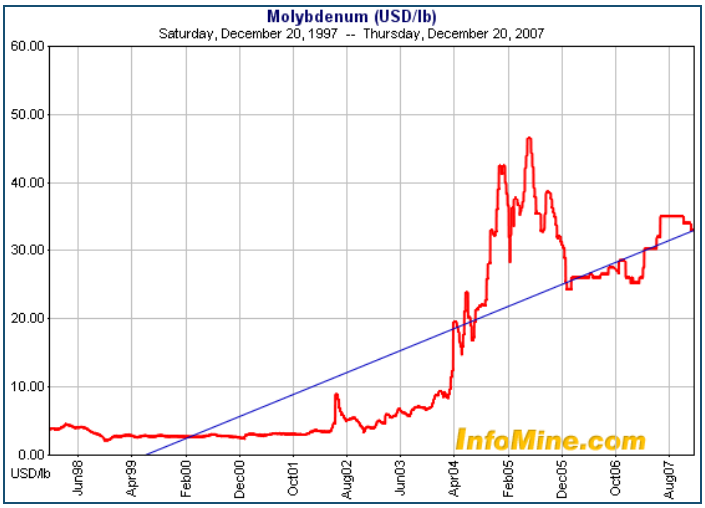
Following concentration, the concentrate is then roasted. This produces a technical molybdenum oxide which typically contains at least 57% molybdenum. The technical oxide is the main product for adding molybdenum to alloy and stainless steels and can be in the form of a powder or briquettes. The technical oxide can also be further processed into ferromolybdenum, chemicals or molybdenum metal prior to consumption.

Supply Trends and Pricing

As can be seen from Figure 5, there was a significant step change in the Molybdenum price commencing in late 2003/early 2004 due to the supply-demand disequibrium driven by Western processing bottlenecks, low primary production, as well as mine closures in China.

Over the next few years, the industry is likely to be subject to significant inventory tightness due to the increase in demand with only limited near term additional production. This is exacerbated by falling production at several by-product mines, as well as China's imposition of export quotas on its molybdenum production. The increase in steel production may increase China's internal demand for molybdenum to the extent that exports may be eliminated by 2013. Consequently, the short to medium term price outlook for Molybdenum is good with prices likely to remain strong.

Figure 5: Molybdenum Prices (FeMo65, western molyoxide)



Source: InfoMine

Summary and Conclusions

The maiden Kalman resource estimate significantly beat our expectations in terms of size as we had used conservative depth and width parameters, as well as only focussing on the high grade Mo core. We note that there has been some share price weakness in the KMN share price, and to a lesser extent SMD, on the back of the announcement. We believe this is due to the market being disappointed with a lower than expected Mo grade, given the release of a number of high grade intersections leading up to the release of the resource. The dilutionary effect of combining the two domains somewhat masks the higher grade molybdenum core. We note that the ~30m wide high grade Molybdenum zone is double the grade of Moly Mines Limited's Spinifex Ridge deposit.

The fact that the deposit is still open at depth and along strike bodes well for additional upgrades, which we expect to take the total resource over 70Mt. The majority of the deposit is on the PJV ground, which also appears to have the most upside due to the deposit still being open to the south. The Company provides excellent leverage to this deposit, especially considering it does not have to contribute any expenditure until the completion of a Final Feasibility Study. The recent discovery of another two copper-gold +/- molybdenum systems in the JV ground to the south of Kalman, highlights the excellent potential to find similar such deposits to Kalman. We rate **Syndicated Metals Limited** as a **Speculative Buy**.

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Hartleys Recommendation Categories

Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated

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