

Syndicated Metals (SMD)

Blue Star : 4m at 9.89% Cu, 1.05g/t Au

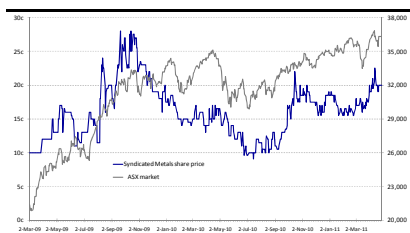
Copper Exploration, Mt Isa district

Recommendation**Speculative BUY****Price****16.5c****Indicative Valuation****26c****ASX / S&P Sector****Metals & Mining**

- On 11 May April, SMD announced drill results from its Blue Star prospect. The highlight was 4m @ 9.89% Cu and 1.05g/t Au, within 9m at 6.12% Cu and 0.69g/t Au from 85m depth.
- Blue Star is NOT included in SMD's current resource estimate of 76kt Cu eq. SMD has 51% of the EL in which Blue Star is sited.
- SMD will be hosting a site visit by brokers and fund managers from 16 to 18 May. Intersuisse will be attending.
- SMD is currently drilling to increase its JORC resource of 76kt to at least 100kt and possibly 150kt.

Snapshot

Last Price	\$0.165
Market Cap.	\$15.8 million
Shares on Issue	91.73m FPO 28.45m options, exercisable 20c to 55c
52 Week High	\$0.215
52 Week Low	\$0.091

Price Chart

SMD has 1,152km² under EL at Mt Remarkable, within which a JORC resource of over 76kt copper equivalent, SMD share has been announced. There are many further mineralised occurrences and prospects in this area.

Present drilling is expected to increase this resource, to over 100kt, and possibly up to 150kt.

SMD also has 671km² under EL at Kalman South – Dronfield, for which a JORC resource of 124kt Cu.eq, SMD share, was announced in 2008.

See : www.syndicatedmetals.com.au

Analyst: Pieter Bruinstroop :

Investment Highlights

- SMD's share of Resource at Barbara are 76kt Cu eq, from 5.33Mt at 1.43% Cu, 0.14g/t Au plus Ag and Co, for 1.64% Cu.eq
- The current drilling campaign is expected to increase this resource to over 100kt Cu, and possibly up to 150kt.
- Intersuisse's indicative valuation is based on a near doubling of the resources, but at a lower grade; of 10.33Mt at 1.46% Cu eq.
- There are many further mineralised occurrences and prospects in SMD tenements in this area.
- SMD's announcement of some very high grade intercepts from drilling at Blue Star supports Intersuisse's view of the significant potential in SMD's tenements.
- We believe that there is significant further potential; it will, however, take time to drill and test this potential.
- Intersuisse has estimated that, based on 118kt Cu eq, the Barbara project has an NPV of \$125m, after tax, un-g geared, assuming a 12% real discount rate, zero value for franking credits with metals prices near current prices, and first mining in mid 2014.
 - After taking into account financing, including equity raising, and including risk weighting, this indicates a per share value of 35c
 - Removing the risk weighting increases the value to 52c
 - Intersuisse's indicative valuation of 26c assumes that the copper price falls to \$7,500/t, or 36c un-risked
- While Intersuisse believes that SMD's interest in Kalman South, which has a JORC resource of 124kt Cu eq, is likely to be valuable, the grades are lower and serious work has not been done on this project since 2008, so we have not attributed any value to it. .

Recommendation

Intersuisse retains our Speculative BUY recommendation on SMD.

Blue Star prospect

SMD has reported a JORC resource for its Barbara deposit of 5.3Mt at 1.64% Cu eq., as shown in Figure 1.

Figure 1 : SMD's resource at Barbara

	copper	gold	silver	cobalt	Cu	Au	Ag	Co	Cu eq.	
Indicated	3,778 kt	1.6 %	0.2 g/t	2.7 g/t	265 ppm	59.0 kt	18 koz	328 koz	1,000 t	67.4 kt
Inferred	1,552 kt	1.1 %	0.1 g/t	2.1 g/t	272 ppm	17.0 kt	6 koz	102 koz	421 t	20.2 kt
TOTAL	5,330 kt	1.43 %	0.14 g/t	2.5 g/t	267 ppm	76.0 kt	25 koz	430 koz	1,421 t	87.6 kt 1.64 %

Source : Syndicated Metals announcement, 17 November 2010, Intersuisse

The resource is spread across 2 leases, one of which SMD holds 51% while having 100% of the other. Figure 2 shows SMD's effective resource totals 75kt Cu eq.

Figure 2 : SMD's equity weighted resources

SMD weighted average	copper	gold	silver	cobalt	Cu	Au	Ag	Co	Cu eq.	
Indicated	3,386 kt	1.6 %	0.1 g/t	2.7 g/t	267 ppm					
Inferred	969 kt	1.3 %	0.1 g/t	2.3 g/t	292 ppm					
TOTAL	4,355 kt	1.5 %	0.1 g/t	2.6 g/t	272 ppm	65.7 kt	20 koz	367 koz	1,186 t	75.4 kt

Source : Syndicated Metals announcement, 17 November 2010, Intersuisse

SMD has 76kt of Cu eq. resources

SMD has announced the drill results its Blue Star prospect, which is in an EL 51% SMD and 49% Mt Isa Metals (MET.ASX)

The drilling reported some very high grade intercepts and a number of intercepts that are likely to be economic.

The structure appears to be narrow and very steeply plunging.

As indicated in our 30 March report on SMD, the resource reported for Barbara is only a small part of the potential in the area.

Figure 3 shows that there are many mineralised occurrences within SMD's lease area.

Figure 3 also shows the location of the Blue Star prospect, about 18km South – South-East of Barbara.

In its presentation of February 2011, SMD reported that it intended to drill the Blue Star prospect to follow-up previously reported results of :

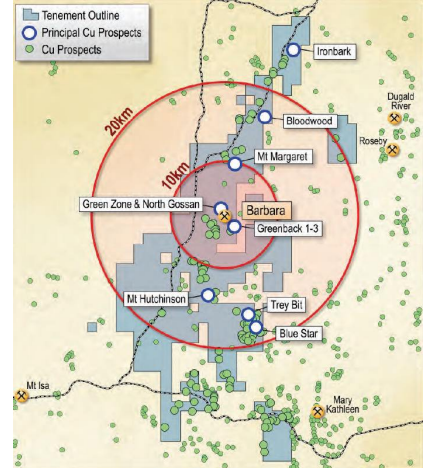
- 14m at 1.15% Cu & 0.17g/t Au;
- 14m at 1.63% Cu & 0.25g/t Au, including 2m at 5.55% Cu & 0.52g/t Au; and
- 4m at 2.56% Cu & 0.28g/t Au

On 11 May, SMD reported results from 9 holes drilled into the Blue Star prospect. Figure 4 shows SMD's interpretation of the mineralised structure at Blue Star from the drill campaign.

Best results include :

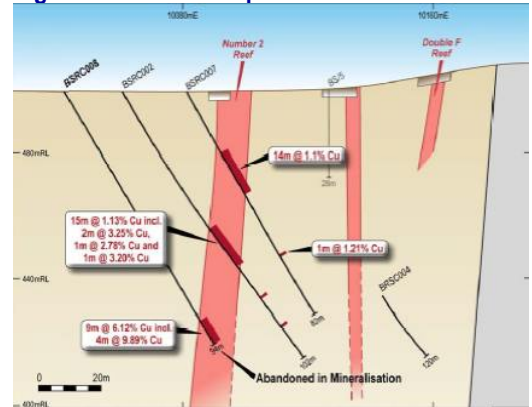
- 9m at 6.12% Cu, 0.69g/t Au, 5.3g/t Ag and 328ppm Co, from 85m depth and ending in mineralisation;
- 14m at 1.1% Cu, 0.20g/t Au, 1.1g/t Ag and 91ppm Co, from 23m depth;
- 7m at 1.55% Cu, 1.12g/t Au, 1.3g/t Ag and 36ppm Co from 38m; and
- 4m at 1.65% Cu, 0.23g/t Au, 1.4g/t Ag and 176ppm Co.

Figure 3 : Mineralisation near Barbara



Source : SMD Presentation, February 2011

Figure 4 : SMD's interpreted mineralised section



Source : SMD's 11 May ASX announcement

There appear to be a number of such structures at Blue Star

While Figure 4 shows SMD's interpreted section, Figure 5 shows the plan view, highlighted a number of similar mineralised structures, and the drilling that SMD has undertaken to test the structures.

Note that from the current campaign, the structures are open at depth, as shown in Figure 4, and also along strike.

Note also that there are further structures identified that have not been drill tested.

Figure 5 : SMD's drill plan



Source : SMD's 11 May ASX announcement

Conclusions

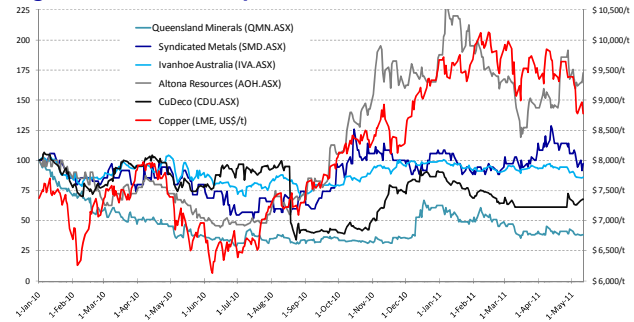
The SMD share price has softened since our note of 20 April, as shown in Figure 6.

SMD share price has weakened, with the copper price.

Figure 6 also shows that the copper price has also fallen over this time as have the other copper stocks.

In our earlier work (see our notes of 30 May and also 28 April), Intersuisse identified SMD as

Figure 6 : SMD share price has weakened



Source : IRESS, Intersuisse

- Cheap on a comparative basis;
- Trading at a significant discount to our indicative estimate of the NPV of SMD's resources;
- Having significant upside potential.

Intersuisse retains a BUY recommendation on SMD.

Intersuisse retains our Speculative BUY recommendation on SMD.

We believe that there is still significantly more potential than that which has been captured in our indicative valuation.

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