

The Company Announcements Officer
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**The following is an *Inside Briefing* interview with
Syndicated Metals Managing Director, Mr Andrew Munckton**

In this interview, Andrew Munckton provides an update on Syndicated Metals (ASX: SMD – market capitalisation: \$2.6 million) and the recent MOU with Exco Resources to jointly develop the Barbara copper-gold project, located 60km north-east of Mt Isa in North Queensland.

Inside Briefing: What are the key benefits for Syndicated of joining forces with Exco Resources to develop Barbara? Why should this be seen as a positive result for shareholders?

Andrew Munckton: There are several synergies between Syndicated and Exco that make this deal extremely compelling. Firstly, Exco has a processing plant that is in need of additional ore feed within the next two years and Syndicated has a deposit at Barbara that is ideally suited to their processing facilities.

Secondly, Exco – which is part of the WH Soul Pattinson group (a diversified Top-100 ASX-listed investment, mining, manufacturing and pharmaceuticals company) – has the financial capacity and balance sheet strength to buy out the current minority project equity holder in Orbis Gold (whose 41.3% interest in part of the deposit is being acquired for \$1 million), and develop the project.

Thirdly, Exco has the technical expertise and relationships with suppliers and customers to get the best possible outcome from the Feasibility Study. Finally, Syndicated has the ground holding in the Mt Isa region, the technical expertise and the exploration track record in the area to maximize the opportunity to add significant additional resources to those already defined at Barbara.

We believe this unique combination of factors makes the deal an outstanding outcome for Syndicated shareholders, particularly in the current market environment where it is very difficult for junior explorers to survive, let alone find a pathway to production. It will enable us to develop our flagship asset while at the same time unlocking the value of the surrounding tenements by accelerating exploration activities.

Inside Briefing: Can you briefly summarise the likely timeline to production, including finalization of a formal agreement with Exco, commencement and delivery of a Feasibility Study and the start of development/production?

Andrew Munckton: At this point in time Exco Limited and Syndicated Metals have entered into the MOU covering the Barbara Exploration and Development Joint Venture. The formal agreement is currently being finalised and we are looking forward to its completion. Upon completion, we would undertake the payment to Orbis Gold, form the JV and commence the exploration and the Feasibility Study work on the Barbara Development.

The work on the Feasibility Study is estimated to be completed within 12 months. Queensland Government development approvals are considered to be the key determining factor to the Decision to Mine and, while they will commence immediately, I would consider that a 12-24 month timeframe is

realistic. Logically, development should commence at the end of that period but it is the Feasibility Study and its outcomes that will determine what the development and production timeframe will really be.

Inside Briefing: What are the likely key parameters of an operation at Barbara, including CAPEX, OPEX and metal production? What is Syndicated's estimated share of CAPEX and production?

Andrew Munckton: In 2011 Syndicated completed a preliminary Scoping Study on the Barbara Project which covered both an open pit and underground development. Exco has committed to undertake a Feasibility Study on the open pit component of the project and provide the first \$1.7 million of exploration expenditure. The JV once formed, will consider the priority targets for this exploration expenditure and there are a number of possibilities for this including the Green Zone deposit, Barbara Extensions and the recently highlighted targets in the southwest corner of the project area.

CAPEX, OPEX and future metal production estimates will be determined by the Feasibility Study, but as a guide the Scoping Study forecast production of 30,000 tonnes of copper and 5,000 ounces of gold. Only part of that was from the open pit but it does provide an indication of what I believe the Feasibility Study will evaluate. Of course, part of the objective of the upcoming exploration drilling program will be to define additional resource potential in the near-mine environment.

Inside Briefing: What are the key objectives of the proposed exploration joint venture in the Barbara Project Area to be sole funded by Exco? When will drilling commence under this joint venture and what opportunities are there to grow the current resource inventory (5.3Mt grading 1.4% Cu for 74,200t of contained copper)?

Andrew Munckton: The Exploration joint venture covers EPM16112 and a single block within EPM15564 which are covered by the Mining Development Lease Applications 499 and 500. There are a number of prospects on these tenements including Barbara, Greenzone, Lilly May and Mt Olive. Realistically, if we can double the Mineral Resources from 5.3 million tonnes to approximately 10 million tonnes I believe that will provide an excellent platform to extend the life of the project that the Feasibility Study considers.

The primary targets include down-plunge extensions to Barbara, a potential upgrade of the Mineral Resource at Greenzone, and initial exploration drilling programs over the Lilly May – Mt Olive area.

A rig has been booked and is scheduled to commence Reverse Circulation drilling on the Barbara Deeps exploration program within two weeks of the completion of the agreement.

Inside Briefing: What are the broader exploration opportunities outside of the Barbara Project Area and when and how do you plan to test these?

Andrew Munckton: Further afield from Barbara, Syndicated has been conducting soil sampling programs to define other drilling targets on its 100%-owned ground. We have established an Exploration Target of 15-20 million tonnes at 1.5-2% Cu within 10km of Barbara. We are building our understanding of the area now but, realistically, drilling won't commence on these areas until well into 2014 as we are fully committed to the immediate Barbara area until then. However, we should have some indication of the potential of the area next year.

Inside Briefing: What activities are planned at your Southern Hub tenements, including the Kalman South deposit? How do you plan to realize value from these assets?

Andrew Munckton: Since our withdrawal from the Kalman JV, with Santana Minerals (formerly Cerro Resources), the Southern Hub has taken something of a back seat to the Barbara deal with Exco.

Our interest there is in two parts:

- A non-contributing 49% interest in the Pelican JV with Santana; and
- A number of 100%-owned tenements.

At this stage we have a small program of work associated with our 100% owned tenure and are looking forward to seeing the proposed program from Santana for the Pelican joint venture, on which the Kalman South deposit sits. In light of our focus on the Exco joint venture at Barbara, we are currently seeking project partners for the Southern Hub.

Inside Briefing: What other steps is the Company taking to ensure its survival in the current difficult climate?

Andrew Munckton: As anyone who has an interest in the stock market knows, raising capital is very difficult at the moment and even companies that are able to raise capital are having to do it at a significant discount to an already depressed share price, just to survive. Given these conditions, Syndicated has responded by:

- Negotiating a non-dilutive deal with Exco on Barbara;
- Reducing our overhead and cost base by around \$600,000 per annum with:
 - redundancy of about 40% of our people;
 - reducing salaries and Directors' fees by 10% across the board for those who are retained; and
 - asking and receiving from suppliers a 10-15% cost reduction to maintain business.

We remain ready and willing to respond if further action is required or market conditions deteriorate further. I believe this will place us in a stronger financial position while we evaluate the Barbara exploration potential and Exco evaluate the Barbara deposit for development.

Inside Briefing: What is the longer term outlook for Syndicated as a junior miner/explorer and how would you summarise the Company's investment proposition?

I believe the investment proposition for Syndicated is a relatively simple one.

In line with the market our company's capitalisation has reduced by 60-70% over the past 12 months to approximately \$2.6 million. We have approximately \$1.0 million cash at hand. We now have an MOU with a producer and developer of copper who has a plant in the area that is in need of additional ore – so we have a legitimate development pathway within two years for the Barbara Project where the partner will fund the pathway to a decision to mine.

Our share of Mineral Resources subject to the Barbara Joint Venture is 37,100 tonnes, so our Enterprise Value based on Barbara alone is \$95 per tonne or 4 cents per pound of contained copper. This is one of the lowest I have seen and compares with much higher valuations for our peers.

That leaves all the other assets and exploration potential coming to shareholders for free and I assure you there is fantastic potential in the area immediately surrounding Barbara to add additional life and production to that project. We are very enthusiastic and excited about the opportunities in front of us, but at the same time cautious and realistic in the current environment.

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This Inside Briefing includes "forward-looking statements" as that term within the meaning of securities laws of applicable jurisdictions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond Syndicated Metals Limited's control. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this presentation, including, without limitation, those regarding Syndicated Metals Limited's future expectations. Readers can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" and other similar expressions. Risks, uncertainties and other factors may cause Syndicated Metals Limited's actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements).

These factors include, but are not limited to, the failure to complete and commission the mine facilities, processing plant and related infrastructure in the time frame and within estimated costs currently planned; variations in global demand and price for coal and base metal materials; fluctuations in exchange rates between the U.S. Dollar, the Indonesian Rupiah and the Australian dollar; failure to recover the resource and reserve estimates of the Project; the failure of Syndicated Metals Limited's suppliers, service providers and partners to fulfil their obligations under construction, supply and other agreements; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in the regulatory environment, industrial disputes, labour shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; and global and regional economic conditions.

Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

The information concerning production targets in this announcement are not intended to be forecasts. They are internally generated goals set by the board of directors of SMD. The ability of the company to achieve these targets will be largely determined by the company's ability to secure adequate funding, implement mining plans, resolve logistical issues associated with mining and enter into off take arrangements with reputable third parties.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.