

AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT – 24 APRIL 2017

## **SYNDICATED TO SELL 50% INTEREST IN BARBARA COPPER PROJECT TO COPPERCHEM**

Deal crystallises value and sharpens Syndicated's focus on gold exploration in WA

### **Highlights**

- Syndicated enters agreements to sell its 50% interest in the Barbara Copper Project in North Queensland to its joint venture partner, CopperChem Limited.
- Consideration comprises a \$2.3M cash payment upon completion of the definitive Sale and Purchase Agreement (SPA) plus a 1-2% net smelter return royalty on the first 10,000t of copper-in-concentrate (or equivalent ore) sold from the Barbara Copper Project, subject to the copper price.
- The Transaction is subject to Syndicated shareholder approval and Queensland Minister of Mines indicative approval of the transfer of tenements.
- The Transaction allows Syndicated to crystallise upfront value from its share of the Barbara Copper Project, with the cash proceeds to be applied to ongoing exploration and evaluation of its 100%-owned Monument Gold Project in WA's Laverton District, exploration and asset maintenance activities on its Queensland projects, general working capital, administrative expenses and the expenses of the Transaction.
- Syndicated also retains 100% ownership of its Northern and Southern Hub Projects in North Queensland, comprising a ~1600 km<sup>2</sup> ground package containing numerous high-grade copper-gold targets plus multiple IOCG and SEDEX-style targets.

Syndicated Metals Limited (ASX: SMD – **Syndicated** or **the Company**) is pleased to advise that it has entered into an agreement to sell its 50% share of the Barbara Copper Project in North Queensland to its joint venture partner, CopperChem Limited (**Transaction**).

The Barbara Copper Project is located 60km north-east of Mt Isa and contains a JORC 2012 Mineral Resource (refer to ASX Announcement dated 18 July 2014 for full details). Syndicated has been in joint venture with CopperChem Limited (**CopperChem**) in relation to the Barbara Copper Project since September 2013. Syndicated and CopperChem each hold a 50% interest in the Barbara Copper Project pursuant to the Barbara Joint Venture (**Joint Venture**).

An Off-Site Processing Study was completed by the Joint Venture in October 2015 based on the development of two open pits with processing to be undertaken under a toll-treatment scenario as part of a two-year project life.

While the study defined a viable development pathway, it also demonstrated that the Barbara Copper Project is sensitive to copper price movements and contingent upon acceptable processing terms from toll-treatment providers. At the time, the project partners agreed to pursue alternative avenues to realise value from the project.

As part of this revised corporate strategy, Syndicated subsequently acquired the Monument Gold Project in Western Australia in mid-2016, and has since focused its efforts on gold exploration in the highly prospective Laverton District of Western Australia.

### **Agreement Terms and Consideration**

The consideration payable for the acquisition of Syndicated's 50% share of the Barbara Copper Project is:

- A\$2.3 million in cash payable in one instalment upon completion of the Sale and Purchase Agreement (**SPA**); and
- A production royalty payable on the first 10,000 tonnes of copper-in-concentrate (or ore equivalent) produced by the Barbara Copper Project. The royalty will be payable as follows:
  - 1% of the net smelter return (**NSR**) generated from the sale of concentrate or ore equivalent subject to a minimum invoiced copper price of US\$2.50/lb;
  - 2% of the NSR generated from the sale of concentrate or ore equivalent subject to a minimum invoiced copper price of US\$3.00/lb;
  - Where no production royalties are payable due to the invoiced price being below US\$2.50/lb, copper sold from the Barbara Copper Project does not count towards the 10,000 tonne production royalty cap;
  - NSR in relation to copper concentrate is defined as net revenue received from the sale of the products, excluding credits from other metals; and
  - NSR in relation to ore sales is defined as net revenue received from the sale of the products, excluding credits from other metals and less processing costs.

The Transaction remains subject to the following conditions precedent:

- Approval by Syndicated shareholders, as required under Chapter 10 of the ASX Listing Rules; and
- Indicative approval from the Queensland Minister of Mines for the transfer of Syndicated's interest in the Barbara Copper Project to CopperChem.

The SPA contains customary representations and warranties for a transaction of this nature. Completion of the Transaction is scheduled to occur within 5 business days of the satisfaction or waiver of all of the conditions precedent (or such other date agreed between Syndicated and CopperChem).

Syndicated has commissioned Stantons International to prepare an independent expert's report in relation to the Transaction (**IER**). The IER will accompany the notice of meeting to be provided to all shareholders. The IER will opine on whether the disposal of the Company's 50% share of the Barbara Copper Project under the Transaction is fair and reasonable to Shareholders not associated with CopperChem.

The Company will schedule a shareholders' meeting to approve the Transaction with a notice of meeting to be sent to all shareholders in the near future.

**Management Comment**

Syndicated Metals' Managing Director, Mr Andrew Munckton, said the sale of the Company's share in the Barbara Copper Project would allow it to crystallise value immediately via an upfront cash payment, with additional upside from a trailing royalty from future copper production.

"CopperChem has always been in the best position to develop this asset given their strong operational base in North Queensland. We are pleased to have reached an agreement which enables them to move the Barbara Copper Project forward against the backdrop of an improved copper price and cost environment in North Queensland," he said.

"It is worth noting that, in addition to a trailing production royalty from the Barbara Copper Project, Syndicated retains its existing 1,600km<sup>2</sup> tenement holding to the north-east and south-east of Mt Isa, including our Mt Remarkable and Southern Hub Projects in this world-class mineral district," he said.

"This is a prospective ground package for copper-gold and base metal deposits and we will continue to progress joint venture discussions with parties interested in progressing exploration on our tenements."

"In the meantime, the cash to be realised from the sale will be used to advance ongoing gold exploration programs at the Monument Gold Project in WA, where we plan to embark on a significantly expanded exploration push along the 16km Korong-Waihi Trend, where we have identified multiple highly prospective targets."

"We have intersected significant zones of near-surface gold mineralisation in our maiden drill program last year at the Korong prospect, and we intend to systematically evaluate this exciting project with further programs of soil sampling, aircore drilling and IP geophysical surveys to define additional targets for follow-up RC drilling."

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