

# QUARTERLY REPORT

## September 2009



# HIGHLIGHTS

- Infill drilling program underway on North Lode at the Barbara copper deposit along with step out holes on South Lode;
- First results expected to be announced shortly;
- Program follows up on positive results from previous drilling at Barbara North Lode which supported its potential for an open-pittable sulphide resource in addition to the existing JORC resource at the South Lode;
- Updated resource estimate for Barbara expected by year end;
- New drill targets identified in the immediate vicinity of Barbara;
- Dronfield Joint Venture Agreement executed. Field work to start shortly on this area located along strike to the south of the Kalman deposit;
- \$3.1 million in cash held at end of the quarter.

### SYNDICATED METALS LIMITED

ASX Code: SMD

ABN 61 115 768 986

**Market Capitalisation** (at 30/9/2009)  
\$15.5 million (at \$0.27 per share)

**Issued Capital** (at 30/9/2009)  
57.35 million ordinary shares  
8 million unlisted \$0.30 options  
0.5 million unlisted \$0.40 options

**Cash** (at 30/9/2009): \$3.1 million

### Board of Directors and Senior Management

**Bruce McCullagh**  
Chairman &  
Company Secretary

**Russell Davis**  
Managing Director

**Andrew Dinning**  
Non-executive Director

**Jan Hope**  
Non-executive Director

**Mark Whittle**  
Exploration Manager

### Contact Details

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## **Exploration Overview**

Syndicated Metals is focused on exploring for base metals on its Mount Isa project areas in Northwest Queensland. In early August 2009 positive results were announced from a drilling program at the Barbara copper project located 50 kilometres north east of Mount Isa within Syndicated's Mount Remarkable project. As a result a follow up drilling program on the Barbara North and South Lodes was planned and is currently underway. It is expected that an updated resource estimate for the Barbara deposit will be generated by the end of the year.

Results of the current drilling program will be announced as they become available with the first batch expected to be available within the next two weeks.

In addition mapping and geochemical sampling by Syndicated along strike of the Barbara deposits has outlined several new drill targets.

Formal documentation for the Dronfield Joint Venture between Syndicated and Universal Resources Limited was executed during the quarter. The Dronfield tenement covers the prospective southern strike extension of the structure hosting the Kalman molybdenum-rhenium-copper-gold deposit. Syndicated intends to commence field work at Dronfield as soon as possible.

## **Barbara**

The existing drill Indicated and Inferred mineral resource at the South Lode at Barbara (100% Syndicated) is estimated to contain 38,000 tonnes of copper and 11,000 ounces of gold. *(Refer to Syndicated's ASX announcement dated October 28<sup>th</sup> 2008 and Appendix 1 for details of the Mineral Resource Estimate.)*

Syndicated's objective at its Mount Remarkable project is to generate sufficient resources at the Barbara deposit and at other prospects in close proximity to justify a stand-alone development. The Company considers that there is very good potential to achieve this goal.

Results from the RC and diamond drilling program conducted on the Leichhardt Joint Venture tenement (EPM16112) during the previous quarter were released to the ASX on August 10<sup>th</sup> 2009. *(Refer to Syndicated's ASX announcement dated August 10<sup>th</sup> 2009 for full details of the results.)*

This program was designed to test for extensions down dip and plunge of the Barbara South Lode and to test beneath gossanous zones along strike to the northwest (now known as the North Lode) . Positive results were returned from drilling in both areas and follow-up drilling commenced in late September and is continuing at the time of this report.

## **Barbara North Lode**

Four holes were drilled during the June 2009 quarter at the North Lode to provide an initial test of the zone over approximately 200 metres of strike length.

The results announced in August 2009 were highly encouraging with each drill hole returning plus 1% Cu intercepts through shallow sulphide mineralization. The best result was 8 metres at 3.7% Cu from 32 metres down-hole within a broad zone of 25 metres at 1.44% Cu. These results are consistent with the results of Syndicated's initial drilling on the South Lode and provided sufficient confidence to proceed with the current infill RC drilling program of approximately 3000 metres to test the North Lode to a vertical depth of 100 to 150 metres. A deeper hole to test the TEM anomaly at approximately 250 metres depth is also planned.

### **Barbara South Lode**

The three pre-collared diamond holes and one RC hole were designed to test the interpreted down plunge position of the lode within the joint venture tenement.

Each hole intercepted the mineralized zone which contained significant widths of stringer, massive and semi-massive sulphides (mostly pyrrhotite) with local ore grades.

Grade by true width contours indicated that the high grade core of the lode is possibly plunging at a shallower angle than anticipated and that the holes drilled may have intercepted the lower edge of the lode.

Significant intercepts include 5.37 metres at 1% Cu and 0.8g/t Au, including 0.77 metres at 1.65% Cu and 5.24g/t Au in BADD004, 4.25 metres at 2.68% Cu and 0.26g/t Au in BADD006 and 11 metres at 1.47% Cu and 0.11g/t Au in BARC021.

The altered and mineralized zone is increasing in width to the south with estimated true widths of +30 metres in BADD005 (41.7 metres averaging 0.31% Cu) and +50 metres in BADD006 (63.25 metres at 0.45% Cu).

The deposit remains open to the south of BADD002 (31.5 metres at 2.56% Cu and 13.8 metres at 1.67% Cu). Two RC holes were recently completed within EPM 15564 (100% Syndicated) as part of Syndicated's current drilling program to test this target zone up-dip of BADD006. Assay results from these holes are expected to be received in late October.

### **Target Generation**

A program of soil sampling was completed to test for new mineralized zones in the vicinity of Barbara. The known mineralization was clearly defined by the sampling which showed the zone is open to the north. Four new anomalies of similar strength (+500ppm Cu), including one anomaly 1800 metres to the south of Barbara within the Barbara shear zone were also outlined.

One of the northern anomalies termed the Green Zone coincides with a north trending shear zone with abundant visible malachite at surface. This shear extends for several hundred metres and has not been previously drilled. Infill soil sampling was completed over these anomalies during the quarter.

### **Kalman South**

Syndicated holds a 49% interest in EPM13870 which hosts a substantial portion of the Kalman molybdenum-rhenium-copper-gold deposit located 60 kilometres southeast of Mount Isa. Kings Minerals NL can earn up to a 70% interest by completing and funding a final feasibility study by May 2012. A technical review and scoping study are currently being undertaken on the deposit by Kings.

The Dronfield Joint Venture Agreement with Universal Resources Limited was executed during the quarter. The tenement is immediately along strike to the south of EPM13870 and covers a nine kilometre long strike length of the Pilgrim Fault which hosts the Kalman Deposit. Syndicated intends to commence soil sampling and mapping along this zone shortly.

### ***Other Projects***

No field work was undertaken during the quarter on the Exmouth or Georgina projects. The Dandaragan tenement applications were withdrawn.

### ***Project Generation***

Project generation activities continued with a focus on copper and zinc opportunities in the Mount Isa region.

### ***Corporate***

The Company held \$3.1 million in cash at the end of September.



Russell Davis  
Managing Director

## ***Company Background***

Syndicated is focused on the discovery and development of base metal deposits, principally in the mineral-rich Mount Isa region in Northwest Queensland.

Syndicated listed on the ASX in December 2007 and has since generated a significant metal resource inventory in the Mount Isa region comprising its interests in the Barbara (copper) and Kalman South (molybdenum-rhenium-copper-gold) deposits.

The Mount Remarkable Project (including the Barbara copper deposit) comprises a group of mostly contiguous tenements covering over 800 square kilometres. The project tenements are located about 60 kilometres northeast of Mount Isa within close proximity to existing infrastructure and are considered prospective for copper-gold and sediment hosted lead-zinc-silver style mineralisation. Historical uranium prospects are also present within the tenements.

Syndicated holds an interest in EPM13870 forming part of the Kalman molybdenum-copper-gold-rhenium deposit, where Syndicated is free carried to completion of a final feasibility study. An updated resource estimate was announced in September 2008 for the Kalman South project and scoping study work on the entire Kalman deposit is currently being undertaken by the joint venture partner.

In addition Syndicated has a 100% interest in the Exmouth project in Western Australia which is considered prospective for silver, base metals and uranium as well as phosphate.

Sun Metals Corporation Pty Ltd, a subsidiary of Korea Zinc Company Ltd, holds a 10.5% interest in Syndicated.

For further information on the Company, contact the Managing Director, Russell Davis on 0419 195 087 or view our website at: [www.syndicatedmetals.com.au](http://www.syndicatedmetals.com.au)

## ***Competent Persons Statement***

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Russell Davis and Mr Mark Whittle who are Members of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Davis and Mr Whittle are full-time employees of Syndicated Metals Limited and consent to the inclusion in the report of the Exploration Results and Mineral Resources in the form and context in which they appear.



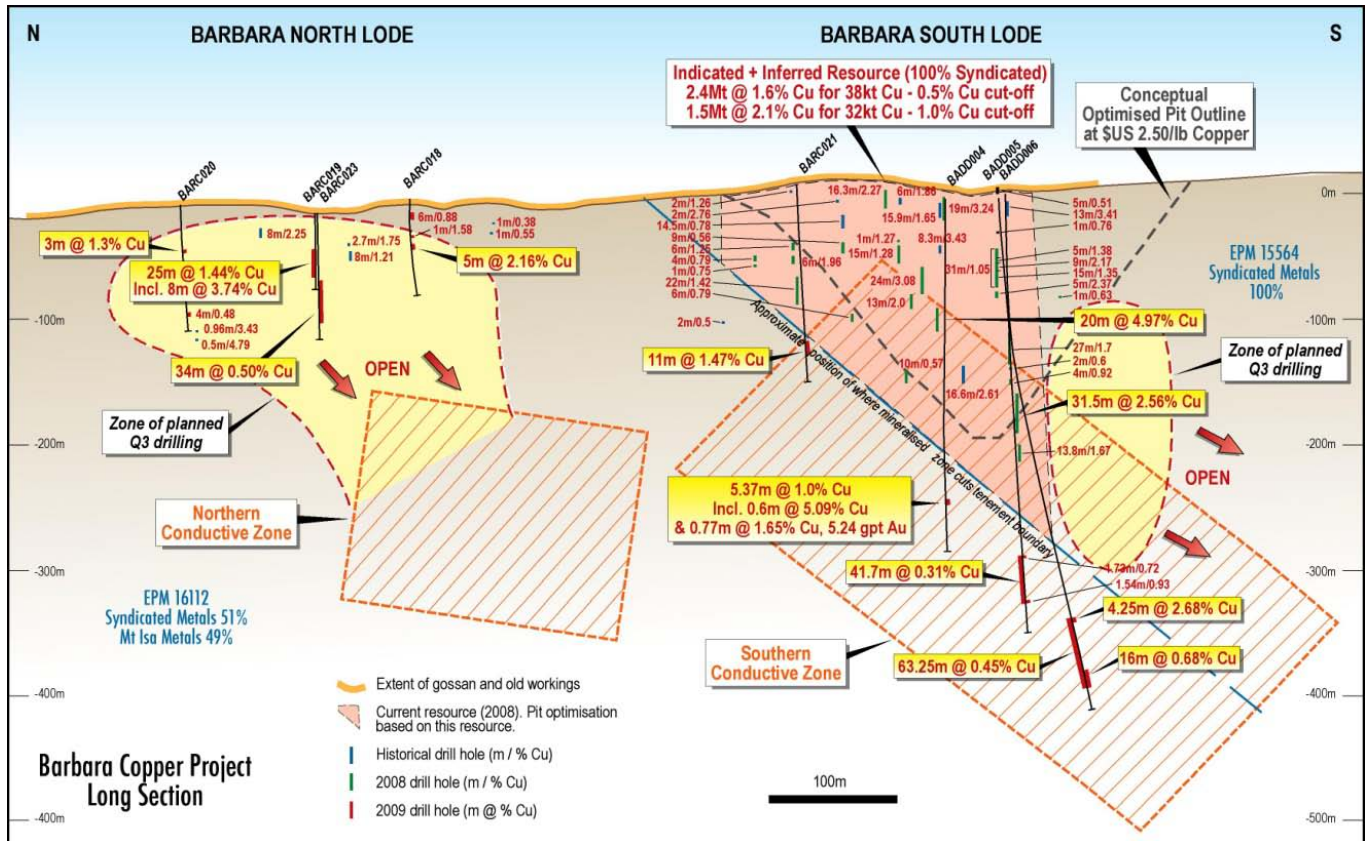


Figure 1: Barbara Long Section

APPENDIX 1

The Indicated and Inferred Mineral Resources for the Barbara Deposit (South Lode) as at October 2008 are tabulated below. Refer also to Syndicated’s ASX announcement dated October 28<sup>th</sup> 2008 for details.

| 0.5% Cu      |                  |             |             |               |               |
|--------------|------------------|-------------|-------------|---------------|---------------|
| Category     | Tonnes           | Cu %        | Au g/t      | Cu Tonnes     | Au ozs        |
| Indicated    | 400,000          | 1.51        | 0.17        | 6,000         | 2,200         |
| Inferred     | 1,970,000        | 1.63        | 0.15        | 32,000        | 9,400         |
| <b>Total</b> | <b>2,370,000</b> | <b>1.61</b> | <b>0.15</b> | <b>38,000</b> | <b>11,600</b> |

| 1% Cu        |                  |             |             |               |              |
|--------------|------------------|-------------|-------------|---------------|--------------|
| Category     | Tonnes           | Cu %        | Au g/t      | Cu Tonnes     | Au ozs       |
| Indicated    | 250,000          | 1.99        | 0.21        | 5,000         | 1,700        |
| Inferred     | 1,280,000        | 2.11        | 0.19        | 27,000        | 7,600        |
| <b>Total</b> | <b>1,530,000</b> | <b>2.09</b> | <b>0.19</b> | <b>32,000</b> | <b>9,300</b> |

(Based on modelled density, minor rounding errors may occur)

Resource Estimate for the Barbara Deposit - October 2008

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

|                           |
|---------------------------|
| SYNDICATED METALS LIMITED |
|---------------------------|

ABN

|                |
|----------------|
| 61 115 768 986 |
|----------------|

Quarter ended ("current quarter")

|                   |
|-------------------|
| September 30 2009 |
|-------------------|

### Consolidated statement of cash flows

|   | Current quarter<br>\$A'000 | Year to date<br>( 3 months)<br>\$A'000 |
|---|----------------------------|--|
| <b>Cash flows related to operating activities</b>               |                            |  |
| 1.1 Receipts from product sales and related debtors             |                            |  |
| 1.2 Payments for (a) exploration and evaluation                 | (273)                      | (273)                                  |
| (b) development   |                            |  |
| (c) production  |                            |  |
| (d) administration  | (147)                      | (147)                                  |
| 1.3 Dividends received  | 32                         | 32                                     |
| 1.4 Interest and other items of a similar nature received       | (1)                        | (1)                                    |
| 1.5 Interest and other costs of finance paid                    |                            |  |
| 1.6 Income taxes paid   |                            |  |
| 1.7 Other (provide details if material)                         |                            |  |
|   | (389)                      | (389)                                  |
| <b>Net Operating Cash Flows</b>                                 |                            |  |
| <b>Cash flows related to investing activities</b>               |                            |  |
| 1.8 Payment for purchases of: (a)prospects                      |                            |  |
| (b)equity investments   |                            |  |
| (c) other fixed assets  | (4)                        | (4)                                    |
| 1.9 Proceeds from sale of: (a)prospects                         |                            |  |
| (b)equity investments   |                            |  |
| (c)other fixed assets   |                            |  |
| 1.10 Loans to other entities                                    |                            |  |
| 1.11 Loans repaid by other entities                             |                            |  |
| 1.12 Other (provide details if material)                        |                            |  |
|   | (4)                        | (4)                                    |
| <b>Net investing cash flows</b>                                 |                            |  |
| 1.13 Total operating and investing cash flows (carried forward) | (393)                      | (393)                                  |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |  |       |       |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (393) | (393) |
|      | <b>Cash flows related to financing activities</b>          |       |       |
| 1.14 | Proceeds from issues of shares, options, etc.              |       |       |
| 1.15 | Proceeds from sale of forfeited shares                     |       |       |
| 1.16 | Proceeds from borrowings                                   |       |       |
| 1.17 | Repayment of borrowings                                    |       |       |
| 1.18 | Dividends paid   |       |       |
| 1.19 | Other (provide details if material)                        |       |       |
|      | <b>Net financing cash flows</b>                            |       |       |
|      | <b>Net increase (decrease) in cash held</b>                | (393) | (393) |
| 1.20 | Cash at beginning of quarter/year to date                  | 3,500 | 3,500 |
| 1.21 | Exchange rate adjustments to item 1.20                     |       |       |
| 1.22 | <b>Cash at end of quarter</b>                              | 3,107 | 3,107 |

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

|      |  | Current quarter<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 109                        |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   |                            |

1.25 Explanation necessary for an understanding of the transactions

Directors Fees and Professional Services

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

|  |
|--|
|  |
|--|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

|  |
|--|
|  |
|--|

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

| Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|-----------------------------|------------------------|
|                             |                        |

+ See chapter 19 for defined terms.



|     |                             |  |  |
|-----|-----------------------------|--|--|
| 3.1 | Loan facilities             |  |  |
| 3.2 | Credit standby arrangements |  |  |

**Estimated cash outflows for next quarter**

|              |                            | \$A'000 |
|--------------|----------------------------|---------|
| 4.1          | Exploration and evaluation | 300     |
| 4.2          | Development                |         |
| <b>Total</b> |                            | 300     |

**Reconciliation of cash**

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 304                        | 297                         |
| 5.2 Deposits at call  | 2,803                      | 3,203                       |
| 5.3 Bank overdraft  |                            |                             |
| 5.4 Other (provide details) Security deposit  |                            |                             |
| <b>Total: cash at end of quarter</b> (item 1.22)  | 3,107                      | 3,500                       |

**Changes in interests in mining tenements**

|     | Tenement reference  | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed |                               |                                  |                            |
| 6.2 | Interests in mining tenements acquired or increased           | EPM 18223                     | Nil                              | 100%                       |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

|  | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 <b>Preference securities</b><br><i>(description)</i>   |              |               |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |   |  |
| 7.3 <b>+Ordinary securities</b>  | 57,350,005   | 30,510,005    |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |              |               |   |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |              |               |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 8,000,000    | Nil           | <i>Exercise price 30 cents</i>                | <i>Expiry date September 3 2012</i>              |
|  | 500,000      | Nil           | <i>Exercise price 40 cents</i>                | <i>Expiry date August 30 2011</i>                |
| 7.8 Issued during quarter  |              |               |   |  |
| 7.9 Exercised during quarter   |              |               |   |  |
| 7.10 Expired during quarter  |              |               |   |  |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |              |               |   |  |
| 7.12 <b>Unsecured notes</b> <i>(totals only)</i>   |              |               |   |  |

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: .. October 15 2009.....  
(Director/Company secretary)

Print name: B R McCullagh.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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