

# ANNUAL REPORT 2010



**SYNDICATED**  
**metals** A.B.N. 61 115 768 986

# CORPORATE DIRECTORY

## Directors

**Martin Pyle** (Non-executive Chairman)

**Russell Davis** (Managing Director)

**Bruce McCullagh** (Executive Director and Company Secretary)

**Jan Hope** (Non-executive Director)

**Ki Deok (KD) Park** (Non-executive Director)

## Management

**Mark Whittle** (Exploration Manager)

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## Solicitors

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West Perth WA 6005

## Auditors

**Mack & Co**

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## Share Registrar

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## Stock Exchange Listing

**Australian Securities Exchange**

(Home Exchange: Perth, Western Australia)

ASX Code: **SMD**

## Banker

**Westpac Banking Corporation**

1257 Hay Street

West Perth WA 6005

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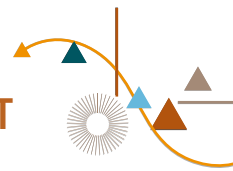
### Carpentaria Zinc Project

## MOUNT ISA INLIER

### Georgina Project

## HIGHLIGHTS

- ▲ Focus on world recognised Mount Isa base metal mining province in Northwest Queensland;
- ▲ Extensive tenement holdings strategically located near established town, road, rail and power infrastructure;
- ▲ Substantial base metal inventory:  
98,000 tonnes of copper, 10,000 tonnes of molybdenum,  
840,000 ounces of rhenium, 96,000 ounces of gold;
- ▲ On target for near term copper production at Mount Remarkable;
- ▲ Excellent results from major RC and diamond drilling program at Mount Remarkable during 2010 to underpin updated resource estimate for Barbara North and South Lode;
- ▲ Drilling yields exciting new copper-gold discoveries at Green Zone and Blue Star;
- ▲ VTEM survey identifies additional high priority targets;
- ▲ Discussions underway with JV partner on means of accelerating progress or otherwise unlocking value of potentially world-class Kalman South molybdenum-rhenium-copper-gold deposit;
- ▲ Kalman South Net Smelter Royalty purchased from ASARCO Exploration Company Inc;
- ▲ New tenement acquisitions consolidate & expand land position in the Mount Isa region;
- ▲ Zinc strategy launched in the Mount Isa zinc belt with key tenement applications targeting world-class SEDEX style deposits.



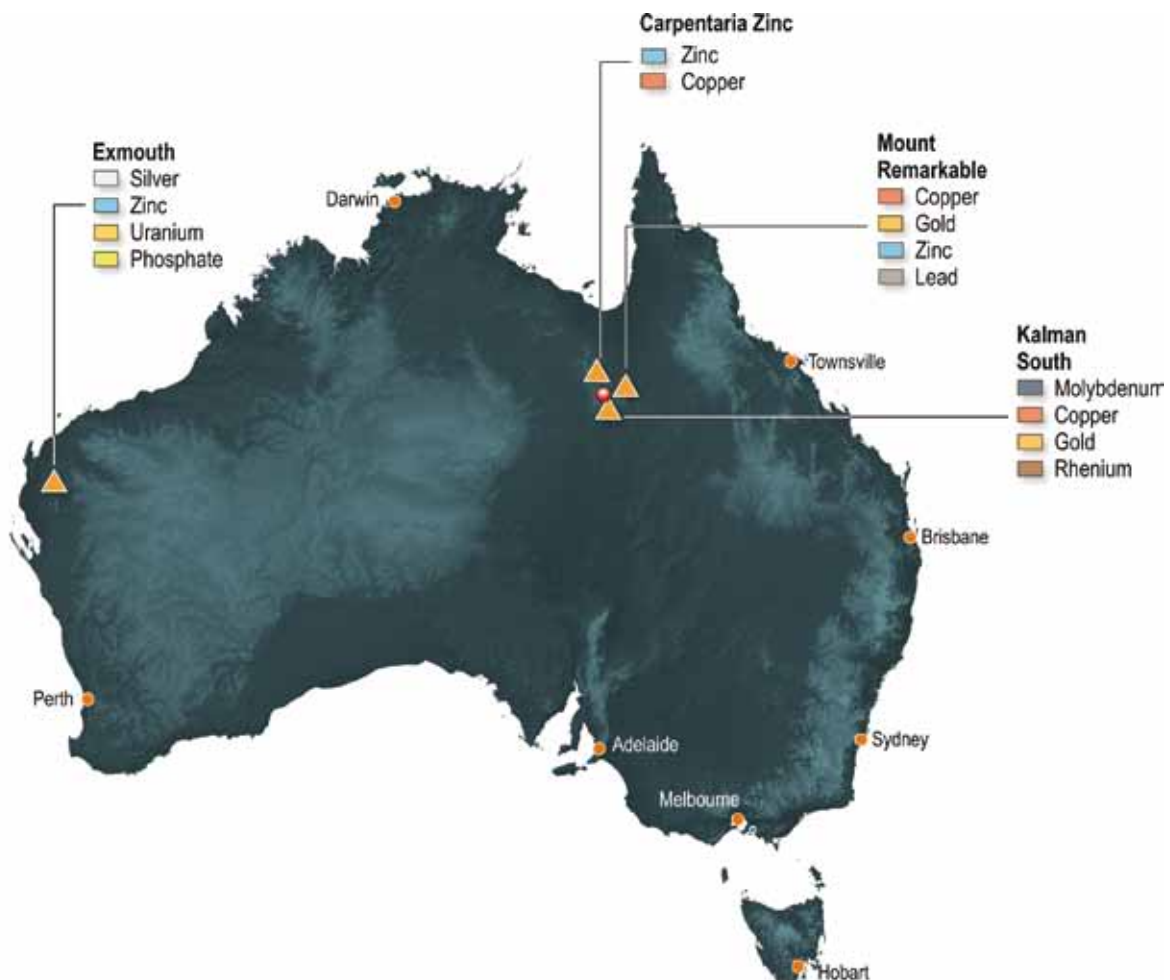
# COMPANY PROFILE

*Forging a new base metals company in the Mount Isa mineral province ...*

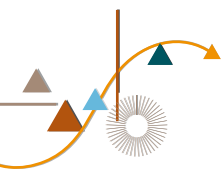
Syndicated Metals Limited is an exciting new base metal company with a strong growth outlook underpinned by a growing resource inventory and the potential for additional new discoveries. The Company's interests are focused primarily in the Mount Isa region in Northwest Queensland, widely recognised as one of the world's premier base metal mining provinces.

Syndicated has:

- ▲ an extensive ground position in the Mount Isa mining province with multi-commodity exposure to copper, gold, molybdenum, rhenium, uranium, lead, zinc and silver;
- ▲ interests in two of the most exciting new mineral discoveries made close to Mount Isa in recent times forming the basis of an already substantial base metals inventory, namely; the Barbara copper-gold deposits and the Kalman South molybdenum-rhenium-copper-gold deposit;
- ▲ a clear strategy to achieve near term copper production and cash flow;
- ▲ a 49% interest in the Kalman South molybdenum-rhenium-copper-gold project in joint venture with Kings Minerals NL which must complete a final feasibility study by July 2011 to earn 70%;
- ▲ \$3.1 million in cash at June 30th 2010
- ▲ a strong and supportive major shareholder in Sun Metals Corporation (Korea Zinc) with a 14.9% interest.



Project Locations



## CHAIRMAN'S LETTER

Dear Fellow Shareholders,

As the recently appointed Chairman of Syndicated Metals Limited (Syndicated), I am pleased to report on the Company's progress this year.

In its relatively short history, Syndicated has accumulated two strategic tenement packages in the Mount Isa region of Northwest Queensland. Both project areas have yielded substantial polymetallic resources representing tangible value for shareholders. However, against the backdrop of continuing world economic malaise and the devastating threat of a Super Profits Tax on mining, trading conditions for exploration/development companies have remained difficult.

Australia's sovereign risk rating for mining has soared since the Australian Labor Party first raised the spectre of a new mining tax and despite the efforts of the mining community and the Coalition to reduce the impact of the tax; some enduring damage to the world-wide investment appetite for Australian exploration and mining companies has been done.

Given the above factors are largely out of Syndicated's control, I am delighted to report that where we can have an impact; on the ground, your Company has made substantial progress. Under the stewardship of our Managing Director, Russell Davis and his small but very effective exploration team the Company has achieved much in 2009/2010 including for the Mount Remarkable Project;

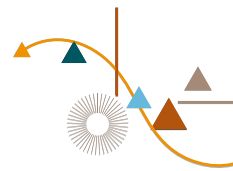
- Substantial upgrade of the Barbara South copper/gold resource;
- Estimation of a maiden resource for Barbara North;
- Deeper drilling below both lodes confirming the mineralisation remains open at depth;
- Discovery of two new mineralised systems at Green Zone and North Lode (both very close to Barbara);
- Commencement of regional exploration work in the Mount Remarkable district including a VTEM survey;

In addition the acquisition of additional strategically located tenements has continued to build on our already substantial ground position in the Mount Isa region increasing our presence in this world recognised mineral field.

Progress on our other key asset Kalman South, has not been satisfactory this year. 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. As a matter of priority we have commenced discussions with Kings Minerals NL, our joint venture partner and operator of the project, to address ways in which we can accelerate progress on the project or otherwise seek to realise additional value for Kalman South which your Board rates highly.

I would like to thank my fellow directors and our small team of employees and contractors including Mark Whittle the Company's exploration manager, for their strong contributions during the year and look forward to a prosperous 2011.

Martin Pyle  
**Non-executive Chairman**



## MANAGING DIRECTOR'S REVIEW

Syndicated Metals' goal is to become a profitable base metal producer, mining the valuable deposits the Company is discovering in the Mount Isa mining province in Northwest Queensland.

Activity during the year focused on Syndicated's extensive holdings at the Mount Remarkable project, 50 kilometres northeast of Mount Isa where the purpose of ongoing exploration is to significantly expand the existing estimated resources of 47,000 tonnes of copper and 14,000 ounces of gold contained in the Barbara deposits.

At the time of preparing last year's annual report the first few holes had been drilled into Barbara North Lode with encouraging results. At the end of 2009 sufficient drilling had been completed in the near surface section of North Lode to estimate the maiden mineral resource for the deposit. This was reported to the ASX in March 2010.

Concurrently with this drilling, mapping and sampling in the vicinity of Barbara identified new previously unrecorded mineralised zones at Greenback along strike to the south of Barbara and at Green Zone and North Gossan to the north. With the knowledge that the Barbara North Lode and South Lode were open at depth and, with the number of high priority targets coming to light within trucking distance of Barbara, we were very confident of significantly expanding the copper resources with further drilling.

To test the higher priority targets a 10,000 metre drilling program was designed and a \$2.5 million capital raising undertaken in December 2009 from sophisticated and institutional investors to fund the program. Our largest shareholder, Korea Zinc, supported this capital raising, increasing its interest in the company from 10% to 14.9%. Korea Zinc's representative Mr Ki Deok (KD) Park was subsequently invited to join the board of Syndicated in February, 2010.

Drilling recommenced in early April with results to date proving very gratifying. Extensions have been outlined to both the North and South Lodes, along with the discovery of a new copper deposit at Green Zone and a massive sulphide zone with high cobalt values at North Gossan. The initial drill tests of the Greenback, Trey Bit, and Blue Star prospects have also produced encouraging results. Blue Star in particular is an exciting new discovery which has excellent potential for near surface high grade copper-gold sulphide ore.

Resource consultants are currently remodelling the Barbara North and South Lodes to incorporate the latest drilling results and it is anticipated that updated resource estimates will be announced later in the 4th Quarter. Additional drilling is required at the Green Zone and Blue Star deposits before resources can be estimated.

Syndicated has now drilled 10,300 metres into Mount Remarkable in the past 12 months taking the total metres drilled since listing on the ASX in December 2007 to almost 18,000 metres.

Syndicated's first airborne VTEM geophysical survey flown in July demonstrated its effectiveness over the Mount Remarkable tenement area, clearly detecting the Barbara deposits. The Company's geophysical consultants interpreted some 15 other strong conductors in the survey area, some of which coincide with known zones of copper mineralisation and alteration. Based on these results the Company is confident that extending this surveying technique over the remainder of the project area will produce further positive results.

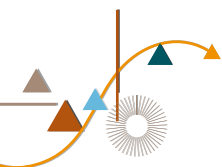
Syndicated's other major asset in the Mount Isa region is the Kalman South project located 60 kilometres southeast of Mount Isa. The Kalman South joint venture on EPM13870 includes a significant portion of the Kalman molybdenum-rhenium-copper-gold deposit.

Syndicated has been somewhat frustrated by the lack of progress at Kalman South during the year with little work being carried out by our joint venture partner, Kings Minerals NL. Kings has until July 2011 to complete a final feasibility on the development of Kalman South in order to earn a 70% interest. Syndicated has therefore commenced discussions with Kings on ways of progressing the project more rapidly or otherwise unlocking its potentially considerable value for shareholders.

Syndicated holds a very positive view of the potential of the Pilgrim Fault and the Kalman area in general to host new molybdenum and copper-gold discoveries and continues to actively explore and consolidate its tenement position in the area.

In line with this strategy Syndicated purchased the Dronfield tenement (EPM14369) - located immediately along strike to the south of Kalman - from Altona Mining Limited (formerly Universal Resources Limited) along with three other tenements in the area with base metal and uranium potential. As a result of this transaction the Dronfield Joint Venture between Syndicated and Altona on EPM14369 will be terminated. Also included in the purchase from Altona Mining Limited are the historical copper-gold workings at Nil Desperandum, 30 kilometres southwest of the Kalman deposit where high grade copper and gold intercepts in previous drilling include 22 metres at 2.23% Cu and 0.26g/t Au and 19 metres at 2.32% Cu and 0.56g/t Au.





## MANAGING DIRECTOR'S REVIEW(cont.)

Syndicated's initial soil sampling programs at Dronfield have focussed along the Pilgrim Fault and returned several exciting copper and gold anomalies which will be followed up as soon as possible.

Late in the year Syndicated reached agreement with ASARCO Exploration Company, Inc to purchase the 2% net smelter royalty over the Kalman South Joint Venture tenement. The royalty is payable on 100% of metal production from the tenement. The purchase of the royalty essentially nullifies Syndicated's royalty obligations; however it will be applicable to any other party's interest in the tenement during production.

Project generation activities continued with a focus on advanced copper and zinc opportunities that complement our projects in the Mount Isa region.

New applications were submitted for tenements located north of Mount Isa in a corridor between the large Mount Isa, George Fisher and Century zinc mines. These tenements, when granted, will form the basis of Syndicated's Carpentaria Zinc project, targeting SEDEX style lead-zinc deposits in this world class zinc province.

In the short term shareholders can expect news on further drilling results, the Barbara resource upgrade and the likely commencement of a scoping study into the most advantageous route for the development of the Barbara copper-gold deposits. An active and focused exploration program will continue, with the prospectivity of the Company's ground holdings positioning it well to make further discoveries and to continue to build on its resource inventory.

Credit must be given to the Company's field crews led by Exploration Manager, Mark Whittle, for their hard work and dedication. The fact that significant new copper discoveries can still be made within 50 kilometres of Mount Isa is testament to the prospectivity of the district and the professionalism and effectiveness of Syndicated's exploration team.

Russell Davis  
**Managing Director**





# PROJECT REVIEWS

## MOUNT ISA REGION

The Mount Isa Inlier is Australia's premier base metal province and is host to several major mineral deposits including the Mount Isa copper and zinc-lead-silver deposits, the George Fisher-Hilton zinc-lead-silver deposits, the Century zinc-lead-silver deposit, the Cannington lead-zinc-silver deposit and the Ernest Henry copper-gold deposit.

Syndicated's tenements in the region cover an area of around 2900 square kilometres and form three principal project areas:

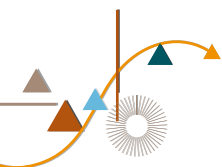
- ▲ the **Mount Remarkable Project** located about 60 kilometres to the northeast of Mount Isa;
- ▲ the **Kalman South Joint Venture** located about 60 kilometres southeast of Mount Isa; and
- ▲ the **Carpentaria Zinc Project** located to the north of Mount Isa near the Century zinc mine.

In addition, the Company holds tenement applications covering a further 787 square kilometres covering sequences within the adjacent Georgina Basin that it believes have potential for phosphate.



Mount Isa Region Tenements



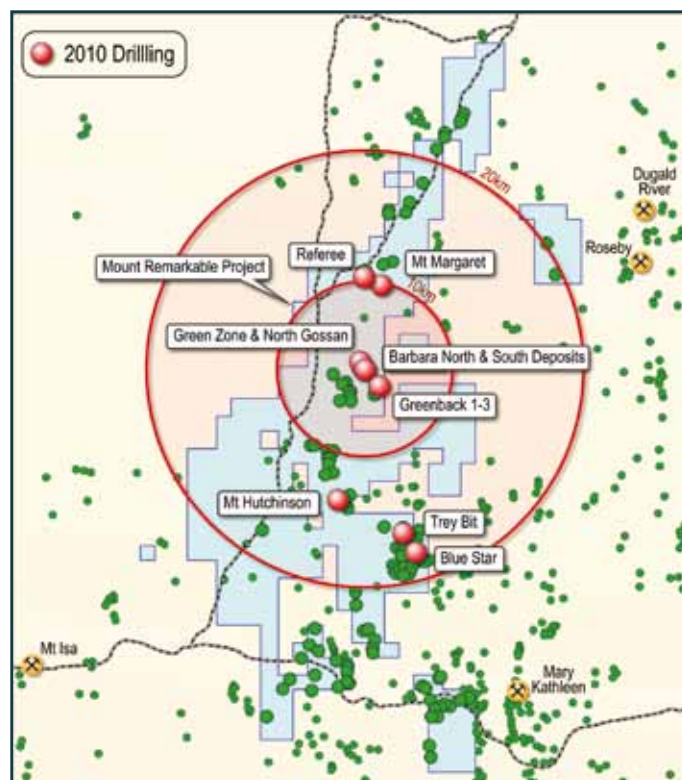


## PROJECT REVIEWS

# Mount Remarkable Project

*(copper-gold, lead-zinc & uranium)*

The Mount Remarkable Project, including the Barbara copper-gold deposits, is centred about 60 kilometres northeast of Mount Isa. This project, which comprises mostly contiguous tenements covering around 1145 square kilometres, is considered to be highly prospective for sediment hosted lead-zinc-silver and uranium deposits as well as for copper and gold.



Mount Remarkable Project

All the tenements are 100% owned by Syndicated apart from two tenements (EPM16112 and EPM16197) covering the north western part of the Barbara copper prospect and the area surrounding the Blockade copper mine that are in joint venture with Mount Isa Metals Limited (the West Leichhardt Joint Venture). Syndicated holds 51% and management of the West Leichhardt Joint Venture.

Exploration during the past year has focussed on RC and diamond drilling programs designed to expand the existing copper and gold resources at Mount Remarkable.

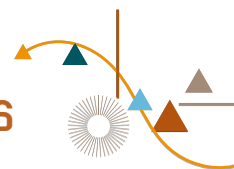
In tandem with the drilling, generative programs seeking to identify new deposits continued apace. Geological mapping, rock and soil sampling and ground EM and an airborne VTEM geophysical survey conducted during the year have successfully identified a number of new copper sulphide targets.

New targets identified by this work including, Green Zone, North Gossan, Greenback and Blue Star have already been drilled with positive results.

Excellent potential exists to further expand the resource inventory at Mount Remarkable. In spite of being located in close proximity to Mount Isa, the project area is manifestly under-explored and our large ground position provides an outstanding exploration opportunity.

It is anticipated that at Green Zone and Blue Star shallow sulphide resources can be outlined with limited additional drilling. Both Barbara North Lode and South Lode are open at depth and large sections of the Barbara Fault between the deposits and North Gossan remain to be drilled.

In addition, a suite of untested targets have been identified which we have just begun to evaluate, including some new high priority conductors highlighted by the VTEM survey.



## Barbara

Since the time of reporting last year until July 2010 a total of 80 holes for 10327 metres have been drilled in the Barbara area at the prospects listed below.

Prospect	Hole numbers	Number of holes	Number of metres
Barbara South Lode	BARC032-034, BARC049-055 and BARC062, BADD006-009 and BADD012-014	18	4670.8
Barbara North Lode	BARC024-031, BARC035-048, BARC056-061, BARC063-065	44	4144.7
Green Zone	GZRC001-GZRC008	8	842
North Gossan	NGRC001-NGRC004	4	328
Greenback	GBRC001-GBRC006	6	441
<b>Totals</b>		<b>80</b>	<b>10426.5</b>

Following the announcement of the maiden resource estimate for Barbara North Lode in March 2010 the total combined Indicated and Inferred resource for Barbara North and South Lodes increased to approximately 3.1 million tonnes at 1.5% Cu and 0.12g/t Au at a 0.5% Cu cut off containing an estimated 47,000 tonnes of copper and 14,000 ounces of gold.

Current resource estimates for Barbara North Lode and Barbara South Lode are tabulated below. A resource update for both deposits incorporating the new drilling results is currently underway and is expected to be announced during the 4th Quarter of 2010.

For full details of the Resource Estimates for Barbara South Lode and Barbara North Lode refer to announcements made to the ASX on October 28th, 2008 and March 1st 2010 respectively.

### Barbara South Lode Resource Estimates at October 2008

0.5% Cu cut-off					
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 cut-off					
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; significant figures quoted do not imply precision and are used to minimize round-off errors)

### Barbara North Lode Resource Estimates at March 2010

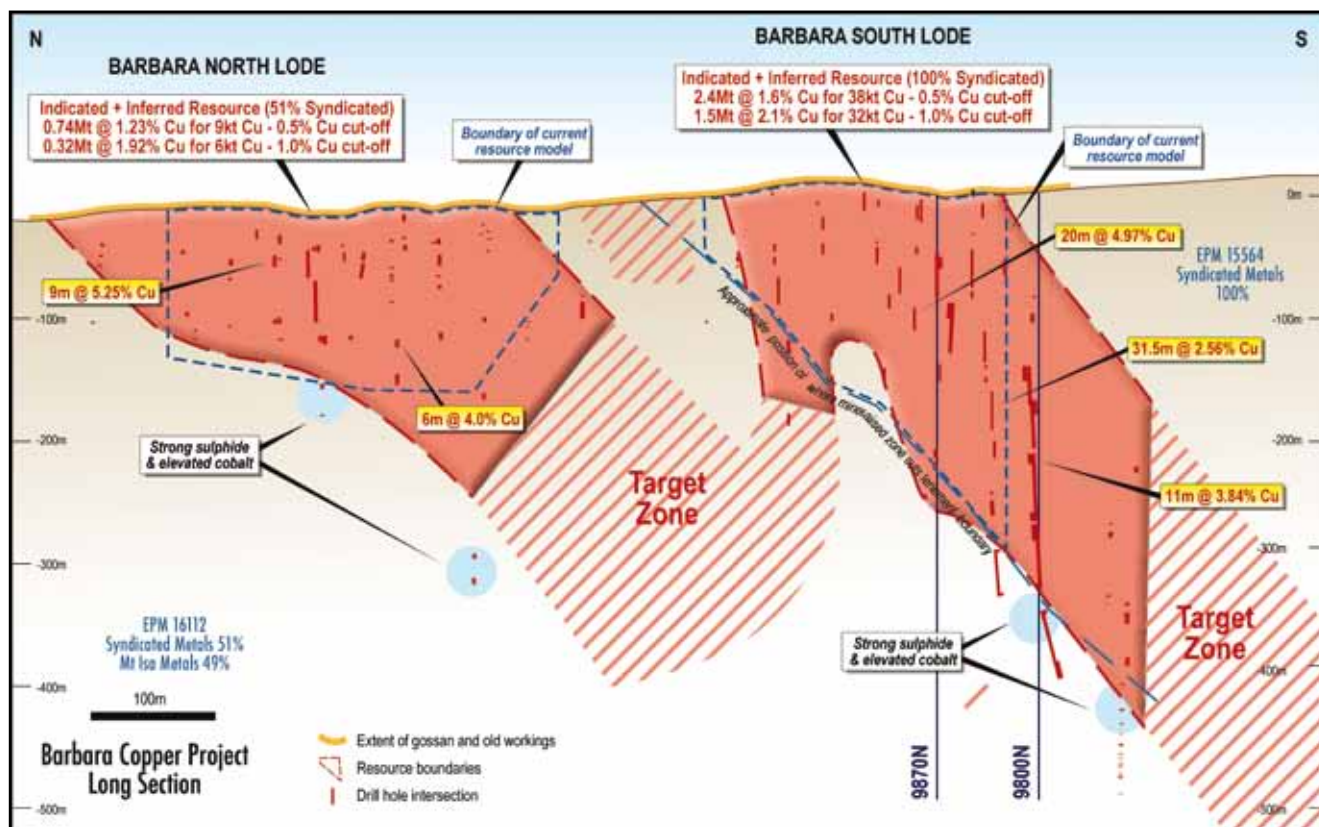
0.5% Cu Cut-off					
Category	Tonnes	Cu %	Au g/t	Cu Tonnes	Au ozs
Indicated	281,000	1.35	0.1	3,790	900
Inferred	459,000	1.16	0.1	5,310	1,480
<b>Total</b>	<b>740,000</b>	<b>1.23</b>	<b>0.1</b>	<b>9,100</b>	<b>2,380</b>

1.0% Cu cut-off					
Category	Tonnes	Cu %	Au g/t	Cu Tonnes	Au ozs
Indicated	137,000	2.04	0.1	2,800	440
Inferred	185,000	1.83	0.1	3,380	600
<b>Total</b>	<b>322,000</b>	<b>1.92</b>	<b>0.1</b>	<b>6,180</b>	<b>1,040</b>

(Average density of 2.89t/m<sup>3</sup> for sulphide, 2.59t/m<sup>3</sup> for oxide; minor rounding errors; significant figures quoted do not imply precision and are used to minimize round-off errors)

## PROJECT REVIEWS

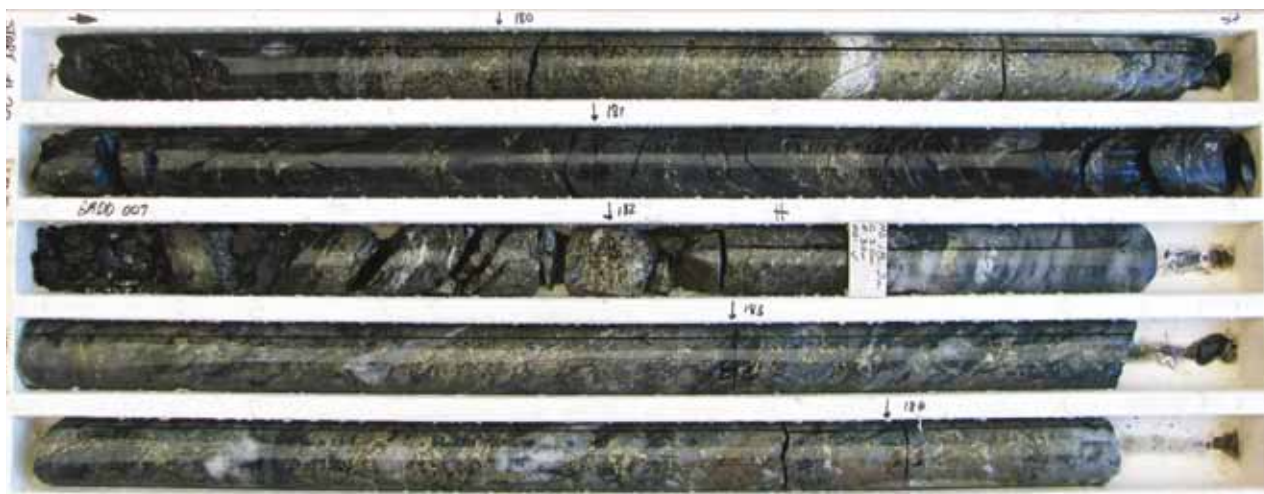


Barbara Long Section

### Barbara South Lode

At Barbara South work focussed on testing for the down plunge extensions of the lode between 200 metres and 500 metres below surface.

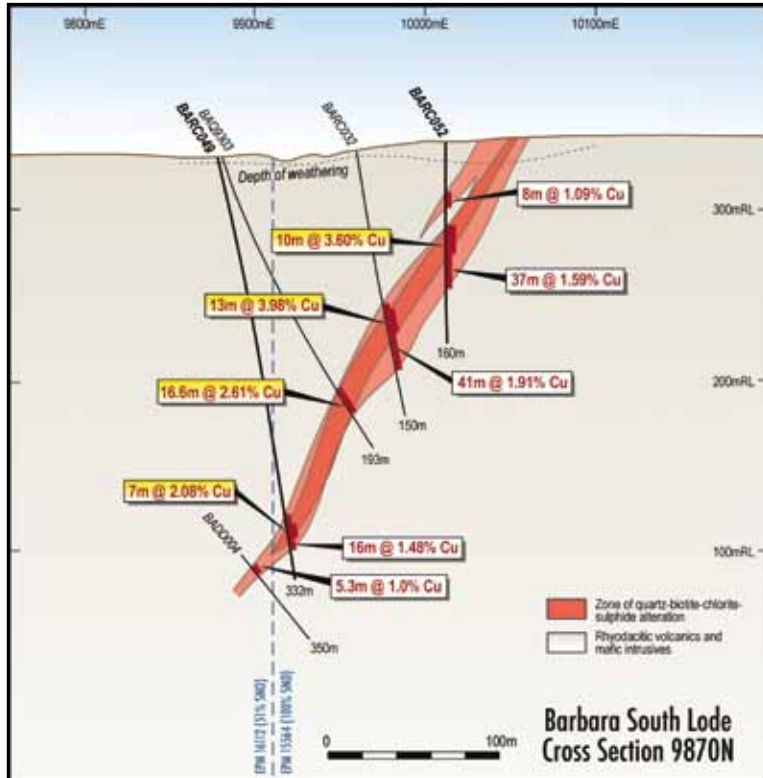
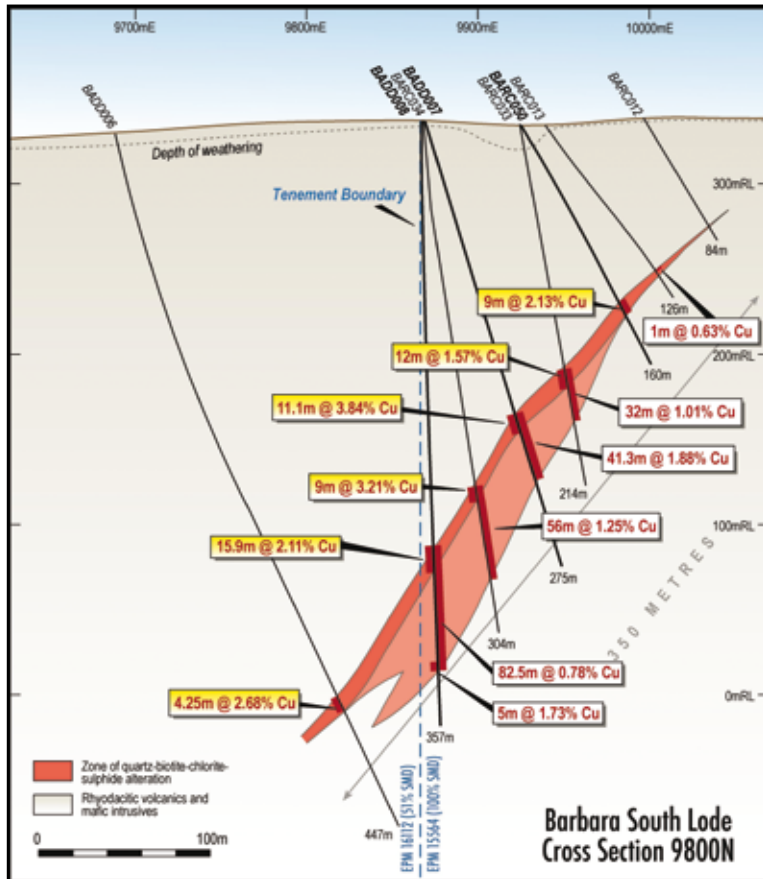
In late 2009 deeper step out RC drilling returned encouraging results including 56 metres at 1.25% Cu and 0.12g/t Au from 217 metres, including 9 metres at 3.2% Cu and 0.4g/t Au in BARC034. These intercepts were followed up during 2010 with a series of infill and step out RC and diamond drill holes that continued to return ore grade intercepts such as 41.3 metres at 1.88% Cu including 9 metres at 3.21% Cu in BADD007 and 15.9 metres at 2.11% Cu in BADD008.



Photograph of section of mineralised drill core from BADD007 at approx 182 metres depth



## PROJECT REVIEWS



Barbara South Cross Sections

Infill drilling into the upper part of the deposit also returned some excellent results including 13 metres at 3.98% Cu and 0.12g/t Au within 41 metres at 1.91% Cu and 0.22g/t Au from 93 metres in BARC032.

The mineralised zone at Barbara South is up to 50 metres thick with a high grade zone developed principally in the upper or hanging wall side of the lode above a lower grade zone of disseminated copper mineralisation grading between 0.5% Cu and 1.5% Cu. A zone of +2% Cu is developed on the footwall of the lode in places.

The dimensions of the +1% Cu envelope on 9840N which has tested the full down-dip length of the lode are approximately 250 to 300 metres down dip and between 5 and 50 metres true thickness. Refer to the drill cross sections 9800N and 9870N below.

A preliminary review of the deeper intersections by mining consultants indicated potential for the higher grade material (+1.5% Cu) situated below the limits of an open pit to be recovered by underground mining.

Further drilling at Barbara South will focus on the untested up-dip sections of the shear at the south end of the deposit and the area between the North and South Lodes. A higher grade copper zone with an apparent vertical plunge is developing at the north end of South Lode and further drilling is required to better define this position.

## PROJECT REVIEWS

### Barbara North Lode

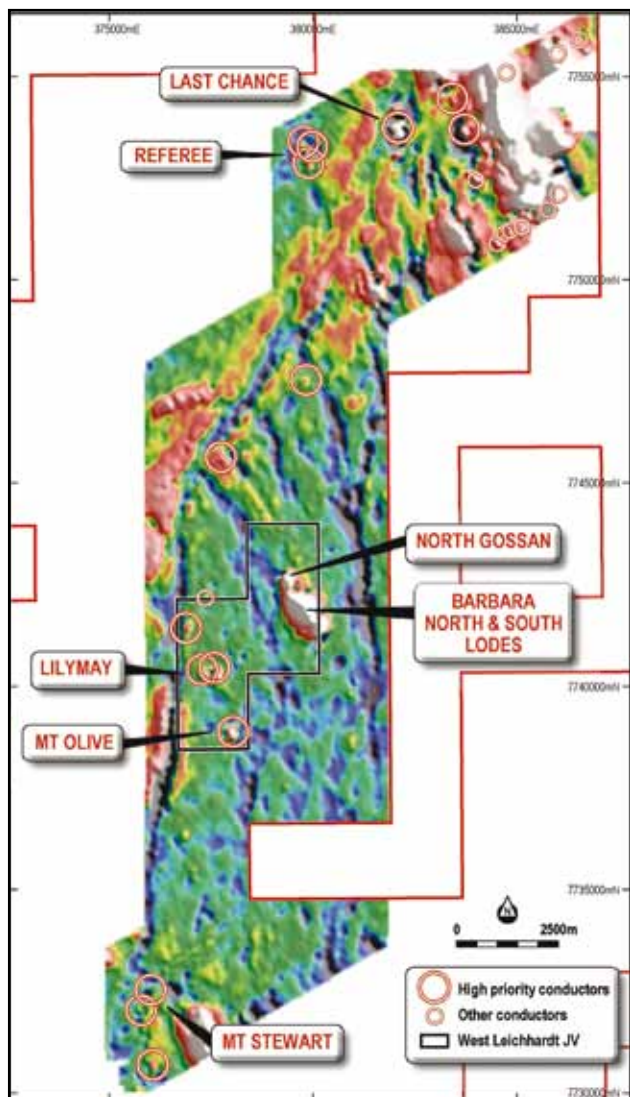
Barbara North Lode is centred approximately 400 metres along strike to the north of South Lode within the Barbara shear zone and is manifested at surface by several old pits and a pronounced gossan. The sheared and altered zone is approximately 30 to 40 metres wide at surface.

Drilling completed in late 2009 provided sufficient information to enable Hellman & Schofield Pty Ltd ("H&S"), an independent geological consultancy to provide the maiden resource estimate for North Lode of **740,000 tonnes at 1.23% Cu containing 9,100 tonnes of copper** which was released to the ASX in January 2010. The deposit falls wholly within EPM16112, part of the West Leichhardt Joint Venture.

The mineralised zone is between 5 and 30 metres thick and dips at about 60° to the southwest and appears to have a moderate plunge to the southeast. The base of oxidation is relatively shallow extending to between 10 and 20 metres vertical depth. Approximately 10% of the resource is within the oxidised and partially oxidised domains.

North Lode is not as robust a deposit as South Lode but has several high grade copper intercepts and remains open at depth. Interestingly the base of North Lode is characterised by high levels of iron sulphide (mostly pyrite) with elevated levels of cobalt of up to 6 metres of 0.18% Co. This style of strong iron sulphide with high cobalt – low copper mineralisation is also present at South Lode along the base of the copper rich section of the lode.

Additional RC drilling was completed during 2010 to test for near surface mineralisation at the south end of the deposit with some success. These results will be incorporated into an updated resource estimate expected to be completed in late 2010. Two diamond drill holes were also drilled at North Lode to provide material for sulphide flotation testwork.



VTEM - Channel 20 Image

### Target Generation

Soil geochemical sampling along the Barbara Fault was extended and infilled during the year. Concurrently with this work detailed geological mapping and rock chip sampling programs were completed which located several new mineralised zones including Green Zone, North Gossan and Greenback 1, 2 and 3.

A ground EM survey over Barbara North and South Lodes produced a very strong conductive response over South Lode and a weaker response over North Lode. Based on the strength of the EM responses in identifying copper mineralisation the first VTEM survey was flown over an area in July this year.

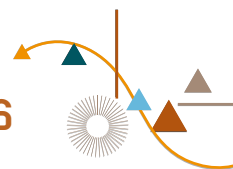
The program comprised an initial survey of 750 line kilometres over extensions of the prospective rock sequences and structures that host the Barbara deposits. An additional 86 kilometres of 100 metre spaced infill surveying was conducted in select areas.

The survey was conducted by Geotech Airborne Pty Ltd using a helicopter-borne Versatile Time-Domain Electromagnetic ("VTEM") system. VTEM measures the conductivity of sub-surface features down to a depth of approximately 400 metres and also records magnetic intensity data which enhances the VTEM product.

VTEM surveys are designed to quickly cover large areas and identify high conductivity zones possibly containing massive sulphide. The Barbara deposits located in the centre of the survey area exhibit a classic ground EM response so the technique was considered appropriate for the area.

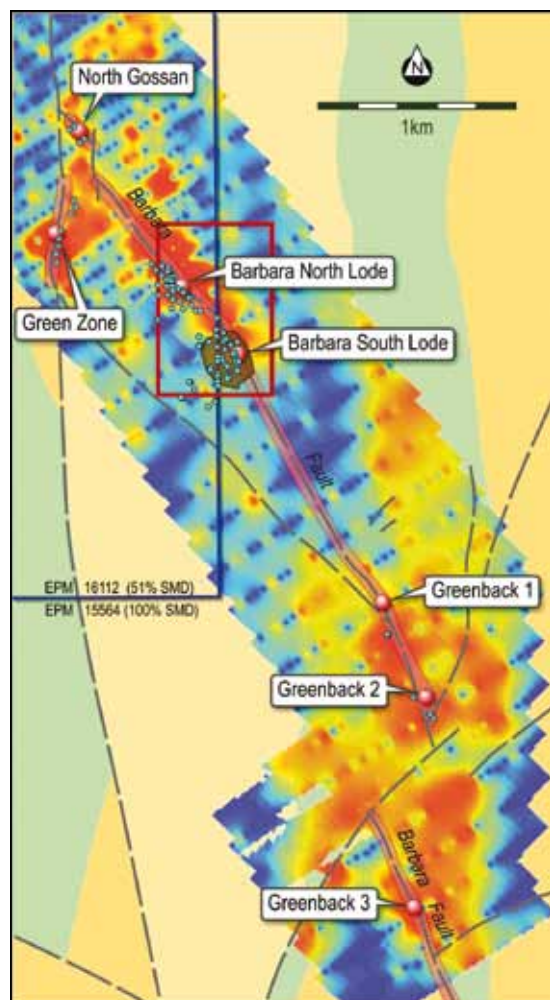
The survey showed that the Barbara North and South Lodes have an excellent chargeability response and clearly defined the North Gossan cobalt rich pyrite body located 400 metres along strike.

The geophysical consultants interpreted another 15 strong responses which require investigation in detail. Initial ground



examination of several of the responses indicates that their location is coincident with historic copper workings that have not been previously drilled.

The effectiveness of VTEM as demonstrated by this survey indicates that the technique can be confidently used in identifying and ranking targets elsewhere within Syndicated's extensive and highly prospective tenement holdings at Mount Remarkable.



Barbara with Copper-in-Soil Image

## Green Zone

Green Zone is a north trending and steeply west dipping shear zone at the western end of the Barbara Fault. There is visible malachite (copper carbonate) at surface in several localities along the shear.

Drilling at Green Zone has now defined a mineralised zone up to 15 metres thick over a strike length of 400 metres. The zone is open to the north toward North Gossan. Results include 24 metres at 0.83% Cu from 32 metres in GZRC003 and 8 metres at 1.05% Cu from 56 metres in GZRC006.

Additional drilling focussing in the top 50 to 60 metres of the deposit is required to have enough information to conduct a mineral resource estimate for the deposit.

## North Gossan

North Gossan is located on a fault dislocated portion of the Barbara Fault which hosts the Barbara North and South Lodes. The prospect is characterised by high levels of pyrite dominated semi massive to massive sulphide. Copper levels intercepted to date are low but the cobalt content is strongly elevated. Zonation within the mineralised zones from high copper to high cobalt is seen at the Barbara Lodes which provides confidence that copper mineralisation may be located at North Gossan with further drilling.

Three reverse circulation holes were drilled (NGRC002 to NGRC004) to follow up the initial intersection of 6 metres at 0.18% Co in NGRC001. All of these holes intersected zones of high cobalt and pyrite content including 3 metres at 0.10% Co in NGRC003 and 6 metres at 917ppm Co in NGRC004.

A more detailed assessment of the occurrence of cobalt within the deposits is warranted as it has the potential to add further value to the deposits if it can be recovered economically.

## Greenback

Greenback is located on the Barbara Fault approximately 1.5 kilometres to the southeast of the Barbara South Deposit. The Barbara Fault in this area is wholly located within the Magna Lynn Metabasalt and is displaced in places by younger northeast trending faults.

Mapping and surface prospecting has located gossanous zones with visible copper oxide mineralisation at the three Greenback prospects. Greenback 1 and 2 have been drilled so far.

Significant copper intersections include 9 metres at 0.93% Cu from 40 metres in GBRC005 and 3 metres at 2.6% Cu and 0.48g/t Au from 82 metres in GBRC006. An intercept with elevated cobalt of 2 metres at 0.17% Co was returned from 32 metres in GBRC001.

## Blue Star

The Blue Star copper prospect is located within EPM16197, part of the West Leichhardt Joint Venture.

Blue Star was drilled in the late 1960's and returned intersections of up to 9.1 metres at 2.8% Cu and 15 metres at 1.13% Cu. Gold was not assayed at the time.

Drilling undertaken was a first pass appraisal down to a depth of between 50 and 70 metres.

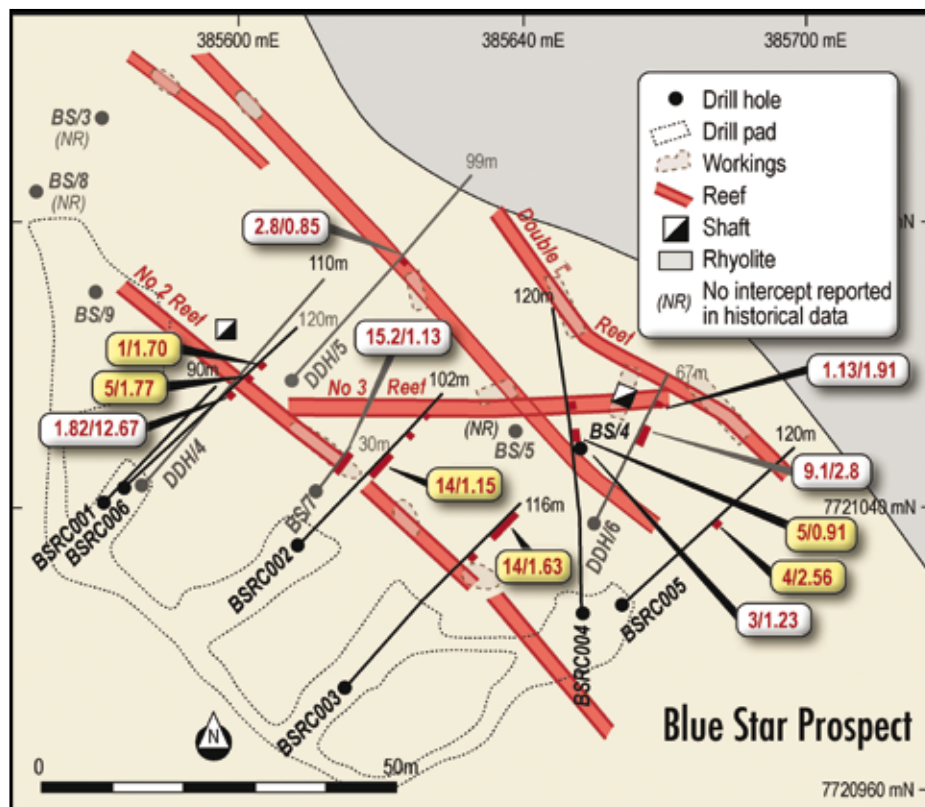


## PROJECT REVIEWS

Results were very encouraging with Blue Star showing excellent potential for defining a new copper-gold sulphide resource. The mineralisation is in multiple lobes and is open along strike and at depth.

Significant results include:

- ▲ 14 metres at 1.15% Cu and 0.17g/t Au from 51 metres including 2 metres at 3.25% Cu and 0.38g/t Au from 51 metres in BSRC002;
- ▲ 14 metres at 1.63% Cu and 0.25g/t Au from 100 metres including 3 metres at 2.95% Cu and 0.67g/t Au from 103 metres and 2 metres at 5.55% Cu and 0.52g/t Au from 112m in BSRC003;
- ▲ 4 metres at 2.56% Cu and 0.28g/t Au from 63 metres in BSRC005;
- ▲ 5 metres at 1.77% Cu and 0.30g/t Au from 82 metres including 3 metres at 2.6% Cu and 0.48g/t Au from 82 metres in BSRC006.



Blue Star

### Trey Bit

The Trey Bit copper prospect is also located within EPM16197 on an east-west striking fault.

Drilling by Syndicated tested the eastern portion of the lode down to a depth of 70 metres below surface. Results included:

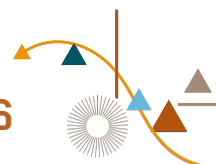
- ▲ 3 metres 1.57% Cu from 76 metres in TBRC001 and
- ▲ 3 metres at 1.27% Cu from 43 metres in TBRC002.

### Mining and metallurgical studies

Further mining and metallurgical studies will be undertaken after the resource updates currently in progress are completed.

The mining assessments conducted on the initial Barbara South resource model for in-house planning purposes, produced positive results in terms of the potential of mining the Barbara deposit by open-pit methods followed by recovery by underground mining of the deeper section of the deposit.

Preliminary flotation testwork undertaken by AMDEL Mineral Laboratories in Perth on two composite samples of sulphide ore from South Lode showed that a saleable copper concentrate grade of 25% with copper recoveries of 91% and 96% could be achieved from these composites. More definitive testwork on core samples collected from North Lode and South Lode will commence in the new year.



## Kalman South

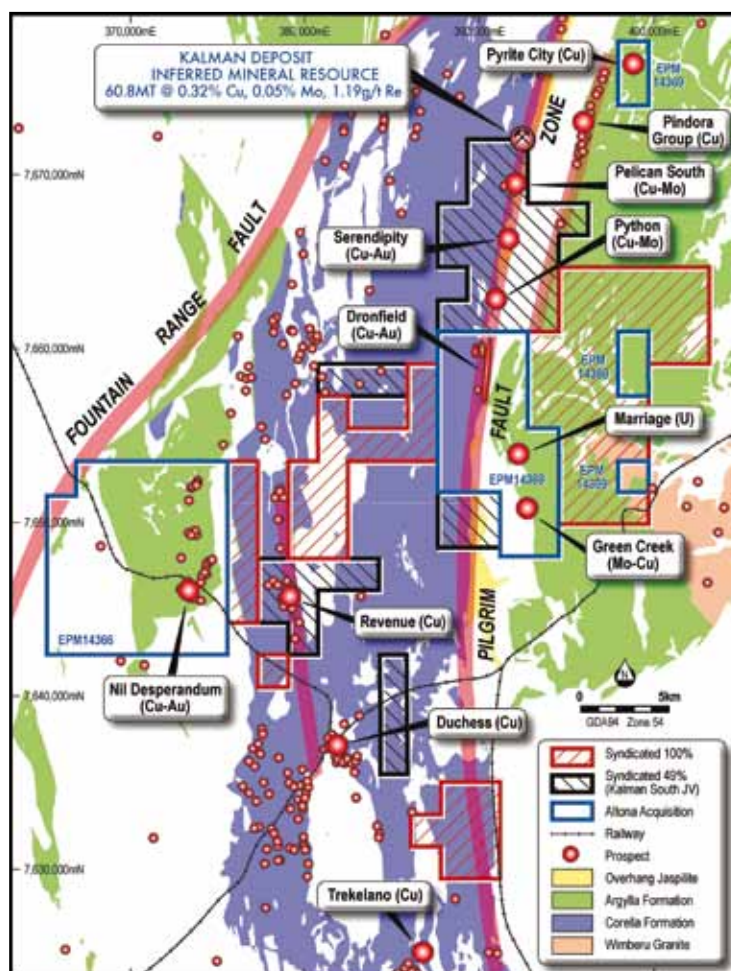
(molybdenum-rhenium, copper-gold & uranium)

The Kalman South Project comprises EPM13870, a joint venture between Kings Minerals NL (“Kings”) (ASX: KMN) and Syndicated, as well as a number of other tenements held by Syndicated including Dronfield. EPM13870 covers a significant portion of the Kalman molybdenum-copper-gold-rhenium deposit which is open at depth and has potential for extensions along strike. The tenement also contains a number of other targets prospective for copper, gold and molybdenum.

Kings has earned a 51% interest in EPM13870 by spending \$4 million, and can now earn up to a 70% interest in the tenement by completing a final feasibility study by July 2011. Syndicated is free-carried on the Kalman South Project until completion of a final feasibility study.

Since commencement of the joint venture to August 2008 Kings has drilled 67 holes for about 25,600 metres of drilling within EPM13870.

The Kalman deposit is hosted in a steeply dipping shear zone adjacent to the regional-scale Pilgrim Fault. The mineralisation comprises chalcopyrite, molybdenite and pyrite within altered calc-silicates (sediments) of the Corella Formation now comprised dominantly of alkali feldspar, actinolite and chlorite.



Kalman South and Dronfield

### Mineral Resource Estimate

The most recent Inferred Mineral Resource estimate for the Kalman deposit was released by Kings to the ASX on September 10th 2008.

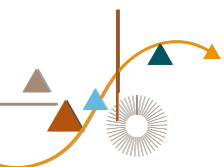
The total mineral resource estimate for the Kalman Project as announced was **60.8 million tonnes grading 0.32% Cu, 0.05% Mo, 1.19g/t Re and 0.15g/t Au.**

The southern part of the deposit as defined to date within EPM13870 was reported at **36.7 million tonnes grading 0.31% Cu, 0.06% Mo, 1.46g/t Re and 0.15g/t Au.**

A copper domain and an internal molybdenum domain were modelled, with a further breakdown into mineralisation potentially mineable by open pit methods above the -100m RL and mineralisation potentially mineable by underground methods below the -100m RL. The deposit has now been drilled on a nominal 100 metre by 100 metre spacing.

Domain	Cut-off Grade	Tonnes millions	Cu %	Mo %	Re g/t	Au g/t	Tonnes Cu	Tonnes Mo	Ounces Re	Ounces Au
Copper	0.2%Cu	15.3	0.35	0.002	-	0.15	53,600	400	-	76,100
Molybdenum	0.02%Mo	17.5	0.22	0.11	2.88	0.11	38,700	18,400	1,623,700	61,400
	<b>Open Pit</b>	<b>32.9</b>	<b>0.28</b>	<b>0.06</b>	<b>1.54</b>	<b>0.13</b>	<b>92,300</b>	<b>18,800</b>	<b>1,623,700</b>	<b>137,500</b>
Copper	0.5%Cu	2.4	0.66	0.004	-	0.38	16,100	100	-	29,300
Molybdenum	0.05%Mo	1.3	0.29	0.12	2.15	0.14	3,900	1,500	93,300	6,200
	<b>Underground</b>	<b>3.8</b>	<b>0.53</b>	<b>0.04</b>	<b>0.77</b>	<b>0.29</b>	<b>20,000</b>	<b>1,600</b>	<b>93,300</b>	<b>35,500</b>
<b>Total</b>		<b>36.7</b>	<b>0.31</b>	<b>0.06</b>	<b>1.46</b>	<b>0.15</b>	<b>112,400</b>	<b>20,400</b>	<b>1,717,000</b>	<b>173,000</b>

Kalman Inferred Mineral Resource Estimate within EPM13870 – September 2008



## PROJECT REVIEWS

EPM13870 contains approximately 60% of the tonnes of the total resource, 58% of the estimated contained copper, 67% of the estimated contained molybdenum, 74% of the estimated contained rhenium and 59% of the estimated contained gold.

Based on the current estimate, EPM13870 currently contains an estimated 112,400 tonnes of copper, 20,400 tonnes of molybdenum, 1.7 million ounces of rhenium and 173,000 ounces of gold.

The molybdenum domain which averages 0.11% Mo is considered as one of the higher grade molybdenum deposits with the added advantages of credits of copper, gold and rhenium. Within this domain there are a number of significantly higher grade molybdenum and rhenium intersections of impressive widths and grades including:

- ▲ 28 metres at 0.38% Mo and 8g/t Re in K-56;
- ▲ 30 metres at 0.23% Mo and 6g/t Re in K-20;
- ▲ 15 metres at 0.32% Mo and 10g/t Re in K-52.

These intercepts require further definition but potentially represent significant high grade bodies of molybdenum and rhenium.

Also of note are the exceptional copper, gold, molybdenum and rhenium values intercepted by K106 and daughter holes K106A, K106B and K106C; some of the last holes drilled at the southern end of the deposit. Results include:

- ▲ 7.65 metres at 23.4% Cu and 0.51g/t Au,
- ▲ 53 metres at 2.07% Cu and 0.52g/t Au;
- ▲ 77 metres at 1.37% Cu and 1.32g/t Au.

This zone is open at depth and to the south and represents a prime exploration target.

During the year, Kings reported encouraging copper, molybdenum and gold results from reconnaissance RC drilling along strike to the south of the Kalman deposit in similar stratigraphic/structural positions within the Pilgrim Fault zone. The results were considered by Kings to be comparable in grade and width to shallow historical holes drilled at Kalman in the 1990's but which are now understood to have drilled into the halo of the main Kalman deposit.

Rock chip sampling along the Pindora mine trend to the east of the Pilgrim Fault highlighted a zone of copper and gold anomalism coincident with the Pindora Fault which represents another prime exploration target. The fault has been traced further south by Syndicated into Dronfield where rock chips containing up to 0.67% Cu and 2.47g/t Au have been returned by Syndicated's recent sampling.

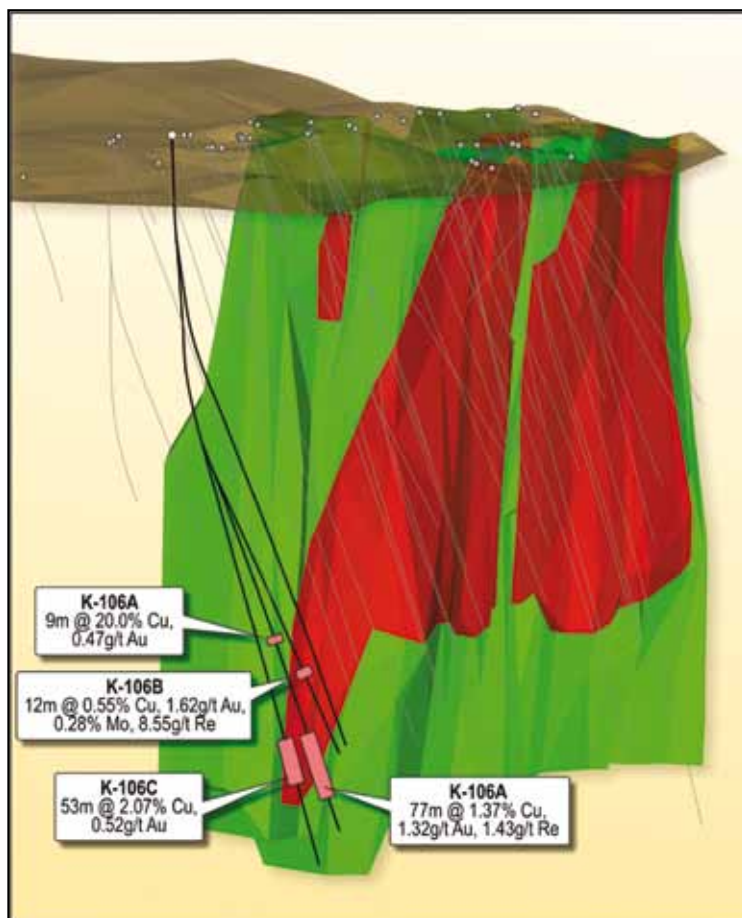
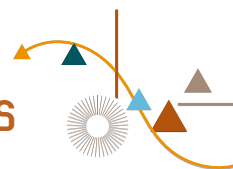
### Metallurgy

The metallurgical flotation testwork done to date indicates excellent recoveries of all valuable metals were achieved on samples from the two mineralised domains (copper rich and molybdenum rich) in the deposit. A copper-gold concentrate and a molybdenum concentrate were produced.



Molybdenum rich core from Kalman deposit





Kalman South Resource Model

### Royalty Acquisition

In mid year agreement was reached with ASARCO Exploration Company Inc for Syndicated Royalties Pty Ltd (a 100% owned subsidiary of Syndicated), to acquire the 2% Net Smelter Royalty over EPM13870 (Kalman South), as well as four other tenements held by Syndicated in the Mount Isa region and one tenement held by Syndicated near Exmouth in Western Australia.

The royalty will be acquired for a total consideration of 476,891 ordinary shares in Syndicated, escrowed for six months after issue.

EPM13870 contains a substantial section of the Kalman molybdenum-rhenium-copper-gold deposit and is considered to have considerable exploration potential for further molybdenum and copper-gold discoveries. The royalty acquired by Syndicated applies to 100% of all mineral production from the tenement.

### Dronfield

Agreement was reached with Altona Mining Limited (ASX:AOH) (formerly Universal Resources Limited) on the terms to purchase their interest in the Dronfield joint venture on EPM14369 which abuts the southern margin of EPM13870 and covers the southern extension of the regional scale Pilgrim Fault.

The acquisition further consolidates Syndicated's ground position in the Kalman area and in particular over the highly prospective Pilgrim Fault Zone.

Syndicated has recently outlined several strong copper and gold soil anomalies within the tenement along the Pilgrim Fault as well as locating the mineralised extension of the Pindora Fault to the east. Following further soil and rock chip sampling to better define the anomalies the higher priority targets will be drill tested.

Three additional tenements with base metal, gold and uranium potential were also purchased as part of the Altona transaction.

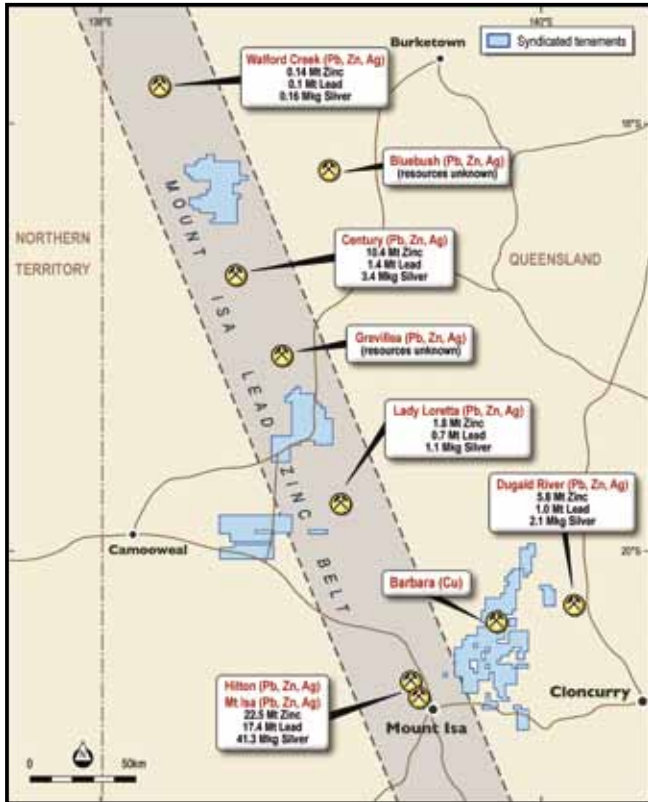
One of the tenements (EPM14366) is located to the southwest of Dronfield and covers a number of historical copper-gold workings including the old Nil Desperandum mine. Previous drilling at Nil Desperandum returned significant high grade copper and gold intersections including:

- ▲ 22 metres at 2.23% Cu and 0.26g/t Au from 109 metres
- ▲ 11 metres at 2.11% Cu and 0.27g/t Au from 155 metres
- ▲ 19 metres at 2.32% Cu and 0.56g/t Au from 112 metres
- ▲ 6 metres at 5.22% Cu and 0.84g/t Au from 21 metres

Follow up drilling designed to extend and better define the mineralisation is planned.

The tenements are to be acquired for a total consideration of 1.5 million ordinary shares in Syndicated. The issued shares will be escrowed for 12 months.

## PROJECT REVIEWS



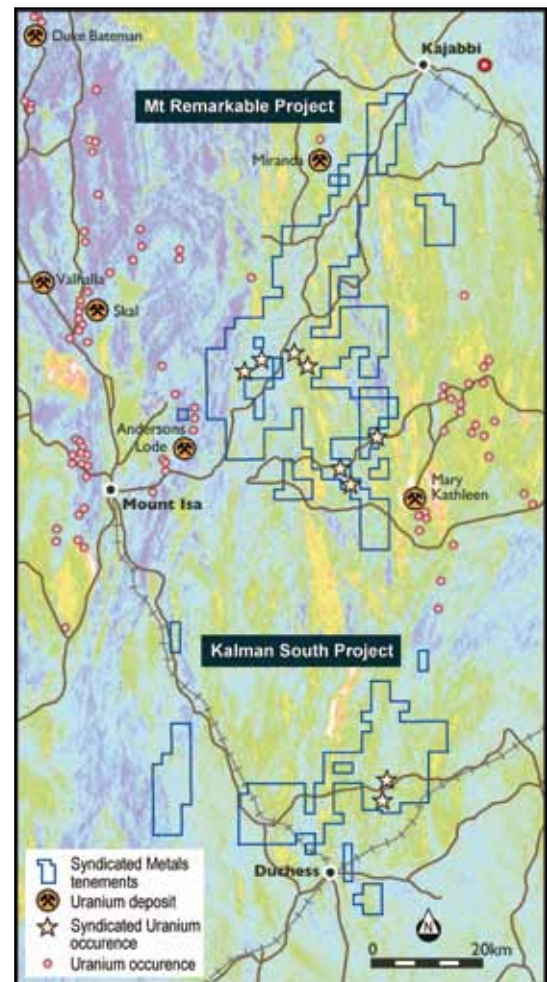
Carpentaria Zinc Project

## MOUNT ISA URANIUM

Assessment of Syndicated's Mount Isa tenements for uranium mineralisation has identified several uranium prospects with strongly elevated uranium mineralisation at surface with rock chips returning up to 0.4%  $U_3O_8$ . Most of these prospects have had sufficient ground work conducted to have defined clear drilling targets. Syndicated is presently assessing how best to progress the considerable uranium potential of the project.

## CARPENTARIA ZINC

Applications were submitted for four new tenements covering 1164 square kilometres located north of Mount Isa in a corridor between the Mount Isa, Hilton-George Fisher and Century zinc mines. These tenements will form the basis of Syndicated's Carpentaria Zinc Project, targeting world-class SEDEX style zinc deposits.



Uranium Targets

## GEORGINA BASIN PHOSPHATE

The Company has four tenement applications (EPM17667, EPM17676, EPM17678 and EPM18677) covering 786 square kilometres targeting phosphate in the Georgina Basin in northwest Queensland. These applications are located over areas of thin recent cover masking the Cambrian sediments which host the known phosphate deposits and occurrences within the Georgina Basin.

Previous phosphate exploration results have been compiled which indicate the presence of the phosphate bearing stratigraphy and elevated levels of phosphate in limited historical drilling.

No work was completed on these tenements in order to focus on the Company's base metals interests.



## EXMOUTH

(silver, zinc, phosphate)

The Exmouth project is located about 1000 kilometres north of Perth and 50 kilometres east of Coral Bay.

The project is considered to have potential for zinc and silver mineralisation, phosphate and sandstone-hosted uranium mineralisation similar to the Manyingee uranium deposit located 100km to the northeast.

Syndicated has a 100% interest in two granted exploration licences (E08/1413 and E08/1740), covering a total area of 313 square kilometres. Two peripheral tenements were relinquished during the year.

The tenements cover a sequence of Tertiary and Cretaceous sediments close to the axis of the Giralia Anticline in the Carnarvon Basin. The sequence is cut by the major north to northeast trending Giralia and Marilla Faults and several northwest trending faults.

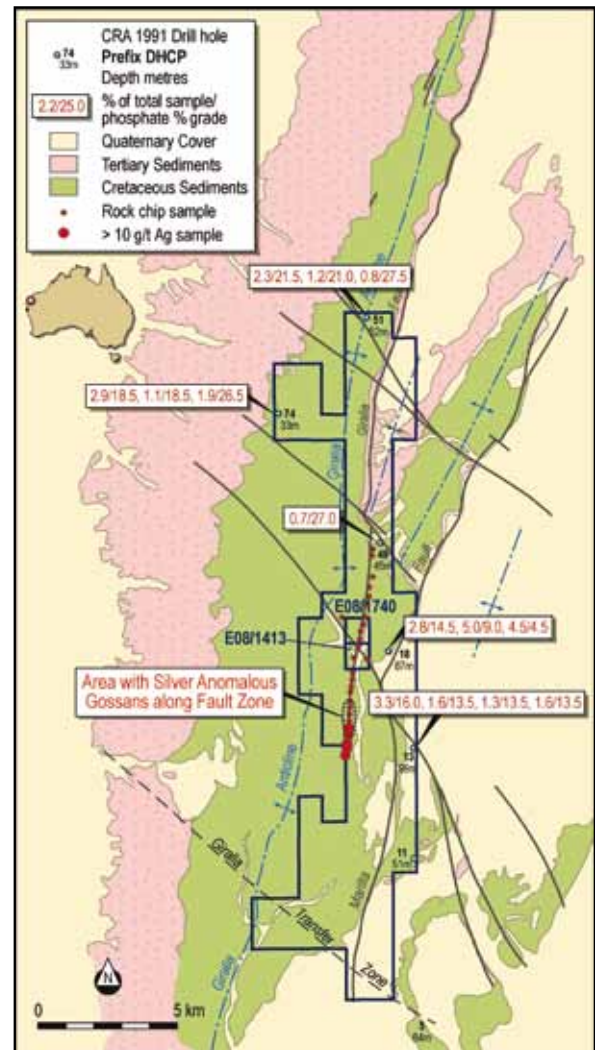
The structural and lithological package at Giralia Range is considered suitable for the formation of base metal sulphide mineralisation. The Giralia and Marilla Faults were identified as important elements of the package based on the assumption that the major faults could be conduits for the mineralised fluids. The area has intermittently attracted exploration for these deposits since the late 1970's when iron nodules containing anomalous zinc and silver values were located.

Previous exploration by CRA Exploration Pty Ltd in the period 1988 to 1991 located phosphate-nodule bearing horizons at several intervals within Upper Cretaceous sediments in the Cardabia region. Wide spaced aircore drilling indicated that these horizons were present over an extensive depositional area, including the area covered by Syndicated's Exmouth project tenements.

Syndicated's initial field program comprised geological reconnaissance and soil and rock chip sampling.

Several zones with elevated lead (up to 530ppm) and zinc (up to 109ppm) were outlined by the soil sampling. No significant uranium results were returned. A follow up program of rock chip sampling along the fault and in the area of elevated lead and zinc soil geochemistry was undertaken late in the year.

No significant base metal values were returned but several high values of silver (up to 267 g/t Ag) were returned from ironstones and nodules at the southern end of the fault. No bedrock source has yet been found for the silver mineralisation



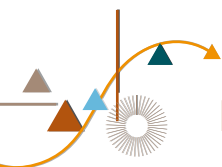
Exmouth Project

### COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Russell Davis who is an Executive Director of Syndicated Metals Limited and a member of the Australasian Institute of Mining and Metallurgy. Russell Davis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Russell Davis consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.







## PROJECT REVIEWS

### SCHEDULE OF INTERESTS IN MINING TENEMENTS

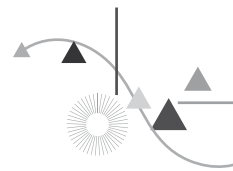
Tenement	Project	Percentage Held	Status	Area (km²)
EPM13855 <sup>1</sup>	Mount Remarkable	100%	Granted	109
EPM13869 <sup>1</sup>	Mount Remarkable	100%	Granted	61
EPM13903 <sup>1</sup>	Mount Remarkable	100%	Granted	138
EPM13904 <sup>1</sup>	Mount Remarkable	100%	Granted	80
EPM15564	Mount Remarkable	100%	Granted	151
EPM15816	Mount Remarkable	100%	Granted	28
EPM16112 <sup>4</sup>	Mount Remarkable	51%	Granted	13
EPM16197 <sup>4</sup>	Mount Remarkable	51%	Granted	32
EPM17636	Mount Remarkable	100%	Pending	16
EPM17638	Mount Remarkable	100%	Contested Application	55
EPM17650	Mount Remarkable	100%	Contested Application	55
EPM17677	Mount Remarkable	100%	Pending	29
EPM18420	Mount Remarkable	100%	Pending	61
EPM18492	Mount Remarkable	100%	Pending	234
E 08/1413	Exmouth	100%	Granted	3
E 08/1740	Exmouth	100%	Granted	310
EPM17667	Georgina	100%	Pending	181
EPM17676	Georgina	100%	Pending	304
EPM17678	Georgina	100%	Pending	97
EPM18677	Georgina	100%	Pending	205
EPM13870 <sup>1</sup>	Kalman South JV	49%	Granted	83
EPM15972	Kalman South JV	49%	Granted	202
EPM16061	Kalman South JV	49%	Granted	112
EPM17637	Kalman South	100%	Contested Application	61
EPM14369 <sup>3</sup>	Dronfield	40%	Granted	83
EPM18078	Dronfield	100%	Pending	29
EPM18082	Dronfield	100%	Pending	67
EPM18223	Dronfield	100%	Contested Application	22
EPM18638	Carpentaria Zinc Project	100%	Pending	249
EPM18639	Carpentaria Zinc Project	100%	Pending	326
EPM18640	Carpentaria Zinc Project	100%	Pending	267
EPM18724	Carpentaria Zinc Project	100%	Pending	321

1 - 2% NSR to Asarco Exploration Company, Inc – agreement reached to purchase NSR

2 - Portion of tenement falling into the Kalman South Joint Venture sphere of influence

3 - Dronfield Joint Venture tenement – agreement reached to purchase 100%

4 - West Leichhardt Joint Venture



# DIRECTORS' REPORT

Your directors present the following report on Syndicated Metals Limited and the entities it controlled (group) during or at the end of the financial year for the financial year ended 30 June 2010.

## PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activity of the entity during the course of the year was mineral exploration. There was no significant change in the nature of the entity's activities during the financial year.

## OPERATING RESULTS

The net loss of the entity for the financial year after provision for income tax was \$1,626,982 (2009: \$1,013,349).

## REVIEW OF OPERATIONS

The Company's principal operations involve mineral exploration within tenements prospective for copper, gold, molybdenum, rhenium, uranium, zinc and phosphate in the Mount Isa region in northwest Queensland.

The Company has interests in two advanced projects within 60 kilometres of Mount Isa including the Mount Remarkable Project where mineral resources have been reported for the Barbara South and Barbara North Copper-Gold deposits and the Kalman South Project where mineral resources have been reported for the Kalman Molybdenum-Rhenium-Copper-Gold deposit.

During 2010 exploration has focussed on RC and diamond drilling programs designed to expand the current resources.

The Exmouth project in Western Australia is prospective for phosphate, silver and base metals. No significant field programs were completed during the year.

## FINANCIAL POSITION

The net assets of the entity increased from \$5,491,868 at 30 June 2009 to \$6,996,036 at 30 June 2010. This net increase was influenced by a capital raising of \$2,363,000.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The company raised \$2,363,000 during the current year by issuing ordinary shares in the company. There have not been any other significant changes in the state of affairs of the entity during the financial year.

## DIVIDENDS PAID OR RECOMMENDED

No dividend has been paid or declared since the start of the financial period and no dividend is recommended.

## EVENTS SUBSEQUENT TO THE REPORT DATE

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the entity, the results of those operations or the state of affairs of the entity, in future years.

## LIKELY DEVELOPMENT AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the entity and the expected results of those operations in future financial years have not been included in this report, as inclusion of such information is likely to result in unreasonable prejudice to the company.

## ENVIRONMENTAL REGULATION

The entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## INFORMATION ON DIRECTORS

### DIRECTORS

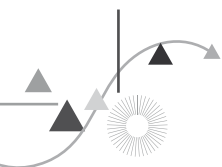
The directors of the company at any time during or since the end of the financial year are;

#### Martin Pyle

#### Chairman

Mr Martin Pyle was appointed to the Board of the Company in May 2010 as Non-Executive Chairman. Martin brings over 23 years of mineral industry experience to the Company as a corporate finance executive with reputable Australian broking firms, mining analyst, geologist and resource company director. Mr Pyle currently serves on the Boards of the following public companies; Aurora Minerals Limited, Desert Energy Limited, Eleckra Mines Limited and Midwinter Resources NL.

Mr Pyle holds an interest in 970,000 shares of the company and 75,000 options of the company.



## DIRECTORS' REPORT

### **Russell Davis**

#### **Managing Director, BSc (Hons), MBA, MAIMM, FFIN**

Mr Russell Davis is a founding director of Syndicated Metals appointed to the board in August 2005. He is a geologist with over 25 years experience in mineral exploration, management, property acquisition, mining and development. During this period he has worked on the exploration and development of a range of commodities for a number of international and Australian companies. He has held senior positions including Chief Mine Geologist, Exploration Manager and Regional Manager and most recently Exploration Director of Eleckra Mines Limited.

Davis holds a Bachelor of Science with Honours from University of Queensland, a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia and an MBA from Deakin University. Mr Davis is a Member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Financial Services Institute of Australasia. Mr Davis is currently a non-executive director of Eleckra Mines Limited.

Mr Davis holds an interest in 5,966,597 shares of the company and 6,000,000 options of the company.

### **Bruce McCullagh**

#### **Director and Company Secretary, CPA AICS**

Mr Bruce McCullagh was appointed to the Board in August 2005 and has wide experience in accounting, company secretarial and management in mineral and petroleum companies in Australia, the Libyan Arab Republic, the United Arab Emirates and USA. He has also previously held roles combining directorships and company secretarial duties with listed mineral and petroleum exploration companies in Australia.

Mr McCullagh holds an interest in 5,430,000 shares of the company and 3,500,000 options of the company.

### **Andrew Dinning**

#### **Non Executive Director, BEng, MBA**

Mr Andrew Dinning was appointed to the board on 3 August 2007 and has over 20 years industry experience, including 12 years with the WMC group of companies in a number of senior management roles including the management of some of WMC's principal gold assets. Mr Dinning also has experience working in Russia and raising money in the London capital markets. He was the Chief Operating Officer for Moto Goldmines Limited ("Moto") from October 2005 and became Executive Director of Moto in August 2006. Mr Dinning has a Mining Engineering Degree, First Class Mine Managers Certificate and a Masters of Business Administration. Mr Dinning resigned from the Board on August 3 2010.

Mr Dinning held an interest in 240,000 shares of the company and 1,900,000 options of the company.

### **Jan Hope**

#### **Non Executive Director**

Ms Jan Hope was appointed to the board on 6 September 2007 and is a public relations and investor relations professional with over 20 years experience who has provided strategic advice and input over many years to CEO's and senior management at many different levels of the mining, financial, technology, and environmental fields. Ms Hope recently stood down from her role as Executive Director of the public relations firm, Jan Hope and Partners, a company which she founded in 1986, and which subsequently became firmly established as a successful national corporate communications consultancy specialising in financial public relations for a wide range of ASX listed companies. Ms Hope was appointed a non executive director of the ASX listed company, Ampella Mining Ltd on 21 May 2007 and resigned from the company, as Chairman, on 3 September 2008.

Ms Hope holds an interest in 630,000 shares of the company, and 2,600,000 options of the company.

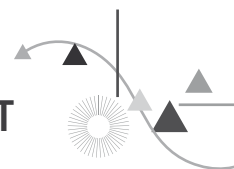
### **Ki Deok Park**

#### **Non Executive Director**

Ki Deok Park was appointed to the Board on February 11 2010. He has significant experience in business development, equity and debt financing, accounting and management in non-ferrous metal industries in Korea and Australia. An experienced accountant and business developer, he has held management positions and accounting roles with both Sun Metals Corporation Pty



## DIRECTORS' REPORT



Ltd since August 2000 and Korea Zinc Company Ltd since December 1992. He is currently an executive director and chief financial officer of Sun Metals Corporation zinc refinery in Townsville, Queensland and a director of Minocqua Metals Pty Ltd together with being a director of various Australian subsidiary companies of Korea Zinc Ltd.

The directors have been in office to the date of this report unless otherwise stated.

The position of company secretary was held by Bruce McCullagh throughout and since the end of the financial year.

### MEETINGS OF DIRECTORS

During the financial period, 6 meetings of directors were held. The number of meetings attended by each director during the period is shown below:-

	Board meetings	
	Eligible to Attend	Attended
<b>Martin Pyle</b>	Nil	Nil
<b>Ki Deok Park</b>	3	1
<b>Bruce McCullagh</b>	6	6
<b>R Davis</b>	6	6
<b>A Dinning</b>	6	6
<b>J Hope</b>	6	6

### INDEMNIFYING OFFICERS

During the financial year the company paid a premium of \$12,055 in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings that may be brought against the directors and secretary of the company.

### PRINCIPLES OF COMPENSATION

#### Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives by the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

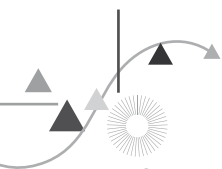
### SHARE OPTIONS

#### Unissued shares under options

At the date of this report, the unissued ordinary shares of Syndicated Metals Limited under options are as follows:

Grant date	Expiry date	Exercise price (cents)	Quantity
23/09/2008	30/08/2011	40	500,000
18/02/2010	30/12/2011	20	6,950,000
17/09/2007	3/09/2012	30	6,000,000
7/01/2008	3/09/2012	30	1,000,000
8/12/2008	3/09/2012	30	1,000,000
8/11/2009	31/10/2012	40	1,000,000
22/12/2009	30/11/2014	35	2,800,000
22/12/2009	30/11/2014	45	2,800,000
22/12/2009	30/11/2014	55	2,800,000
29/06/2010	30/11/2014	25	600,000
			25,450,000

Each option entitles the holder to one fully paid ordinary share in the company at any time up to expiry date. To the date of this report no shares had been issued as a result of the exercise of options.



## DIRECTORS' REPORT

### SHARE OPTIONS (CONT)

#### Options granted to directors and executives

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and one executive officer of the Company as part of their remuneration:

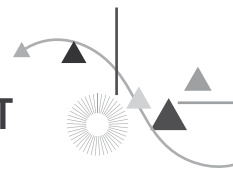
	Expiry date	Exercise price (cents)	No of options granted
<b>Directors</b>			
<b>R Davis</b>	3/09/2012	30	3,000,000
<b>R Davis</b>	30/11/2014	35	1,000,000
<b>R Davis</b>	30/11/2014	45	1,000,000
<b>R Davis</b>	30/11/2014	55	1,000,000
<b>B McCullagh</b>	3/09/2012	30	2,000,000
<b>B McCullagh</b>	30/11/2014	35	500,000
<b>B McCullagh</b>	30/11/2014	45	500,000
<b>B McCullagh</b>	30/11/2014	55	500,000
<b>A Dinning</b>	3/09/2012	30	1,000,000
<b>A Dinning</b>	30/11/2014	35	300,000
<b>A Dinning</b>	30/11/2014	45	300,000
<b>A Dinning</b>	30/11/2014	55	300,000
<b>J Hope</b>	3/09/2012	30	1,000,000
<b>J Hope</b>	30/11/2014	35	500,000
<b>J Hope</b>	30/11/2014	45	500,000
<b>J Hope</b>	30/11/2014	55	500,000
<b>Executive</b>			
<b>M Whittle</b>	3/09/2012	30	1,000,000
<b>M Whittle</b>	30/11/2014	35	500,000
<b>M Whittle</b>	30/11/2014	45	500,000
<b>M Whittle</b>	30/11/2014	55	500,000
			16,400,000

The service and performance criteria set to determine remuneration are included in the remuneration report. Options were granted for nil consideration.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.



### NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- All non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the audit; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid out to Mack & Co Chartered Accountants for non-audit services provided during the year ended 30 June 2010:

#### Taxation Services

\$3,300

\$3,300

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2010 has been received and is included in the financial report.





## DIRECTORS' REPORT

### REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for each key management person of Syndicated Metals Limited and its controlled entities (group), and for the executives receiving the highest remuneration.

#### Remuneration policy

The remuneration policy of Syndicated Metals Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Syndicated Metals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the company is as follows:

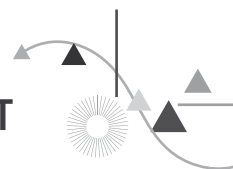
- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the board.
- All key management personnel receive a base salary (which is based on industry experience), superannuation and options.
- The board of directors will review key management personnel packages annually by reference to the company's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed with each executive. The board may, however, exercise its discretion in relation to approving incentives and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to key management personnel is valued at the cost to the company and either expensed through the income statement or capitalised to exploration, evaluation and development costs on the balance sheet as appropriate. Options are valued using the Black-Scholes or binomial methodologies.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company



## Remuneration of directors and key management personnel

For the year ended 30 June 2010

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments		Value of options as proportion of remuneration	
	Directors Fees	Salary and Fees	Superannuation	Options	Total	
	\$	\$	\$	\$	\$	%
Directors						
R J Davis	-	200,000	18,000	231,000	449,000	51
A R Dinning	45,000	-	4,050	69,300	118,350	59
J L Hope	45,000	-	4,050	115,500	164,550	70
B R McCullagh	50,000	90,800	12,672	115,500	268,972	43
KD Park	18,750	-	1,687	-	20,437	-
M J Pyle	2,603	2,603	468	-	5,674	-
	161,353	293,403	40,927	531,300	1,026,983	

<b>Executive</b>						
<b>M Whittle</b>	-	160,000	14,400	115,500	289,900	40
<b>Total</b>	<b>161,353</b>	<b>453,403</b>	<b>55,327</b>	<b>646,800</b>	<b>1,316,883</b>	

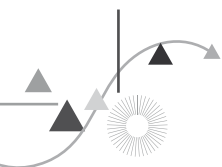
For the year ended 30 June 2009

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments		Value of options as proportion of remuneration	
	Directors Fees	Salary and Fees	Superannuation	Options	Total	
	\$	\$	\$	\$	\$	%
Directors						
R J Davis	-	200,000	18,000	-	218,000	-
A R Dinning	45,000	-	4,050	-	49,050	-
J L Hope	45,000	-	4,050	150,070	199,120	75
B R McCullagh	50,000	57,300	9,657	-	116,957	-
	140,000	257,300	35,757	150,070	583,127	

<b>Executive</b>						
<b>M Whittle</b>	-	180,000	14,400	-	194,400	-
<b>Total</b>	<b>140,000</b>	<b>437,300</b>	<b>50,157</b>	<b>150,070</b>	<b>777,527</b>	

## Performance income as a proportion of total income

Mark Whittle was paid a bonus of \$20,000 during the 2009 year.



## DIRECTORS' REPORT

### Options and rights over equity instruments granted as compensation - audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reported period and details on options that vested during the reporting period are as follows;

	Number of options granted and vested during 2010	Grant Date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date
<b>Directors</b>					
<b>B McCullagh</b>	500,000	30/11/2009	0.231	0.35	30/11/2014
<b>R Davis</b>	1,000,000	30/11/2009	0.231	0.35	30/11/2014
<b>A Dinning</b>	300,000	30/11/2009	0.231	0.35	30/11/2014
<b>J Hope</b>	500,000	30/11/2009	0.231	0.35	30/11/2014
<b>Executive</b>					
<b>M Whittle</b>	500,000	30/11/2009	0.231	0.35	30/11/2014

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

### Exercise of options granted as compensation – audited

No options were exercised during the reporting period.

Signed in accordance with a resolution of the Board of Directors.

Bruce McCullagh

Director

Date: 28 September 2010





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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SYNDICATED METALS LIMITED  
AND THE ENTITIES IT CONTROLLED DURING THE YEAR**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Mack and Co*

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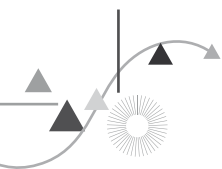
MACK & CO

*S S Fermanis*

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S S FERMANIS  
PARTNER  
WEST PERTH

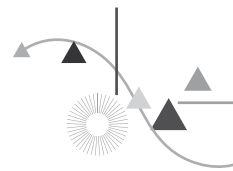
DATE: 28 SEPTEMBER 2010



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
<b>Continuing Operations</b>				
Interest Income	3	173,293	173,293	239,280
Administration expenses		(168,459)	(168,459)	(125,058)
Borrowing costs		(2,364)	(2,364)	(3,697)
Corporate expenses		(50,022)	(50,022)	(60,282)
Depreciation expense		(57,395)	(57,395)	(53,354)
Employee benefits expense		(513,991)	(513,991)	(187,979)
Exploration expenditure written off		(136,375)	(136,375)	(554,869)
Other expenses		(22,389)	(22,389)	(34,175)
Share based payments		(847,200)	(847,200)	(213,384)
Change in fair value of investments		(2,080)	(2,080)	(19,831)
<b>Loss before income tax expense</b>	4	<b>(1,626,982)</b>	<b>(1,626,982)</b>	<b>(1,013,349)</b>
Income tax expense	5	-	-	-
<b>Loss for the period</b>		<b>(1,626,982)</b>	<b>(1,626,982)</b>	<b>(1,013,349)</b>
<b>Other comprehensive Income</b>		-	-	-
<b>Total comprehensive loss for the year</b>		<b>(1,626,982)</b>	<b>(1,626,982)</b>	<b>(1,013,349)</b>
Basic (loss) per share (cents)		(2.27)		(1.76)
Diluted (loss) per share (cents)		(2.27)		(1.76)

The accompanying notes form part of these financial statements

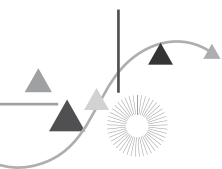


## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6	3,075,462	3,075,461	3,500,716
Trade and other receivables	7	181,511	181,511	219,685
<b>TOTAL CURRENT ASSETS</b>		<b>3,256,973</b>	<b>3,256,972</b>	<b>3,720,401</b>
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	8	91,751	91,751	121,621
Financial assets	9	10,678	10,679	12,758
Exploration and evaluation costs	10	3,929,964	3,929,964	2,055,038
<b>TOTAL NON CURRENT ASSETS</b>		<b>4,032,393</b>	<b>4,032,394</b>	<b>2,189,417</b>
<b>TOTAL ASSETS</b>		<b>7,289,366</b>	<b>7,289,366</b>	<b>5,909,818</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11	169,763	169,763	330,456
Financial liabilities	12	14,669	14,669	13,227
Provisions	13	74,985	74,985	34,685
<b>TOTAL CURRENT LIABILITIES</b>		<b>259,417</b>	<b>259,417</b>	<b>378,368</b>
<b>NON CURRENT LIABILITIES</b>				
Financial liabilities	12	10,580	10,580	25,249
Provisions	14	23,333	23,333	14,333
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>33,913</b>	<b>33,913</b>	<b>39,582</b>
<b>TOTAL LIABILITIES</b>		<b>293,330</b>	<b>293,330</b>	<b>417,950</b>
<b>NET ASSETS</b>		<b>6,996,036</b>	<b>6,996,036</b>	<b>5,491,868</b>
<b>EQUITY</b>				
Issued capital	15	8,513,961	8,513,961	6,230,011
Option reserve	16	1,239,684	1,239,684	392,484
Accumulated losses		(2,757,609)	(2,757,609)	(1,130,627)
<b>TOTAL EQUITY</b>		<b>6,996,036</b>	<b>6,996,036</b>	<b>5,491,868</b>

The accompanying notes form part of these financial statements

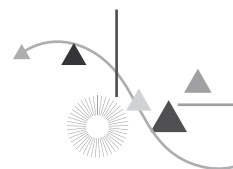




## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
<b>Consolidated</b>				
<b>Balance at 1 July 2009</b>	<b>6,230,011</b>	<b>392,484</b>	<b>(1,130,627)</b>	<b>5,491,868</b>
<b>Total comprehensive income for the year</b>				
Loss for the period	-	-	(1,626,982)	(1,626,982)
Other comprehensive income	-	-	-	-
	-	-	(1,626,982)	(1,626,982)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	2,363,000	-	-	2,363,000
Transaction costs	(79,050)	-	-	(79,050)
Share based payment transactions	-	847,200	-	847,200
	2,283,950	847,200	-	3,131,150
<b>Balance at 30 June 2010</b>	<b>8,513,961</b>	<b>1,239,684</b>	<b>(2,757,609)</b>	<b>6,996,036</b>

The accompanying notes form part of these financial statements



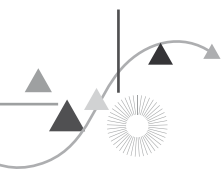
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
<b>Company</b>				
<b>Balance at 1 July 2008</b>	<b>6,230,011</b>	<b>179,100</b>	<b>(117,278)</b>	<b>6,291,833</b>
<b>Total comprehensive income for the year</b>				
Loss for the period	-	-	(1,013,349)	(1,013,349)
Other comprehensive income	-	-	-	-
	-	-	(1,013,349)	(1,013,349)
<b>Contributions by and distributions to owners</b>				
Share based payment transactions	-	213,384	-	213,384
	-	213,384	-	213,384
<b>Balance at 30 June 2009</b>	<b>6,230,011</b>	<b>392,484</b>	<b>(1,130,627)</b>	<b>5,491,868</b>

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
<b>Company</b>				
<b>Balance at 1 July 2009</b>	<b>6,230,011</b>	<b>392,484</b>	<b>(1,130,627)</b>	<b>5,491,868</b>
<b>Total comprehensive income for the year</b>				
Loss for the period	-	-	(1,626,982)	(1,626,982)
Other comprehensive income	-	-	-	-
	-	-	(1,626,982)	(1,626,982)
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	2,363,000	-	-	2,363,000
Transaction costs	(79,050)	-	-	(79,050)
Share based payment transactions	-	847,200	-	847,200
	2,283,950	847,200	-	3,131,150
<b>Balance at 30 June 2010</b>	<b>8,513,961</b>	<b>1,239,684</b>	<b>(2,757,609)</b>	<b>6,996,036</b>

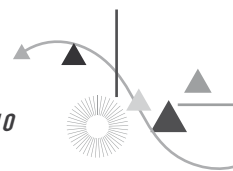
The accompanying notes form part of these financial statements



## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	Company	Company
		2010	2010	2009
		\$	\$	\$
<b>Cash flow from operating activities</b>				
Interest received		182,671	182,671	352,426
Payments to suppliers and employees		(725,713)	(725,713)	(406,819)
Borrowing costs		(3,184)	(3,184)	(4,625)
<i>Net cash from (used in) operating activities</i>	18	<b>(546,226)</b>	<b>(546,226)</b>	<b>(59,018)</b>
<b>Cash flow from investing activities</b>				
Purchase of plant and equipment		(27,525)	(27,525)	(4,524)
Payments for investment		-	(1)	-
Contribution from joint venture partner		567,994	567,994	51,538
Payment of exploration and evaluation costs		(2,690,220)	(2,690,220)	(1,353,935)
<i>Net cash used in investing activities</i>		<b>(2,149,751)</b>	<b>(2,149,752)</b>	<b>(1,306,921)</b>
<b>Cash flow from financing activities</b>				
Repay loan		-	-	(1,392)
Issue of shares		2,283,950	2,283,950	-
Payment of hire purchase loan		(13,227)	(13,227)	(11,786)
<i>Net cash from (used in) financing activities</i>		<b>2,270,723</b>	<b>2,270,723</b>	<b>(13,178)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(425,254)</b>	<b>(425,255)</b>	<b>(1,379,117)</b>
<b>Cash and cash equivalents at 1 July</b>		<b>3,500,716</b>	<b>3,500,716</b>	<b>4,879,833</b>
<b>Cash and cash equivalents at 30 June</b>	6	<b>3,075,462</b>	<b>3,075,461</b>	<b>3,500,716</b>

The accompanying notes form part of these financial statements



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Syndicated Metals Limited (the “Company”) is a company domiciled in Australia.

The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiary (together referred to as the “Group” and individually as “Group entities”).

The Group primarily is involved in exploration activity.

### **Basis of Preparation and Going Concern Basis**

The accounting policies set out below have been consistently applied to all years presented.

#### ***Statement of Compliance***

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was authorised for issue in accordance with a resolution of the Directors on 28 September 2010.

#### ***Basis of Measurement***

The consolidated financial statements have been prepared on an accruals basis and are based on historical cost basis except for the following material items in the statement of financial position;

- ▲ financial instruments at fair value through profit or loss are measured at fair value

### **Functional and Presentation Currency**

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency.

### **Use of Estimates and Judgements**

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### ***Going Concern***

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business. The Group incurred a loss of \$1,626,982 for the year ended 30 June 2010 (2009: \$1,013,349). Included within this loss was the write off of exploration expenditure of \$136,375 (2009: \$554,869).

The ability of the Company and the Group to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing its mineral properties.

The accounts have been prepared on the basis that the entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

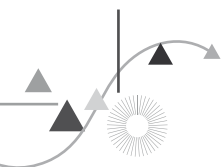
### **Critical Accounting Judgements, Estimates and Assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### ***Share Based Payment Transactions***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a valuation using Black-Scholes option pricing model, using the assumptions detailed in Note 21.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### ***Exploration and Evaluation Costs***

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

#### ***Impairment of Exploration and Evaluation Assets and Investments in Subsidiaries***

The ultimate recoupment of the value of exploration and evaluation assets, the company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- ▲ Recent exploration and evaluation results and resource estimates;
- ▲ Environmental issues that may impact on the underlying tenements;
- ▲ Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

#### ***Classification of Investments***

The Company has decided to classify investments in listed securities as available for sale. These securities are accounted for at fair value. Any increments or decrements in their value at year end are charged or debited to the profit and loss.

#### ***Income tax expenses***

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

#### ***Principles of Consolidation***

A controlled entity is any entity Syndicated Metals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 23 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Subsidiary acquisitions are accounted for using the purchase method of accounting. Investments in subsidiaries are accounted for at cost in the individual financial statements of Syndicated Metals Limited.

#### **Significant Accounting Policies**

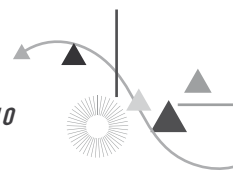
##### **(a) Income tax**

###### ***Current Tax***

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

###### ***Deferred Tax***

Deferred income tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on either accounting profit or taxable profit or loss.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Deferred income tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### (b) **Exploration and evaluation expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- ▲ such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- ▲ exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The recoverability of the carrying amount of the exploration and development assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

### **Rehabilitation, Restoration and Environmental Costs**

Long-term environmental obligations are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements.

The costs will include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site, when relevant.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has been incurred as at the balance date. Increases due to additional environmental disturbance (to the extent that it relates to the development of an asset) are capitalised and amortised over the remaining lives of the mines.

Annual increases in provision relating to the change in the present value of the provision are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from sale of assets or from plant clean-up at closure.

### (b) **Business Combinations**

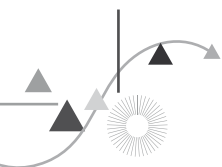
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

### (c) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Interest income is recognised as it accrues.

### (d) **Receivables**

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.



## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### (e) **Impairment of Assets**

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (f) **Investments**

Securities in listed entities are initially bought to account at cost. These securities are recorded at fair value at balance date. Unrealised gains/losses on securities held for short term investment are accounted for as financial assets at fair value through profit or loss. Unrealised gains/losses on securities held for long term investment are accounted for as available for sale financial assets.

#### (g) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### **Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture	25 %
Plant and equipment	30 % - 50%
Vehicles	25 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

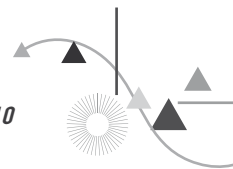
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

#### (h) **Leased Non Current Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (i) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (j) Employee Benefits

#### (i) *Wages, salaries and annual leave*

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) *Employee benefits payable later than one year*

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### (iii) *Superannuation*

Contributions are made by the company to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

#### (iv) *Employee benefit on costs*

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### (v) *Options*

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date. The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

#### (vi) *Equity-settled compensation*

The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### (k) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

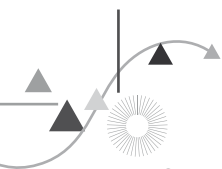
### (l) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

#### (m) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST where applicable.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (n) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### (o) **Financial Instruments**

The company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

##### *(i) Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

##### *(ii) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

##### *(iii) Held-to-maturity Investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

##### *(iv) Available-for-sale financial assets*

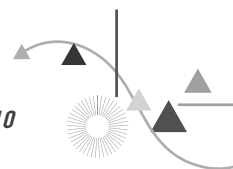
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

#### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

### Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### (p) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

### (q) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- ▲ AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- ▲ AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- ▲ AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvement Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- ▲ AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### (q) New Standards and Interpretations Not Yet Adopted (cont)

- ▲ AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- ▲ AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14 make amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- ▲ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

#### (r) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (s) Interests in Joint Ventures

The Consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the financial statements. Details of the Company's interests are shown at Note 19.

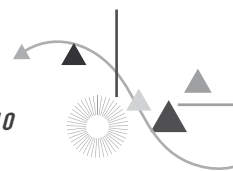
#### (t) EPS

##### ***Basic earnings per share***

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### ***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.



## NOTE 2: SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements incorporated in the financial report are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

### (i) *Classification of investments*

The company has decided to classify investments in listed securities as held for trading. These securities are accounted for at fair value. Any increments or decrements in their value at year end are charged or credited to the income statement.

### (ii) *Taxation*

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from temporary differences, are recognised only where it is considered more likely than not they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences are recognised to the extent that there are future profits.

### (iii) *Impairment*

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### (iv) *Exploration and Evaluation Expenditure*

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at \$3,929,964.

## NOTE 3: REVENUE FROM CONTINUING ACTIVITIES

Operating activities

Interest received

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
173,293	173,293	239,280
<b>173,293</b>	<b>173,293</b>	<b>239,280</b>

## NOTE 4: EXPENSES

Loss from operations before income tax has been determined after the following specific expenses:

Depreciation expense

Employee benefits expenses

Share based payments

Salaries

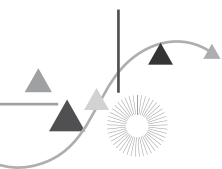
Superannuation

Other

Exploration expenditure written off

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
57,395	57,395	53,354
691,200	691,200	150,070
369,729	369,729	171,062
33,276	33,276	16,917
110,986	110,986	-
<b>1,205,191</b>	<b>1,205,191</b>	<b>338,049</b>
136,375	136,375	554,869





## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 5: INCOME TAX EXPENSE

The prima facie tax payable on the operating loss is reconciled to the income tax provided in the accounts as follows:

Prima facie tax payable on operating loss before income tax at 30%

Effect of share based payments

Increase in deferred tax balances not brought to account

The following deferred tax balances have not been recognised:

Deferred Tax Assets At 30%

Carry forward revenue losses

Capital raising costs

Provisions and accruals

Other

Consolidated	Company	Company
2010	2010	2009
\$	\$	\$
(488,095)	(488,098)	(298,055)
254,160	254,160	64,015
233,935	233,935	234,040
-	-	-
1,718,762	1,718,762	899,612
97,571	97,571	117,898
38,837	38,837	20,969
9,781	9,781	9,157
<b>1,864,951</b>	<b>1,864,951</b>	<b>1,047,636</b>

The tax benefits of the above deferred tax assets will only be obtained if:

- The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.
- The company continues to comply with the conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred Tax Liabilities at 30%:

Exploration, evaluation and development costs

Accrued interest revenue

1,178,989	1,178,989	616,511
10,372	10,372	13,185
<b>1,189,361</b>	<b>1,189,361</b>	<b>629,696</b>

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

### NOTE 6: CASH AND CASH EQUIVALENTS

Cash on hand

Cash at bank

Term deposits

Consolidated	Company	Company
2010	2010	2009
\$	\$	\$
200	199	200
375,262	375,262	297,643
2,700,000	2,700,000	3,202,873
<b>3,075,462</b>	<b>3,075,461</b>	<b>3,500,716</b>

### NOTE 7: TRADE & OTHER RECEIVABLES

Accrued interest receivable

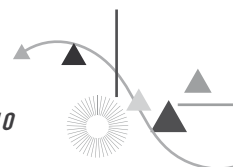
GST Receivable

Amount receivable from JV partner

Security deposit

Consolidated	Company	Company
2010	2010	2009
\$	\$	\$
34,573	34,573	43,951
36,558	36,558	25,473
105,380	105,380	145,261
5,000	5,000	5,000
<b>181,511</b>	<b>181,511</b>	<b>219,685</b>

## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*



### NOTE 8: PROPERTY, PLANT & EQUIPMENT

Plant and equipment at cost

Less: accumulated depreciation

Furniture at cost

Less: accumulated depreciation

Vehicles at cost

Less: accumulated depreciation

Total plant and equipment

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
114,048	114,048	90,489
(68,770)	( 68,770)	(38,195)
45,278	45,278	52,294
60,455	60,455	56,489
(34,152)	(34,152)	(19,428)
26,303	26,303	37,061
48,397	48,397	48,397
(28,227)	(28,227)	(16,131)
20,170	20,170	32,266
91,751	91,751	121,621

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set as follows:

#### Carrying amount at 1 July 2008

Additions

Depreciation Expense

#### Carrying amount at 30 June 2009

Additions

Depreciation Expense

#### Carrying amount at 30 June 2010

Plant and equipment \$	Furniture \$	Vehicles \$	Total \$
77,903	48,184	44,364	170,451
1,700	2,824	-	4,524
(27,309)	(13,947)	(12,098)	(53,354)
52,294	37,061	32,266	121,621
23,559	3,966	-	27,525
(30,575)	(14,724)	(12,096)	(57,395)
45,278	26,303	20,170	91,751

### NOTE 9: FINANCIAL ASSETS

Investment in subsidiary

Listed securities at market value

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
-	1	-
10,678	10,678	12,758
10,678	10,679	12,758

### NOTE 10: EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Exploration expenditure capitalised

Movement in carrying value:

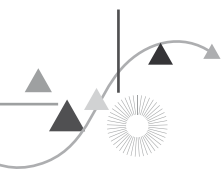
Balance at 1 July

Exploration expenditure capitalised during the year

Exploration expenditure written off during the year

Balance at 30 June

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
3,929,964	3,929,964	2,055,038
2,055,038	2,055,038	1,190,311
2,011,301	2,011,301	1,419,596
(136,375)	(136,375)	(554,869)
3,929,964	3,929,964	2,055,038



## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 11: TRADE & OTHER PAYABLES

Trade and other payables

Accruals

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
26,595	26,595	26,058
143,168	143,168	304,398
169,763	169,763	330,456

### NOTE 12: FINANCIAL LIABILITIES

#### Current

Due on hire purchase

Unexpired charges

16,411	16,411	16,411
(1,742)	(1,742)	(3,184)
14,669	14,669	13,227

#### Non Current

Due on hire purchase

Unexpired charges

10,940	10,940	27,351
(360)	(360)	(2,102)
10,580	10,580	25,249
<b>25,249</b>	<b>25,249</b>	<b>38,476</b>

#### Total

### NOTE 13: SHORT TERM PROVISIONS

Provision for annual leave

74,985	74,985	34,685
--------	--------	--------

### NOTE 14: LONG TERM PROVISIONS

Provision for long service leave

23,333	23,333	14,333
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### NOTE 15: ISSUED CAPITAL

#### (a) Share capital

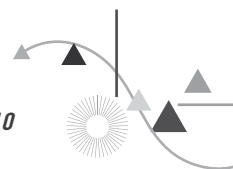
Fully paid ordinary shares

Less: capital issue costs (net of tax)

2010 Shares	2009 Shares	2010 \$	2009 \$
71,250,005	57,350,005	9,248,001	6,885,001
-	-	(734,040)	(654,990)
71,250,005	57,350,005	8,513,961	6,230,011

#### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	Value \$
15/08/2005	Issue of share on incorporation	1	1.00	1
30/11/2005	Issue of shares for cash	5,000,000	0.01	50,000
	Balance at 30 June 2007	5,000,001		50,001
17/09/2007	Share split on basis of 5 for 1	20,000,004	-	-
04/10/2007	Issue of shares for cash	7,350,000	0.10	735,000
05/11/2007	Public issue for cash	24,000,000	0.25	6,000,000
05/11/2007	Issue of shares to Hartley's Ltd as part consideration for services	1,000,000	0.10	100,000
23/12/2009	Balance at 30 June 2009	57,350,005		6,885,001
	Issue of shares for cash	13,900,000	0.17	2,363,000
	Less: capital issue costs net of tax			(734,040)
	Balance at 30 June 2010	71,250,005		8,513,961



(c) **Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

(d) **Capital management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the group may return capital to shareholders, issue new shares or sell assets for in-specie distributions.

The group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date. Capital includes accumulated profits and fair value reserve.

The group encourages employees to be shareholders through the issue of free share options to employees.

There were no changes in the group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**NOTE 15: ISSUED CAPITAL**

**(a) Capital Risk Management**

Cash and cash equivalents  
Less: Total liabilities  
Net cash and cash equivalents  
Total equity

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
3,075,462	3,075,461	3,500,716
(293,330)	(293,330)	(417,950)
2,782,132	2,782,132	3,082,766
6,996,036	6,996,036	5,491,868
4.2%	4.2%	7.6%

Debt to equity ratio at 30 June

**Management of Share Capital**

The Directors primary objectivity is to maintain a capital structure that ensures the lowest cost of capital available to the group. At balance date, the group has no external borrowings.

The group is not subject to any externally imposed capital requirements.

**NOTE 16: OPTION RESERVE**

Balance at 1 July  
Share based payments during the period  
Balance at 30 June

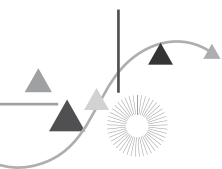
Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
392,484	392,484	179,100
847,200	847,200	213,384
<b>1,239,684</b>	<b>1,239,684</b>	<b>392,484</b>

**NOTE 17: AUDITORS REMUNERATION**

Audit and review of financial reports of the company  
Other services  
Taxation

54,500	54,500	43,304
3,300	3,300	2,750





## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 18: NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash flow from operations with loss from ordinary activities after income tax.

Loss for the period

Adjustment for:

Depreciation

Write off of capitalised expenditure

Change in fair value of investments

Share based payments

(Increase)/decrease in receivables

Increase/(decrease) in accruals and trade creditors

Increase provision for employee entitlements

Net cash flow from (used in) operating activities

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
(1,626,982)	(1,626,982)	(1,013,349)
57,395	57,395	53,354
136,375	136,375	554,869
2,080	2,080	19,831
847,200	847,200	213,384
(1,073)	(1,073)	131,159
24,493	24,493	(19,227)
14,286	14,286	961
<b>(546,226)</b>	<b>(546,226)</b>	<b>(59,018)</b>

### NOTE19: JOINT VENTURE

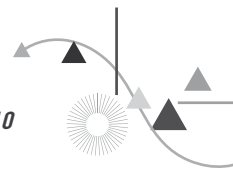
- a. Syndicated has a 51% interest in the West Leichardt Joint Venture with Mount Isa Metals Ltd, whose principal activity is the exploration of primarily copper with possible additional credits for gold.

Syndicated's share of assets employed in the joint venture is:

- Exploration development expenditure
- Expenditure recharged back to Mount Isa Metals Ltd
- Expenditure written off

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
1,443,517	1,443,517	391,642
(724,910)	(724,910)	(196,164)
(39,095)	(39,095)	(39,095)
<b>679,512</b>	<b>679,512</b>	<b>156,383</b>

## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*



The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation.

- b. Syndicated and Kings Minerals NL have formed a Joint Venture in the Kalman South Project with the terms of the agreement being that Kings Minerals NL earns interests in the project based on stipulated amounts spent on exploration expenditure. As at 30 June 2010, Kings Minerals has spent over \$4mil earning its 51% interest. The final feasibility study is the next step for Kings Minerals to earn a 70% interest and until this time, companies interest in JV will be free carried.

### NOTE 20: SHARE BASED PAYMENTS

#### Terms and conditions of share options

The terms and conditions relating to grants of the share options are as follows; all the options are to be physically delivered into shares.

#### Grant date/employees entitled

Options issued to corporate adviser on 5 November 2009

Options granted to key management personnel on 22 December 2009

Options granted to key management personnel on 22 December 2009

Options granted to key management personnel on 22 December 2009

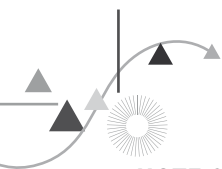
Total number of options

Number of instruments	Vesting conditions	Contractual life of options (years)
1,000,000	Immediate	2.33
2,800,000	Immediate	4.41
2,800,000	30 November 2010	4.00
2,800,000	30 November 2011	3.00
600,000	Immediate	4.41
10,000,000		

#### Number and weighted average exercise prices of share options

The following table illustrates the number and weighted average exercise prices (WAEP) of and movement in share options issued during the year:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	Cents	No.	Cents
Outstanding at 1 July	8,500,000	30.58	7,000,000	30
Issued during the year	1,000,000	40	1,000,000	30
Issued during the year	2,800,000	35	500,000	40
Issued during the year	2,800,000	45	-	-
Issued during the year	2,800,000	55	-	-
Issued during the year	600,000	25	-	-
Outstanding at 30 June	18,500,000	37.46	8,500,000	30.58
<b>Exercisable at 30 June</b>	<b>12,900,000</b>	<b>32.02</b>	<b>8,500,000</b>	<b>30.58</b>



## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 20: SHARE BASED PAYMENTS (CONT)

#### Inputs for measurement of grant date fair value

The options on issue were independently valued by BDO Kendalls Corporate Finance (WA) Pty Ltd. The valuations were done using the Black-Scholes option pricing model to validate the valuation prices calculated by the binomial option pricing model. Expected volatility is estimated by considering historic average share price volumes. The inputs used in the measurement of the fair values at grant date of the share based payments are the following:

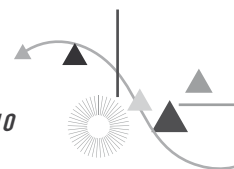
	Options issued on 29/06/2010	Options issued on 22/12/2009	Options issued on 22/12/2009	Options issued on 22/12/2009	Options issued on 05/11/2009
Share price at grant date	\$0.10	\$0.275	\$0.275	\$0.275	\$0.235
Exercise price	\$0.25	\$0.55	\$0.45	\$0.35	\$0.40
Expected volatility	125%	125%	125%	125%	125%
Risk free interest rate	4.77%	5.24%	5.24%	5.24%	4.71%
Expiry date	30/11/2014	30/11/2014	30/11/2014	30/11/2014	31/10/2012
Option life remaining	4.41 years	4.41 years	4.41 years	4.41 years	2.33 years
Fair value at grant date	\$0.074	\$0.22	\$0.225	\$0.231	\$0.156
<b>Total value of options</b>	<b>\$44,400</b>	<b>\$616,000</b>	<b>\$630,000</b>	<b>\$646,800</b>	<b>\$156,000</b>

	Options issued on 08/12/2008	Options issued on 23/09/2008	Options issued on 07/01/2008	Options issued on 17/09/2007
Share price at grant date	\$0.20	\$0.20	\$0.29	\$0.01
Exercise price	\$0.30	\$0.40	\$0.30	\$0.30
Expected volatility	125%	125%	70%	70%
Risk free interest rate	5.15%	5.15%	6.3%	6.09%
Expiry date	03/09/2012	30/08/2011	03/09/2012	03/09/2012
Option life remaining	2.17 years	2.16 years	2.17 years	2.17 years
Fair value at grant date	\$0.15	\$0.127	\$0.1761	\$0.0005
<b>Total value of options</b>	<b>\$150,070</b>	<b>\$63,314</b>	<b>\$176,100</b>	<b>\$3,000</b>

### NOTE 21: COMMITMENTS FOR FUTURE EXPENDITURE

The group has commitments for future expenditure in respect of its tenements, lease of office space and lease of office equipment. Commitments are as follows:

	Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
Commitments on tenements payable			
- within 12 months	358,000	358,000	1,048,000
- between 12 months and 5 years	3,657,000	3,657,000	3,667,000
	4,015,000	4,015,000	4,715,000
Lease of office and equipment payable			
- within 12 months	64,496	64,496	64,496
- between 12 months and 5 years	66,484	66,484	130,980
	130,980	130,980	195,476



## NOTE 22: FINANCIAL INSTRUMENTS

The economic entity's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the economic entity. The economic entity also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the economic entity's policy not to trade in financial instruments

The main risks arising from the economic entity's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

### (a) Interest Rate Risk

The economic entity is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 180 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The economic entity does not have short or long term debt, and therefore this risk is minimal.

### (b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The economic entity does not have any significant credit risk exposure to any single counterparty or any economic entity of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk.

Consolidated	Company	Company
2010	2010	2009
\$	\$	\$

### (a) Exposure to credit risk

The carrying amount of the group's financial assets represents the maximum credit exposure. The group's maximum exposure to credit risk at the reporting date was:

Financial assets	10,678	10,679	12,758
Cash and cash equivalents	3,075,462	3,075,461	3,500,716
Other receivables	139,953	139,953	189,212
	<b>3,226,093</b>	<b>3,226,093</b>	<b>3,702,686</b>

### (b) Impairment losses

None of the group's other receivables are past due hence no impairment were provided for.

### (c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The consolidated entity does not have any external borrowings.

The Company does anticipate a need to raise additional capital in the next 12 months to meet forecasted operational and exploration activities.

## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 22: FINANCIAL INSTRUMENTS (CONT)

#### (c) Liquidity risk (cont)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	<6 months	6-12 months	1-2 years	2-5 years	>5 years
<b>Consolidated 30 June 2010</b>							
Financial liabilities	25,249	25,249	7,154	14,669	3,426	-	-
<b>Company 30 June 2010</b>							
Financial liabilities	25,249	25,249	7,154	14,669	3,426	-	-
<b>Company 30 June 2009</b>							
Financial liabilities	38,476	38,476	6,433	13,227	18,816	-	-

#### (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (e) Currency risk

The consolidated entity is not exposed to currency risk and at balance sheet date the company and the consolidated entity hold no financial assets or liabilities which are exposed to foreign currency risk.

#### (f) Interest rate risk

The consolidated entity is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The consolidated entity does not use derivatives to mitigate these exposures.

The consolidated entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 30-180 day rolling periods.

Consolidated Carrying Amount	Company Carrying Amount	Company Carrying Amount
2010	2010	2009
\$	\$	\$

#### (g) Profile

At the reporting date the interest rate profile of the Company's and the group's interest bearing financial instruments was:

##### Fixed rate instrument

Cash and cash equivalents

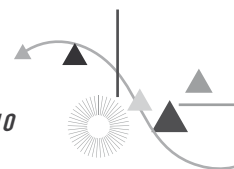
375,462	375,462	297,843
<b>375,462</b>	<b>375,462</b>	<b>297,843</b>

##### Variable rate instruments

Cash and cash equivalents

2,700,000	2,700,000	3,202,873
<b>2,700,000</b>	<b>2,700,000</b>	<b>3,202,873</b>




**NOTE 22: FINANCIAL INSTRUMENTS (CONT)**

Consolidated Loss 100bp Increase	Consolidated Loss 100bp Decrease	Company Loss 100bp Increase	Company Loss 100bp Decrease
\$	\$	\$	\$

**(h) Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis is performed on the same basis for 2009.

**30 June 2010**

Cash and cash equivalents

30,755	(30,755)	30,755	(30,755)
30,755	(30,755)	30,755	(30,755)

**30 June 2009**

Cash and cash equivalents

35,007	(35,007)	35,007	(35,007)
35,007	(35,007)	35,007	(35,007)

30 June 2010 Carrying Value	30 June 2010 Fair Value	30 June 2009 Carrying Value	30 June 2009 Fair Value
\$	\$	\$	\$

**(i) Fair values versus carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

**Consolidated**

Financial assets	10,678	10,678	-	-
Cash and cash equivalents	3,075,462	3,075,462	-	-
Receivables	181,511	181,511	-	-
Financial liabilities	(25,249)	(25,249)	-	-
	3,242,402	3,242,402	-	-

**Company**

Financial assets	10,679	10,679	12,758	12,758
Cash and cash equivalents	3,075,461	3,075,461	3,500,716	3,500,716
Receivables	181,511	181,511	219,685	219,685
Financial liabilities	(25,249)	(25,249)	(38,476)	(38,476)
	3,242,402	3,242,402	3,694,683	3,694,683

The basis for determining fair values is disclosed in note 1.

**NOTE 22: FINANCIAL INSTRUMENTS (CONT)**
**(j) Other market price risk**

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the consolidated entity's investment strategy is to maximise investment returns.

The consolidated entity's investments are solely in equity instruments. These instruments are classified as available-for-sale or at fair value through profit or loss and are carried at fair value, with fair value changes recognised directly in equity or profit and loss until derecognised.

**(k) Commodity price risk**

The consolidated entity operates primarily in the exploration and evaluation phase and accordingly the consolidated entity's financial assets and liabilities are subject to minimal commodity price risk.

**NOTE 23: INTERESTS IN CONTROLLED ENTITIES**
**Controlled Entities consolidated**

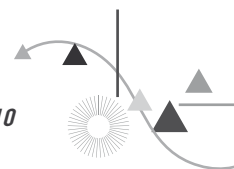
The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiary in accordance with the accounting policy described in Note 1.

Name	Country of Incorporation	Class of Shares	Equity Holding *		Investment \$	
			2010	2009	2010	2009
Syndicated Royalties Pty Ltd	Australia	Ordinary	100%	0%	1	-
					1	-

\* Percentage of voting power if in proportion to ownership.

**Incorporation of controlled entity**

Syndicated Royalties Pty Ltd was incorporated on 12 April 2010. Ultimate parent entity with the group is Syndicated Metals Ltd.



## NOTE 24: SEGMENT REPORTING

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by Management based on the mineral resource and exploration activities in Australia. Discrete financial information about each project is reported to the Board on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the consolidated entity characteristics, the nature of the activities and the regulatory environment in which those segments operate.

The Consolidated entity operates predominately in one reportable segment based on geographical areas of the mineral resource and exploration activities in Australia.

	Queensland \$	Western Australia \$	Unallocated Items \$	Total \$
<b>30 June 2010</b>				
Segment revenue	-	-	173,293	173,293
Segment net loss	5,562	130,812	1,490,608	1,626,982
Segment assets	3,639,652	290,312	3,359,402	7,289,366
Segment liabilities	-	-	293,330	293,330

	Queensland \$	Western Australia \$	Unallocated Items \$	Total \$
<b>30 June 2009</b>				
Segment revenue	-	-	239,280	239,280
Segment net loss before after tax	488,823	66,046	458,480	1,013,349
Segment assets	1,742,680	312,358	3,854,780	5,909,818
Segment liabilities	-	-	417,590	417,590

## NOTE 25: RELATED PARTY DISCLOSURE

Consolidated 2010 \$	Company 2010 \$	Company 2009 \$
----------------------------	-----------------------	-----------------------

### (a) Key management personnel compensation

The key management personnel compensation comprised:

Post employment benefit	55,327	55,327	50,157
Short term employment benefits	614,756	614,756	577,300
Share based payments	646,800	646,800	150,070
	<b>1,316,883</b>	<b>1,316,883</b>	<b>777,527</b>

## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2010*

### NOTE 25: RELATED PARTY DISCLOSURE (CONT)

#### (b) Individual directors' and executives' compensation disclosure

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

#### (c) Loans to key management personnel

There were no loans to key management personnel at the end of the year.

#### (d) Shareholdings of key management personnel

The movement during the reporting period in the number of shares in Syndicated Metals Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

#### 2010

##### Directors

	Balance at 1 July 2009	Granted as compensation	Exercised	Bought/ (Sold)	Balance at 30 June 2010
R J Davis	5,703,597	-	-	263,000	5,966,597
A R Dinning	240,000	-	-	-	240,000
J L Hope	500,000	-	-	130,000	630,000
B R McCullagh	5,430,000	-	-	-	5,430,000
KD Park	-	-	-	-	-
M J Pyle*	-	-	-	970,000	970,000
	<b>11,873,597</b>	<b>-</b>	<b>-</b>	<b>1,363,000</b>	<b>13,236,597</b>

##### Executive

M Whittle	5,490,000	-	-	23,167	5,513,167
<b>Total</b>	<b>17,363,597</b>	<b>-</b>	<b>-</b>	<b>1,386,167</b>	<b>18,749,764</b>

#### 2009

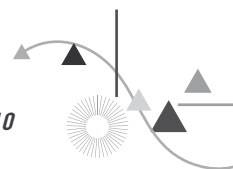
##### Directors

	Balance at 1 July 2008	Granted as compensation	Exercised	Bought/ (Sold)	Balance at 30 June 2009
R J Davis	5,570,005	-	-	133,592	5,703,597
A R Dinning	240,000	-	-	-	240,000
J L Hope	330,000	-	-	170,000	500,000
B R McCullagh	5,410,000	-	-	20,000	5,430,000
	<b>11,550,005</b>	<b>-</b>	<b>-</b>	<b>323,592</b>	<b>11,873,597</b>

##### Executive

M Whittle	5,490,000	-	-	-	5,490,000
<b>Total</b>	<b>17,040,005</b>	<b>-</b>	<b>-</b>	<b>323,592</b>	<b>17,363,597</b>

\*Appointed on 24 May 2010 and already owned shares.



## NOTE 25: RELATED PARTY DISCLOSURE (CONT)

### (e) Options holding of key management personnel

2010	Balance at 1 July 2009	Granted as compensation	Exercised	Bought/ (Sold)	Balance at 30 June 2010
<b>Directors</b>					
R J Davis	3,000,000	3,000,000	-	-	6,000,000
A R Dinning	1,000,000	900,000	-	-	1,900,000
J L Hope	1,000,000	1,500,000	-	100,000	2,600,000
B R McCullagh	2,000,000	1,500,000	-	-	3,500,000
K D Park	-	-	-	-	-
M J Pyle*	-	-	-	75,000	75,000
<b>Executive</b>					
M Whittle	1,000,000	1,500,000			2,500,000
	8,000,000	8,400,000		175,000	16,575,000

2009	Balance at 1 July 2008	Granted as compensation	Exercised	Bought/ (Sold)	Balance at 30 June 2009
<b>Directors</b>					
R J Davis	3,000,000	-	-	-	3,000,000
A R Dinning	1,000,000	-	-	-	1,000,000
J L Hope	1,000,000	-	-	-	1,000,000
B R McCullagh	2,000,000	-	-	-	2,000,000
<b>Executive</b>					
M Whittle	1,000,000	-	-	-	1,000,000
	8,000,000	-	-	-	8,000,000

\*Appointed on 24 May 2010 and already owned options.

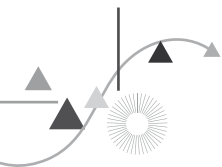
## NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## NOTE 27: COMPANY DETAILS

The registered office and principal place of business of the company is 68 Hay Street, Subiaco, Western Australia, 6008.





## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001:
  - (a) comply with accounting standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of its performance for the period ended on that date.
2. The Chief Executive Officer and Chief Finance Officer have declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 295A of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Bruce McCullagh  
**Director**

**Date:** 28 September 2010

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SYNDICATED METALS LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Syndicated Metals Ltd (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## Auditor's Opinion

In our opinion:

- a. the financial report of Syndicated Metals Ltd is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Report on Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the director's report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the remuneration report of Syndicated Metals Ltd for the year ended 30 June 2010, complies with Section 300A of the Corporations Act 2001.



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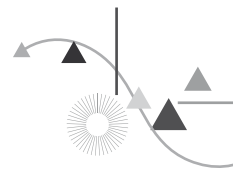
MACK & CO



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S S FERMANIS  
PARTNER  
WEST PERTH

DATE: 28 SEPTEMBER 2010



# CORPORATE GOVERNANCE STATEMENT

## Statement

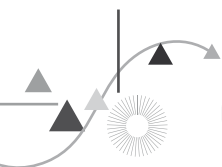
Syndicated Metals Limited (“**Company**”) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“**Principles & Recommendations**”), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company’s corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company’s corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the “if not, why not” regime.

## Disclosure of Corporate Governance Practices

### Summary Statement

	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 1.3 <sup>3</sup>	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 <sup>3</sup>	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 <sup>3</sup>	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3 <sup>3</sup>	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1		✓	Recommendation 8.3 <sup>3</sup>	n/a	n/a
Recommendation 4.2		✓			

- 1 Indicates where the Company has followed the Principles & Recommendations.
- 2 Indicates where the Company has provided “if not, why not” disclosure.
- 3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using “if not, why not” disclosure – information required is either provided or it is not.



# CORPORATE GOVERNANCE STATEMENT

## Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.syndicatedmetals.com.au](http://www.syndicatedmetals.com.au), under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3

Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on ASX Listing Rule Compliance (summary) and Compliance Procedure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

## Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year (“**Reporting Period**”).

### Principle 1 – Lay solid foundations for management and oversight

#### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

#### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

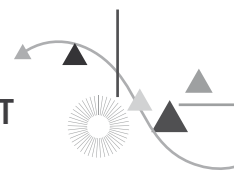
#### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

#### Disclosure:

The Managing Director is responsible for evaluating the performance of senior executives. As the Company currently employs one permanent employee, a senior executive, and the Company is in the early stages of development, the performance evaluation of the senior executive is undertaken on an ongoing and informal basis. (No formal interviews were conducted.)





## **Recommendation 1.3:**

Companies should provide the information indicated in the Guide to reporting on Principle 1.

## **Disclosure:**

During the Reporting Period an evaluation of the senior executive took place in accordance with the process disclosed at Recommendation 1.2. Please refer to the section above marked Website Disclosures.

## **Principle 2 – Structure the board to add value**

## **Recommendation 2.1:**

A majority of the Board should be independent directors.

## **Notification of Departure:**

The Board does not comprise a majority of independent directors. From the beginning of the Reporting Period until the appointment of Ki Deok Park on 15 February 2010, the four member Board comprised an equal number of independent (Jan Hope and Andrew Dinning) and non-independent (Russell Davis and Bruce McCullagh) directors. With the appointment of Ki Deok Park, a non-independent director, the Board had a majority of non-independent directors. On 24 May 2010, the Board appointed its independent Chair, Martin Pyle, from which date the six member Board was comprised of an equal number of independent, and non-independent directors, then Andrew Dinning resigned on August 3 2010.

The independent directors of the Board now comprise Martin Pyle (appointed on 24 May 2010) and Jan Hope, and the non-independent directors of the Board are Bruce McCullagh, Russell Davis and Ki Deok Park (appointed on 11 February 2010).

## **Explanation for Departure:**

The Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. In particular, the five member Board includes members with disciplines from geology, corporate advisory, finance and public and investor relations, such that the combined expertise and judgement means that the Board is able to adequately discharge its responsibilities and has an adequate understanding of current and emerging business.

## **Recommendation 2.2:**

The Chair should be an independent director.

## **Notification of Departure:**

The Chair was not an independent director for the majority of the Reporting Period.

## **Explanation for Departure:**

For the majority of the Reporting Period (until 24 May 2010), the Company considered that Mr McCullagh was the most appropriate person for the position of Chair because of his industry experience. The Company had also appointed a lead independent director to take the role of Chair when Mr McCullagh was unable to act in that capacity as a result of his lack of independence. However, on 24 May 2010, the Board appointed Mr Pyle who is an independent non-executive director, and chairman. Accordingly, the Company now complies with Recommendation 2.2.

## **Recommendation 2.3:**

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

## **Disclosure:**

The Managing Director is Mr Davis, who is not Chair of the Board.

## **Recommendation 2.4:**

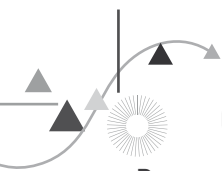
The Board should establish a Nomination Committee.

## **Notification of Departure:**

The Company has not established a separate Nomination Committee.

## **Explanation for Departure:**

Given the current size and composition of the Company, the Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. Accordingly, the full Board performs the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.



## CORPORATE GOVERNANCE STATEMENT

### **Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

### **Disclosure:**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Board is also responsible for evaluating the Managing Director.

The Chair continually assesses the ongoing performance of the Board and of the non-executives directors through regular contact. The Managing Director is evaluated on an ongoing informal basis by the Board.

### **Recommendation 2.6:**

Companies should provide the information indicated in the Guide to reporting on Principle 2.

### **Disclosure:**

#### **Skills, Experience, Expertise and term of office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### **Identification of Independent Directors**

The independent directors of the Company are Martin Pyle (appointed on 24 May 2010), and Jan Hope. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

#### **Company's Materiality Thresholds**

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- ▲ Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- ▲ Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- ▲ Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- ▲ Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

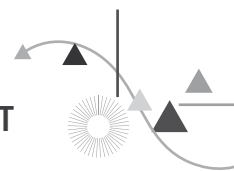
#### **Statement concerning availability of Independent Professional Advice**

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

#### **Nomination Matters**

The full Board, in its capacity as the Nomination Committee, held two meetings during the Reporting Period. All Board members were in attendance at the Committee meetings except for Mr Park, who was appointed at the first Committee meeting, and was absent from the second Committee meeting which appointed Mr Pyle. Mr Pyle did not attend any of the Committee meetings having not yet been appointed to the Board at the time any the Committee meetings were held.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (which is available on the Company's website).



The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

### Performance Evaluation

During the Reporting Period a performance evaluation of the Board, individual directors and any applicable committees took place in accordance with the process disclosed at Recommendation 2.5.

### Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it evaluates the range of skills, experience and expertise of the existing Board; considers the balance of independent directors on the Board as well as the particular skills and qualifications of potential candidates that will best increase the Board's effectiveness. A potential candidate is considered with reference to their skills and expertise in relation to other Board members. If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting. The Board's Policy and Procedure for Selection and (Re)Appointment of Directors is available on the Company's website. Please refer to the section above marked Website Disclosure.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

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## Principle 3 – Promote ethical and responsible decision-making

### Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

#### Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

### Recommendation 3.3:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

#### Disclosure:

Please refer to the section above marked Website Disclosures.

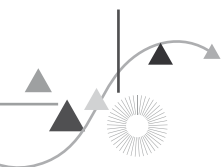
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## Principle 4 – Safeguard integrity in financial reporting

### Recommendations 4.1 and 4.2:

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- ▲ consists only of non-executive directors;
- ▲ consists of a majority of independent directors;
- ▲ is chaired by an independent Chair, who is not Chair of the Board; and
- ▲ has at least three members.



## CORPORATE GOVERNANCE STATEMENT

### **Notification of Departure:**

The Company has not established a separate Audit Committee. Accordingly, it is not structured in accordance with Recommendation 4.2.

### **Explanation for Departure:**

The Board considers that given the size of the Company there would be no efficiencies or other benefits gained by establishing a separate Audit Committee. Accordingly, the full Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

The Board monitors Company policies and procedures to maintain the integrity of the financial reporting to safeguard assets of the Company, review all financial reports and any changes to accounting policies.

The external auditor, Mack & Co, attends the Company's annual general meeting, and is available to answer questions at that meeting.

The Audit Committee comprises all members of the Board being Mr McCullagh and Mr Davis who are executive and non-independent directors, Mr Park who is a non-independent and non-executive director and Mr Pyle and Ms Hope who are independent non-executive directors. The Chair of the Board, Mr Pyle, is also the Chair of the Audit Committee since his appointment on 24 May 2010.

### **Recommendation 4.3:**

The Audit Committee should have a formal charter.

### **Disclosure:**

The Company has adopted an Audit Committee Charter.

### **Recommendation 4.4:**

Companies should provide the information indicated in the Guide to reporting on Principle 4.

### **Disclosure:**

The full Board, in its capacity as the Audit Committee, held one meeting during the Reporting Period. All Board members were in attendance at the Audit Committee meeting except for Messrs Park and Pyle who had not yet been appointed to the Board at the time the Committee meeting was held. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter (which is available on the Company's website).

The explanation for departure set out under Recommendation 4.1 above explains how the functions of the Audit Committee are performed.

Details of each of the director's qualifications are set out in the Directors' Report.

All of the directors consider themselves to be financially literate. Mr Davis holds Masters of Business Administration and Mr Davis is also a member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Financial Services Institute of Australasia. Mr McCullagh is a Certified Practicing Accountant and a member of the Institute of Chartered Secretaries. Mr Park is an experienced accountant and business manager. Mr Pyle is an experienced corporate finance executive. All of the directors have experience and understanding of the industry in which the Company operates. Their qualifications and experience enable them to satisfy the tests of financial literacy, financial expertise and industry knowledge.

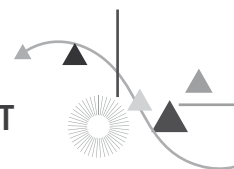
The Company has established procedures for the selection, appointment and rotation of its external auditor (which is available on the Company's website). The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

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## **Principle 5 – Make timely and balanced disclosure**

### **Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.



## **Disclosure:**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

## **Recommendation 5.2:**

Companies should provide the information indicated in the Guide to reporting on Principle 5.

## **Disclosure:**

Please refer to the section above marked Website Disclosures.

## **Principle 6 – Respect the rights of shareholders**

### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

## **Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

### **Recommendation 6.2:**

Companies should provide the information indicated in the Guide to reporting on Principle 6.

## **Disclosure:**

Please refer to the section above marked Website Disclosures.

## **Principle 7 – Recognise and manage risk**

### **Recommendation 7.1:**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

## **Disclosure:**

The Board is responsible for approving the Company's policies on risk oversight and management, which is directed towards taking advantage of potential opportunities, while managing potential adverse effects, and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks.

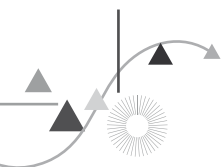
In fulfilling the duties of risk management, the Managing Director has unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate.

The Board has also taken additional positive steps to satisfy itself that management is effectively managing material business risks. The Board communicates informally as required, and also meets formally, on a quarterly basis to receive reports on operational activities, financial reports including commentary on internal controls, safety, native title and cultural issues, any conflicts of interests and employment issues. Internal financial controls include the provision for two directors to sign-off on all disbursements. Cash not immediately required is lodged in recognised banks. Financial and statutory reporting is monitored by the Company Secretary.

The following risk management measures have been adopted by the Board to manage the Company's material business risks:

- ▲ established authority limits for management;
- ▲ a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- ▲ a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.





## CORPORATE GOVERNANCE STATEMENT

### Categories of risk identified:

#### Market Related

Marketing of the Company to enhance the share price and encourage new investment is conducted via the medium of announcements to the Australian Securities Exchange, presentations at conferences and the use of media services. Risk of any incorrect content being published is minimised as announcements to the ASX are first circulated to board members for comment, prior to being released. Other risks to the market value of the company include the value of metal prices and market perception, to investors, of Australia being a high sovereign risk, following indications of unfavourable changes in federal tax rates on mining enterprises.

#### Operational

Regular operational reports are prepared, circulated and compared against operational timeframes. The company plans its field exploration activities around historical weather patterns by endeavouring to avoid the cyclone season in western Queensland, which at worst can disrupt field operations. Management is very conscious of the welfare of personnel, field employees and contractors and all are made aware of safety guidelines. Safety is an agenda item at Board level. Equipment is maintained to a high standard. The company has insurance policies in place to for personnel and at a corporate level.

#### Financial Reporting

Regular monthly financial reports are prepared and budget comparisons made. Internal financial controls are in place including the provision that dual authority of two directors is required for any disbursement. With exploration costs being a major item of expenditure, all claims are vetted by the Exploration Manager, prior to being submitted for payment. Cash not immediately required is invested in term deposits with recognised banks. Financial and statutory reporting is monitored by the Company Secretary.

#### Environmental

With the Company presently being in the exploration phase, no major land clearing is necessary. The landscape is

harsh, hilly and rocky and operations require only small cleared levelled drill pads, connected by graded access tracks, which also serve as firebreaks. When drilling is completed, the cleared area can simply be scarified and seeded. There is minimal risk of any excess clearing as it is difficult, and expensive.

#### Legal and Compliance

The Company has procedures in place for compliance with continuous disclosure obligations under the ASX Listing Rules, and Corporations Act, and has adopted a Corporate Governance Manual which contains policies and procedures to assist the Company establish and maintain its practices..

#### Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

#### Disclosure:

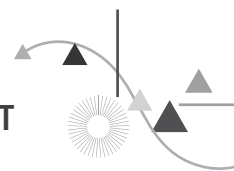
The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from the Managing Director as to the effectiveness of the Company's management of its material business risks.

#### Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### Disclosure:

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.



## **Recommendation 7.4:**

Companies should provide the information indicated in the Guide to reporting on Principle 7.

### **Disclosure:**

The Board has received the report from the Managing Director under Recommendation 7.2.

The Board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

## **Principle 8 – Remunerate fairly and responsibly**

### **Recommendation 8.1:**

The Board should establish a Remuneration Committee.

### **Notification of Departure:**

The Company has not established a separate Remuneration Committee.

### **Explanation for Departure:**

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings, when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions. For example, no directors participate in any deliberations regarding their own remuneration issues.

### **Recommendation 8.2:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

### **Disclosure:**

Non-executive directors are remunerated at market rates (for comparable companies) for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company. The Company may grant options to non-executive directors, in order to reward their efforts and provide them with additional incentive to continue those efforts for the benefit of the Company.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board.

### **Recommendation 8.3:**

Companies should provide the information indicated in the Guide to reporting on Principle 8.

### **Disclosure:**

The Company's policy on remuneration is included in the Directors' Report

No meetings were held by the full Board in its capacity as the Remuneration Committee during the Reporting Period.

To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter (which is available on the Company's website).

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Policy prohibits transactions or arrangements which limit the economic risk of participating in unvested entitlements.



## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

### 1. Shareholding

a. Distribution of Shareholders  
Category (size of holding)

1 – 1,000
1,001 – 5,000
5,001 – 10,000
10,001 – 100,000
100,001 – 9,999,999,999

Number of shareholders	Number of Ordinary Shares
1	1
53	202,481
92	856,933
179	7,906,478
86	62,284,112
<b>411</b>	<b>71,250,005</b>

b. There are 28 shareholders holding unmarketable parcels totaling 72,482 shares.

c. The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 are:

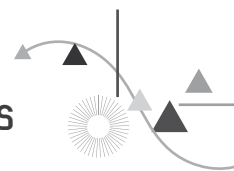
Korea Zinc Co Ltd
Russell John Davis together with group members Davis Superannuation Fund and Davis Investment Account
McCullagh Superannuation Fund
Mark Whittle together with group member Htsam Holdings Pty Ltd
Brent Earl Green
Daniel Johnson

Number of Shares Held	Held %
10,600,000	14.88
5,936,597	8.33
5,430,000	7.62
5,323,167	7.73
5,232,392	7.34
5,046,079	7.08

### d Unlisted Options

Total Number	Exercise Price cents	Expiry Date	Number of Holders
500,000	40	August 30 2011	1
8,000,000	30	September 12 2012	5
1,000,000	40	October 31 2012	1
600,000	25	November 30 2014	3
2,800,000	35	November 30 2014	5
2,800,000	45	November 30 2014	5
2,800,000	55	November 30 2014	5
<b>18,500,000</b>			<b>25</b>

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES



### e. Voting Rights

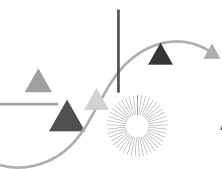
The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### f. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Sun Metals Corporation Pty Ltd	6,000,000	8.42
McCullagh Accounting Pty Ltd<McCullagh Superannuation Fund >	5,410,000	7.59
Mark Whittle	5,323,167	7.47
Brent Earl Green	5,232,392	7.34
Russell John Davis	5,000,005	7.02
Daniel Johnson	5,000,000	7.02
Colwell Kennedy Australia	4,600,000	6.46
Cen Pty Ltd	2,000,000	2.81
Jemaya Pty Ltd< the Featherby Family A/C>	1,800,000	2.53
Ottomin Investment Group Pty Ltd <Ottomin Investment A/C>	1,299,500	1.82
Clive Brown & Cynthia Margaret Brown <The Brown Family A/C>	1,000,000	1.40
Whittingham Securities Pty Ltd	1,000,000	1.40
Donald Norman Coultas	640,000	0.90
Javron Pty Ltd <Jan Lockett Super Fund>	630,000	0.88
Bushsands Pty Ltd <the Roger Staunton A/C>	500,000	0.70
James Colby and Paula Charmaine Colby <Colby Super Fund>	500,000	0.70
Russell John Davis & Susan Valerie Davis <Davis Superfund A/C>	500,000	0.70
Philip Wall	500,000	0.70
Nutsville Pty Ltd	500,000	0.70
Martin James Pyle <M Pyle Super Fund>	490,000	0.69
	47,925,064	67.26



## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### Listed Options – exercisable at 20 cents expiring December 30 2011

#### g. 20 Largest Option holders

Name	Number of Options Held	% Held of Options
Colwell Kennedy Australia Pty Ltd	2,300,000	33.09
Clodene Pty Ltd	650,000	9.35
Imperium Nominees Pty Ltd	500,000	7.19
Lawrence Crowe Consulting Pty Ltd	405,000	5.83
Ottomin Investment Group Pty Ltd <Ottomin Investment A/C>	300,000	4.32
Jacobs Corporation Pty Ltd	250,000	3.60
Symington Pty Ltd	150,000	2.16
Wave Super Pty Ltd	150,000	2.16
Terrence Williamson & Jonine Jancey <Wiljan Super Fund >	150,000	2.16
Kautag Pty Ltd	110,000	1.58
Calama Holdings Pty Ltd <Mambat Super Fund>	100,000	1.44
Corporate Property Services Pty Ltd <K W Share A/C>	100,000	1.44
Peter Michael Jankowski <Family A/C>	100,000	1.44
Javron Pty Ltd <Jan Lockett Super Fund >	100,000	1.44
Leeluk Pty Ltd <Schoonen Super Fund>	100,000	1.44
Malvern Pty Ltd <Malvern Investment Fund>	100,000	1.44
Stuart John McIntosh	100,000	1.44
Momcor Pty Ltd <Momber Super Fund>	100,000	1.44
John William Mullally <Investment Account>	100,000	1.44
Octifil Pty Ltd	100,000	1.44
	<b>5,965,000</b>	<b>85.83</b>

#### h. Distribution of 20 cent Option Holders

Category (size of holding)

1 – 1,000

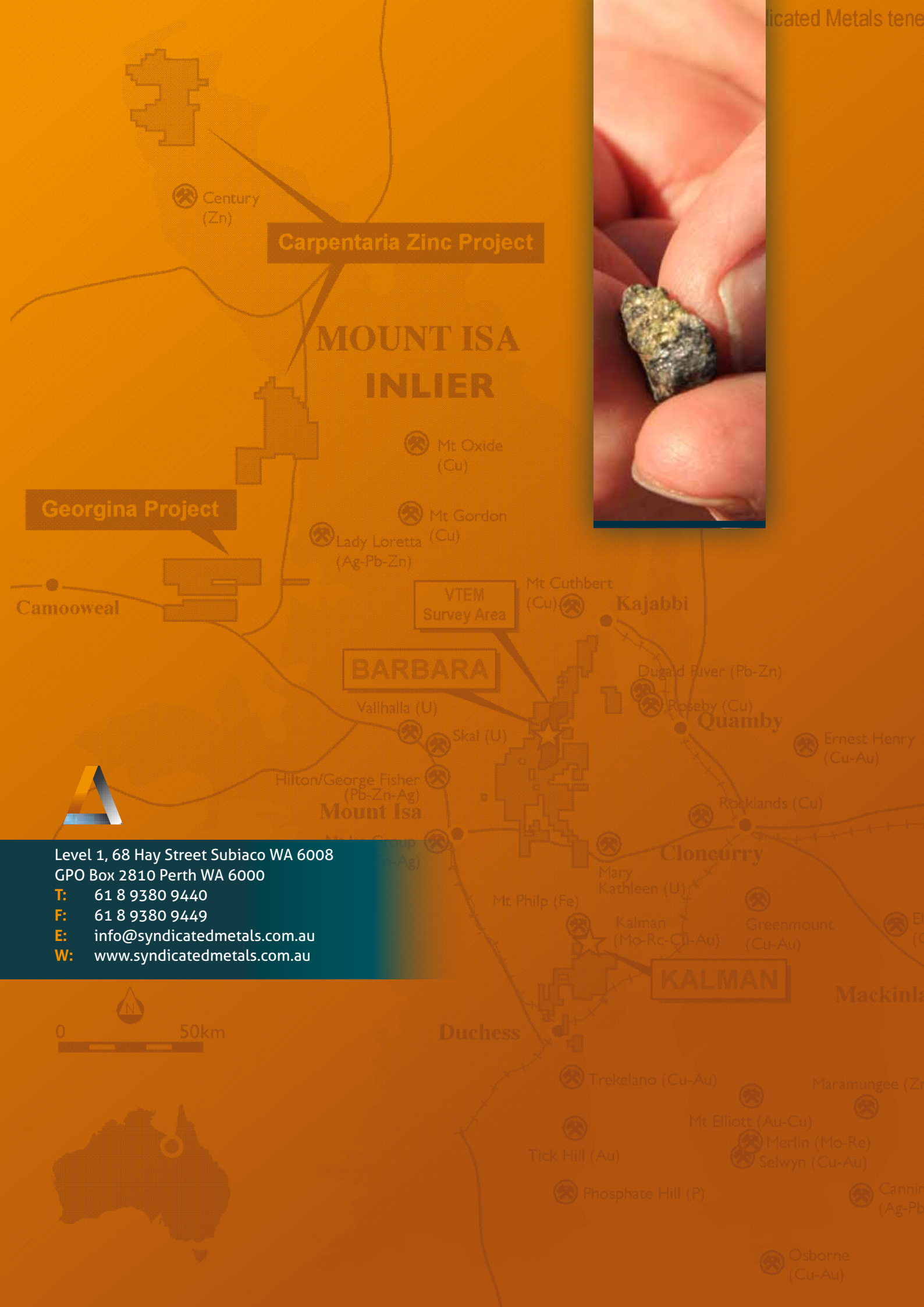
1,001 – 5,000

5,001 – 10,000

10,001 – 100,000

100,001 – 2,300,000

Number of option holders	Number of Options
-	-
17	42,500
1	10,000
28	1,932,500
10	4,965,000
<b>56</b>	<b>6,950,000</b>



**Carpentaria Zinc Project**

**MOUNT ISA  
INLIER**

**Georgina Project**

**Camooweal**

**Mt Oxide  
(Cu)**

**Mt Gordon  
(Cu)**

**Lady Loretta  
(Ag-Pb-Zn)**

**VTEM  
Survey Area**

**Mt Cuthbert  
(Cu)**

**Kajabbi**

**BARBARA**

**Vallhalla (U)**

**Skal (U)**

**Hilton/George Fisher  
(Pb-Zn-Ag)**

**Mount Isa**

**Dugald River (Pb-Zn)**

**Roseby (Cu)**

**Quamby**

**Ernest Henry  
(Cu-Au)**

**Rocklands (Cu)**

**Clonecurry**

**Mt Philp (Fe)**

**Mary Kathleen (U)**

**Kalman  
(Mo-Re-Cu-Au)**

**Greenmount  
(Cu-Au)**

**KALMAN**

**Mackinla**

**Duchess**

**Trekelano (Cu-Au)**

**Maramungee (Zn)**

**Mt Elliott (Au-Cu)**

**Tick Hill (Au)**

**Merlin (Mo-Re)**

**Selwyn (Cu-Au)**

**Phosphate Hill (P)**

**Cannin  
(Ag-Pb)**

**Osborne  
(Cu-Au)**



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