



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

ANNUAL REPORT  
**2009**

# CORPORATE DIRECTORY

## Syndicated Metals Limited

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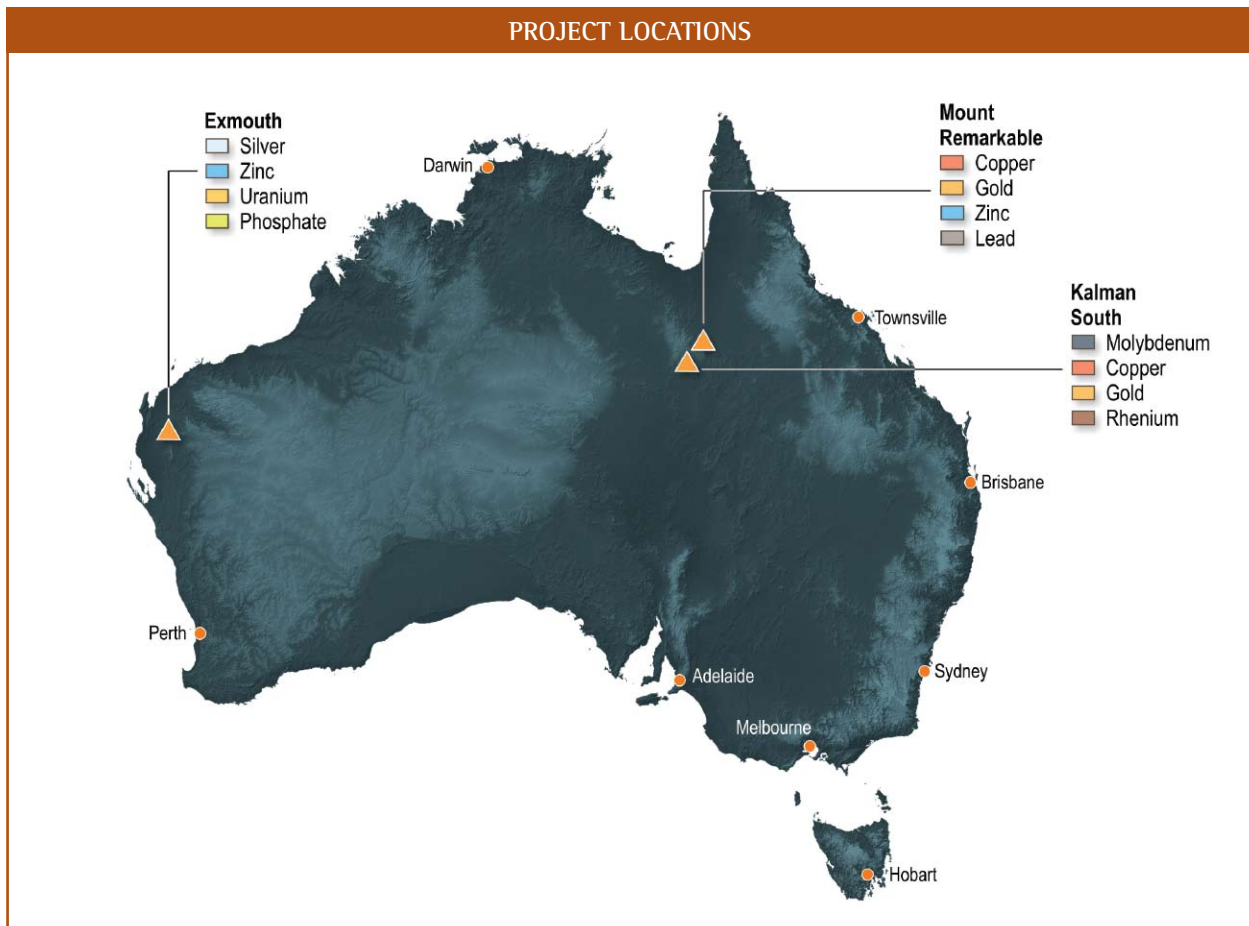
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Cover photograph of Mount Isa: Roslyn Budd, Outback Photographics.

## HIGHLIGHTS

- Further drilling at the Barbara deposit identifies new copper zone;
- Drilling highlights potential for resource expansion building on the maiden resource estimate announced in November 2008;
- Initial metallurgical testwork and pit optimisations on the Barbara deposit return positive results;
- Updated mineral resource estimate anticipated by end of calendar 2009;
- High grade copper-gold results reported in last round of drilling on Kalman South molybdenum-rhenium-copper-gold deposit (Kalman South Joint Venture) reinforce the potential of this extensive mineralised system;
- Additional joint venture negotiated on prospective tenement in Kalman area targeting the under-explored Pilgrim fault.

### PROJECT LOCATIONS



## COMPANY PROFILE

Syndicated Metals Limited is a base metal focused company with its principal projects located in the Mount Isa region in Northwest Queensland, one of the world's premier base metal mining provinces.

The Company's vision is to deliver superior returns to shareholders through the discovery and development of mineral deposits.

***Syndicated has:***

- a large ground position in the Mount Isa Inlier with multi-commodity exposure to copper, molybdenum, gold, rhenium, uranium, lead-zinc and silver;
- interests in two exciting new mineral discoveries in the Mount Isa mining province where the Company has already built a substantial base metals inventory, namely the Barbara copper deposit and the Kalman South molybdenum-rhenium-copper-gold deposit;
- a number of additional advanced copper targets in proximity to Barbara ready for drill testing;
- a free carried interest to completion of final feasibility study in the Kalman South Joint Venture which hosts a substantial part of the Kalman deposit where scoping study work is underway;
- a clear strategy to achieve copper production and cash flow;
- an early stage project near Exmouth in Western Australia with potential for lead-zinc-silver and uranium as well as phosphate;
- \$3.5 million in cash at June 30 2009;
- a strong major shareholder in Sun Metals Corporation (Korea Zinc) with a 10.5% interest.



## MANAGING DIRECTOR'S REPORT

### Dear Fellow Shareholders,

Welcome to the second annual report for Syndicated Metals Limited marking what has been a very busy and rewarding period for your Company.

We have been fortunate in that we have been able to navigate the global financial crisis in robust condition, largely because the Company retained a significant amount of the funds raised at IPO at the time financial markets were at their worst. In spite of the uncertain conditions, we have endeavoured to provide shareholders with the best possible value for their investment dollars by cutting company overheads as much as possible, while, at the same time, prudently progressing our exploration programs and taking advantage of strategic joint ventures.

This strategy has been rewarded with your Company now having an interest in two exciting new mineral discoveries in the Mount Isa mining province – the Barbara copper deposit within our broader Mount Remarkable project and the Kalman South molybdenum-rhenium-copper-gold deposit. Both of these deposits are considered to have development potential and hold substantial exploration upside.

The Mount Isa mining province is recognised as one of the world's premier base metal mining districts with established mining infrastructure and a strong mining culture. The strategic location of Syndicated's deposits, both within 60 kilometres of the mining centre of Mount Isa is a great advantage and enables the Company to contemplate a number of development options.

In our first annual report I discussed some encouraging copper intersections from our initial drilling programs at the Barbara copper prospect. Following completion of further drilling we were pleased to announce in October 2008 a maiden Indicated and Inferred mineral resource estimate for the South Lode comprising 2.4 million tonnes grading 1.6% Cu for 38,000 tonnes of contained copper.

Also announced during this period were several new high grade copper-molybdenum-rhenium-gold intersections from the Kalman South Joint Venture, reinforcing the potential of the extensive mineralised system that hosts the Kalman deposit.

Our joint venture partner at Kalman, Kings Minerals NL ("Kings"), is currently undertaking scoping study work on the deposit and has three years from May 2009 to complete a final feasibility study on the project.

While the year's developments were very exciting for your Company, the positive news coincided with the unfolding of the global financial crisis and went largely unnoticed amongst the noise and chaos of collapsing markets and falling commodity prices.

Your Directors took the view at this time that the Company should continue with its prudent and focussed exploration program in order to build on its early exploration success at Mount Remarkable. Our remaining funds of \$4 million at December 31st 2008 were considered sufficient to support this strategy.

Soil sampling, ground EM and subsequent drilling programs were undertaken at Barbara with results highlighting the potential for a new copper resource at the North Lode as well as the potential to expand the existing resource at the South Lode. Your Company is presently conducting further drilling at Barbara and aims to announce a maiden resource estimate for the North Lode by year end.

Our initial sulphide flotation testwork and pit optimisation runs on the resource at the Barbara South Lode returned positive results and provide the impetus to continue aggressively with our exploration in order to maximise the potential of this area. While we have continued to evaluate near term production options such as trucking ore to third party concentrators, the Company's preferred option is to discover sufficient ore at Barbara, and at other advanced targets in proximity within the Mount Remarkable project area to warrant a stand-alone operation.

## MANAGING DIRECTOR'S REPORT continued

At Kalman South our joint venture partner, Kings, by spending \$4 million in exploration costs, has now earned a 51% interest in EPM13870 which covers a major portion of the Kalman deposit and can now earn up to a 70% interest by completing a final feasibility study by May 2012.

The most recent mineral resource estimate for Kalman, incorporating rhenium, was announced to the ASX in September 2008. Scoping studies, including metallurgical testwork and mine planning along with environmental baseline studies, are being undertaken by Kings with the focus being on the higher value molybdenum-rhenium domain of this large deposit.

Shareholders may be aware of Ivanhoe Australia Limited's recent announcements in regard to its Merlin molybdenum-rhenium discovery south of Cloncurry. We believe that the Kalman deposit displays a number of similarities with Merlin, including significant amounts of the high-value specialty metal rhenium which is associated with the molybdenite. The recent discovery of Kalman, followed by Merlin, reaffirms our positive view of the largely untested potential of these large Proterozoic hydrothermal systems to host major ore deposits.

For this reason, Syndicated entered into a new joint venture with Universal Resources Limited on ground along strike to the south of the Kalman deposit where we consider substantial potential exists to locate new copper-molybdenum and/or copper-gold deposits in the vicinity of the Pilgrim Fault which hosts Kalman. The lack of drilling on what we consider to be several excellent target areas provides considerable opportunity to further build our existing resources inventory.

In early 2008 Syndicated applied for several tenements considered prospective for phosphate. With the significant fall in phosphate prices and our decision to focus on our base metals projects in the Mount Isa region, exploration for phosphate has been curtailed and these tenements are available for joint venture. The base metal and silver targets on the Exmouth tenements remain of interest and further work will be carried out on these targets in due course.

It is pleasing to note that the prices for our principal commodities have recovered strongly after falling dramatically in the last half of 2008. Copper has recovered from a low of US\$1.30 per pound in late 2008 to around US\$2.80 per pound in September 2009. Molybdenum has also rallied to around US\$17 per pound after falling to less than US\$9 per pound in late 2008.

In summary your Company is in a robust position and your Directors look forward to the coming year with confidence. Syndicated has defined mineral resources, advanced drill targets and a strong ground position in the Mount Isa district. Above all your Company has a clear strategy for future growth and the vision, capability and passion to achieve these goals.

I would like to take this opportunity to thank our loyal shareholders, our small team of employees and contractors, including Mark Whittle the Company's exploration manager, my fellow Board members Bruce McCullagh, Jan Hope and Andrew Dinning, and our joint venture partners for their enthusiastic contribution and support in advancing the Company's activities during this period.

Yours truly,



**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 cover an area of around 900 square kilometres and form two principal project areas – the Kalman South Joint Venture located about 60 kilometres southeast of Mount Isa and the Mount Remarkable Project located about 60 kilometres to the northeast of Mount Isa. In addition, the Company holds tenement applications extending over a further 670 square kilometres covering sequences within the adjacent Georgina Basin that it believes have potential for phosphate.



## PROJECT REVIEWS continued

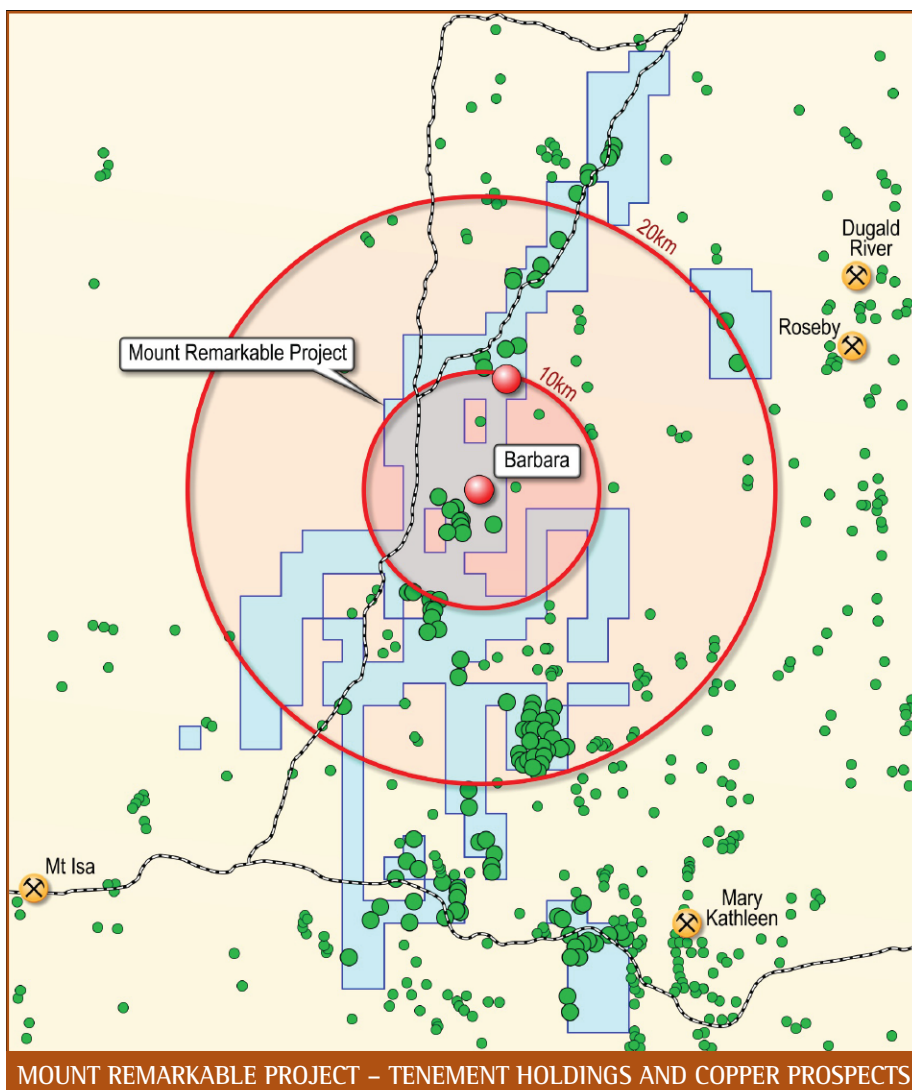
### Mount Remarkable Project

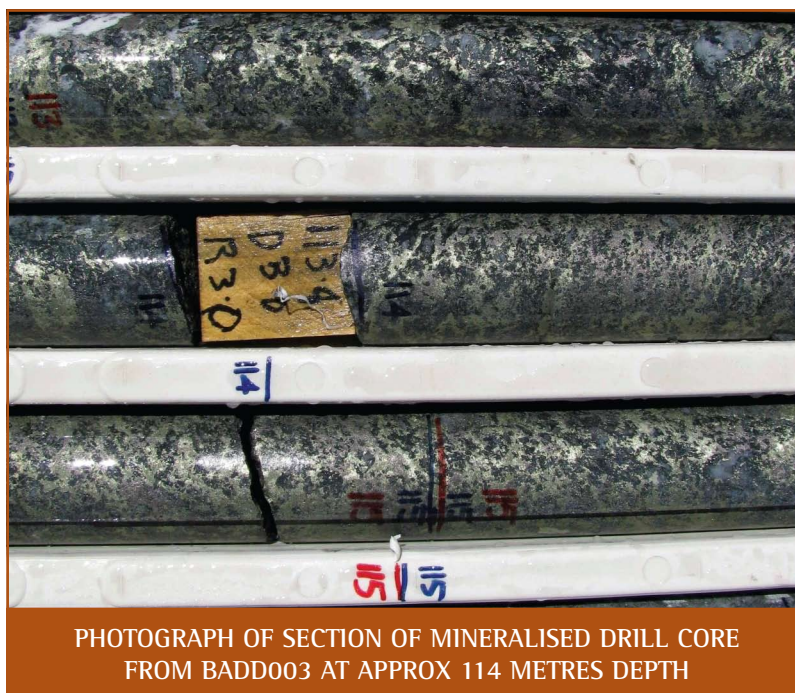
The Mount Remarkable Project, including the Barbara copper deposit, is centred about 60 kilometres northeast of Mount Isa. This project, which comprises mostly contiguous tenements covering around 800 square kilometres, is considered prospective for copper-gold, sediment hosted lead-zinc-silver and uranium mineralisation.

The Mount Remarkable Project tenements are mostly situated on the western side of the Mary Kathleen Fold Belt adjacent to the Mount Remarkable Fault.

All 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 Leichhardt Joint Venture). Syndicated holds 51% and management.

Exploration during the past year has focussed on RC and diamond drilling programs at the Barbara copper deposit. The maiden resource estimate for Barbara was announced in October 2008 and current programs are designed to expand this resource.





PHOTOGRAPH OF SECTION OF MINERALISED DRILL CORE  
FROM BADD003 AT APPROX 114 METRES DEPTH

The diamond drilling component of the September 2008 infill program comprised three diamond drill holes designed to provide high quality samples through the ore zone and to test the down-plunge position at the southern end of the deposit.

Each hole returned exceptional results with significant intercepts including:

- **16.3 metres at 2.27% Cu and 0.17 g/t Au** from 11.7 metres in BADD001
- **31.47 metres at 2.56% Cu and 0.12 g/t Au** from 166.53 metres and  
**13.81 metres at 1.67% Cu and 0.22 g/t Au** from 207.19 metres in BADD002
- **20 metres at 4.97% Cu and 0.38 g/t Au** from 105 metres in BADD003

These results include the best widths and grades returned to date from drilling at the Barbara prospect. In addition to significant copper and gold values the deposit contains elevated concentrations of cobalt and silver. Significantly, hole BADD002 that tested the down plunge position of the zone between 160 metres and 220 metres vertical depth returned two strong intersections.

This program provided sufficient drilling data to enable the calculation of a maiden mineral resource estimate for the drilled section of the deposit now termed the South Lode.

Hellman & Schofield Pty Ltd ("H&S"), an independent geological consultancy based in Sydney, New South Wales, was contracted by Syndicated to provide a resource estimate for the Barbara copper deposit within tenements owned 100% by Syndicated. Copper is the primary commodity, with additional credits for gold. The estimates have been classified using the JORC Guidelines.

## PROJECT REVIEWS continued

The mineral resource estimates based on a 0.5% copper and 1% copper cut off are tabulated below.

<b>0.5% Cu</b>					
<b>Category</b>	<b>Tonnes</b>	<b>Cu %</b>	<b>Au g/t</b>	<b>Cu Tonnes</b>	<b>Au ozs</b>
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>

<b>1% Cu</b>					
<b>Category</b>	<b>Tonnes</b>	<b>Cu %</b>	<b>Au g/t</b>	<b>Cu Tonnes</b>	<b>Au ozs</b>
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)*

**Table 1: Resources for the Barbara Deposit – October 2008**

The mineralisation at Barbara is related to a northwest trending gossanous shear zone that has been mapped along a length of 1700 metres. Strongly gossanous material extends over a strike length of about 550 metres in the centre of the zone from which several abandoned shafts exploited oxide copper ore. The mineralisation comprises semi-massive sulphide and stringer veins hosted in Mesoproterozoic-aged rhyodacitic volcanics.

The mineralised zone is between 5 and 40 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 6.4% of the resources are within the oxidised and partially oxidised domains.

The Barbara mineralised zone straddles the tenement boundary between EPM15564 (100% Syndicated) and EPM16112 (51% Syndicated). The 200 metre long section which was the focus of Syndicated's resource drilling is at the southern end of the gossanous zone within EPM15564.

At the time of the drilling, EPM16112 had not been granted hence the drilling and resource estimate was restricted to EPM15564. EPM16112 was subsequently granted late in 2008, allowing exploration of the gossanous zone to be extended the northwest.

Following the end of the wet season in March 2009 a program of ground TEM surveying was completed to assist in targeting further drilling. An RC and diamond drilling program incorporating this information was then designed to test for extensions down dip and plunge of the Barbara deposit (South Lode) and to test beneath gossanous zones along strike to the northwest (North Lode).

Syndicated completed four RC holes at the North Lode and one RC hole and three pre-collared NQ diamond drill holes at the South Lode during July. All drilling at Barbara in this program (1,333 metres of RC and 543 metres of diamond coring) was completed within the joint venture tenement (EPM16112).



The North Lode is centred approximately 400 metres along strike to the north of the 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.

The results were highly encouraging with each drill hole returning plus 1% Cu intercepts through shallow sulphide mineralisation. The best result was 8 metres at 3.7% Cu from 32 metres down-hole within a broad zone of 25 metres at 1.44% Cu. These results are consistent with the results of Syndicated's initial drilling on the South Lode and provide confidence that further drilling here may outline a significant resource. (Refer to Table 2.)

It is hoped that a resource estimate for the North Lode can be announced prior to year end.

# PROJECT REVIEWS continued

HOLE	E_GDA94	N_GDA94	TD (m)	RC (m)	DD (m)		From (m)	To (m)	Width (m)	Cu (%)	Au (g/t)	Ag (g/t)	Co (ppm)
BADD004	380008	7741400	331.9	201.6	130.3	-	278.23	283.6	5.37	1.00	0.81	2	200
						Including	278.23	279	0.77	1.65	5.24	3	322
						-	283	283.6	0.6	5.09	0.11	10	480
BADD005	380036	7741363	369.6	202.35	167.25	-	304.55	306.28	1.73	0.72	0.16	3	655
						-	342.46	344	1.54	0.93	0.02	3	448
BADD006	379969	7741325	447	201.6	245.4	-	363.75	368	4.25	2.68	0.26	5	1037
						-	411	427	16	0.68	0.11	1	411
						Including	411	417.75	6.75	0.88	0.10	2	598
							424	427	3	1.03	0.22	3	611
BARC016	380010	7741400	84	84	0	Abandoned							
BARC017	380036	7741363	60	60	0	Abandoned							
BARC018	379953	7741870	96	96	0	-	12	18	6	0.88	0.09	-	482
						Including	14	15	1	1.09	0.09	-	255
						-	34	35	1	1.58	0.04	11	274
						-	43	48	5	2.16	0.10	5	26
BARC019	379903	7741926	68.8	68.8	0	-	32	57	25	1.44	0.10	2	114
						Including	32	40	8	3.74	0.27	5	261
BARC020	379818	7741999	120	120	0	-	43	46	3	1.30	0.04	7	685
						-	102	106	4	0.48	0.03	1	19
BARC021	380103	7741603	161	161	0	-	127	138	11	1.47	0.15	2	153
						Including	127	133	6	2.09	0.19	3	181
							134	135	1	1.41	0.27	2	139
BARC022	379962	7741325	30	30	0	Abandoned							
BARC023	379895	7741920	102	102	0	-	54	88	34	0.50	0.05	1	48
						Including	59	60	1	1.26	0.12	4	113
							68	69	1	1.27	0.11	2	34
							74	75	1	1.31	0.05	4	46
							79	86	7	0.66	0.08	1	43

**Table 2: Drilling Results – Barbara – July 2009 (at a 0.5% Cu cut-off)**

## Barbara South Lode

The three pre-collared diamond holes (BADD 4-6) and one RC hole (BARC021) were designed to test the interpreted down plunge position of the lode within the joint venture tenement.

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

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

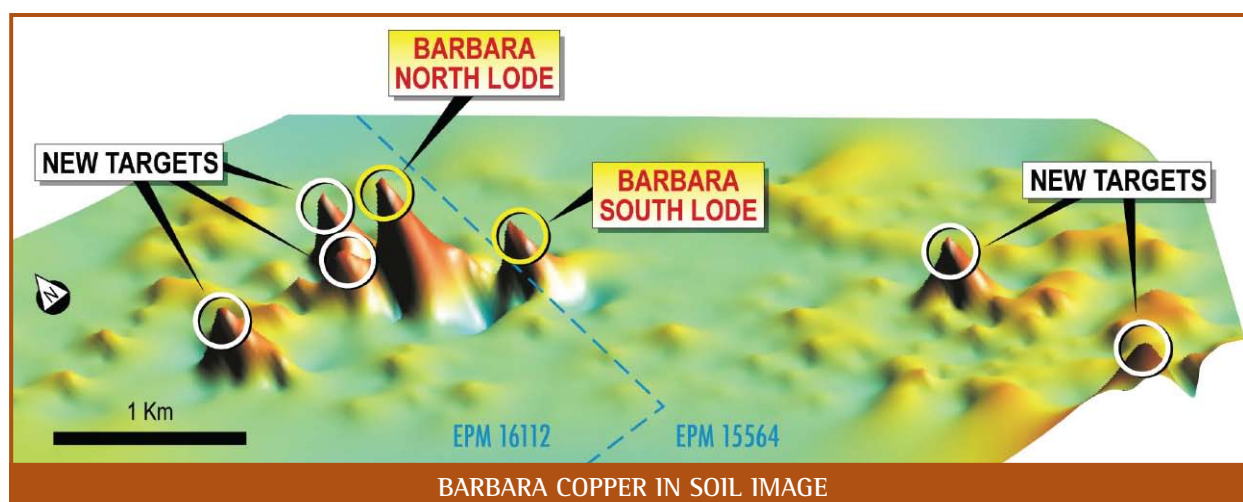
Significant intercepts include 5.37 metres at 1% Cu and 0.8g/t Au, including 0.77 metres at 1.65% Cu and 5.24g/t Au in BADD004, 4.25 metres at 2.68% Cu and 0.26g/t Au in BADD006 and 11 metres at 1.47% Cu and 0.11g/t Au in BARC021.

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

The deposit remains open to the south of BADD002 (31.5 metres at 2.56% Cu and 13.8 metres at 1.67% Cu). Drilling to test this target zone up-dip of BADD006 within EPM15564 will be carried out in September-October.

### Target Generation

A program of soil sampling was completed to test for new mineralised zones in the vicinity of Barbara. The known mineralisation was clearly defined by the sampling which showed the zone is open to the north. New anomalies of similar strength (+500ppm Cu), including one anomaly 1800 metres to the south of Barbara within the Barbara shear zone were also outlined. Infill soil and rock chip sampling will be completed over these anomalies to determine their significance.



### Mining and metallurgical studies

Syndicated engaged mining consultants to commence an assessment, for in-house planning purposes, of the potential of mining the Barbara deposit. Indicative open-pit optimisations using what are considered to be reasonable assumptions on mining and treatment costs and metal prices have been undertaken. The deeper section of the deposit which may not be recoverable by open-pit methods has also undergone some early-stage assessment for its potential for recovery by underground mining.

Preliminary flotation testwork was undertaken by AMDEL Mineral Laboratories in Perth on two composite samples of sulphide ore grading 3.5% Cu and 4.9% Cu collected from Syndicated's diamond drilling program. The testwork comprised tests to assess the effect of grind size on flotation performance and flotation cleaner tests. The results show that a saleable copper concentrate grade of 25% with copper recoveries of 91% and 96% could be achieved from these composites. A mineralogical examination of the cleaner concentrates showed both samples to be very similar consisting of 80-85% chalcopyrite, 15% iron sulphide and less than 5% non-opaque gangue.

## PROJECT REVIEWS continued



BARBARA SULPHIDE FLOTATION TEST

### Referee

Two RC holes for 234 metres were drilled at the old Referee mine, located about 10 kilometres north of Barbara. RERC002 returned 2 metres at 1.34% Cu within 7 metres at 0.59% Cu from 51 metres. RERC001 failed to adequately test the target zone and will need to be redrilled. Further drilling is required to adequately test this prospect which has had no prior drilling. *(Refer to Table 3 for the results.)*

HOLE	E_GDA94	N_GDA94	TD (m)	RC (m)	DD (m)		From (m)	To (m)	Width (m)	Cu (%)	Au (g/t)	Ag (g/t)	Co (ppm)
RERC001	379826	7753298	150	150	0	-	60	61	1	0.69	0.01	-	337
						-	149	150	1	0.62	0.03	1	336
RERC002	379981	7753285	84	84	0	-	51	58	7	0.59	0.02	1	187
						Including	51	52	1	1.82	0.03	3	709

Table 3: Drilling Results – Referee – July 2009 (at a 0.5% Cu cut-off)

### Mount Hutchinson

No further drilling has been undertaken at Mount Hutchinson. The four holes drilled previously at the prospect intercepted broad zones of low grade oxidized copper +/- cobalt mineralisation including 72 metres at 0.28% Cu and 24 metres at 0.38% Cu within a steeply west dipping deeply oxidized shear zone.

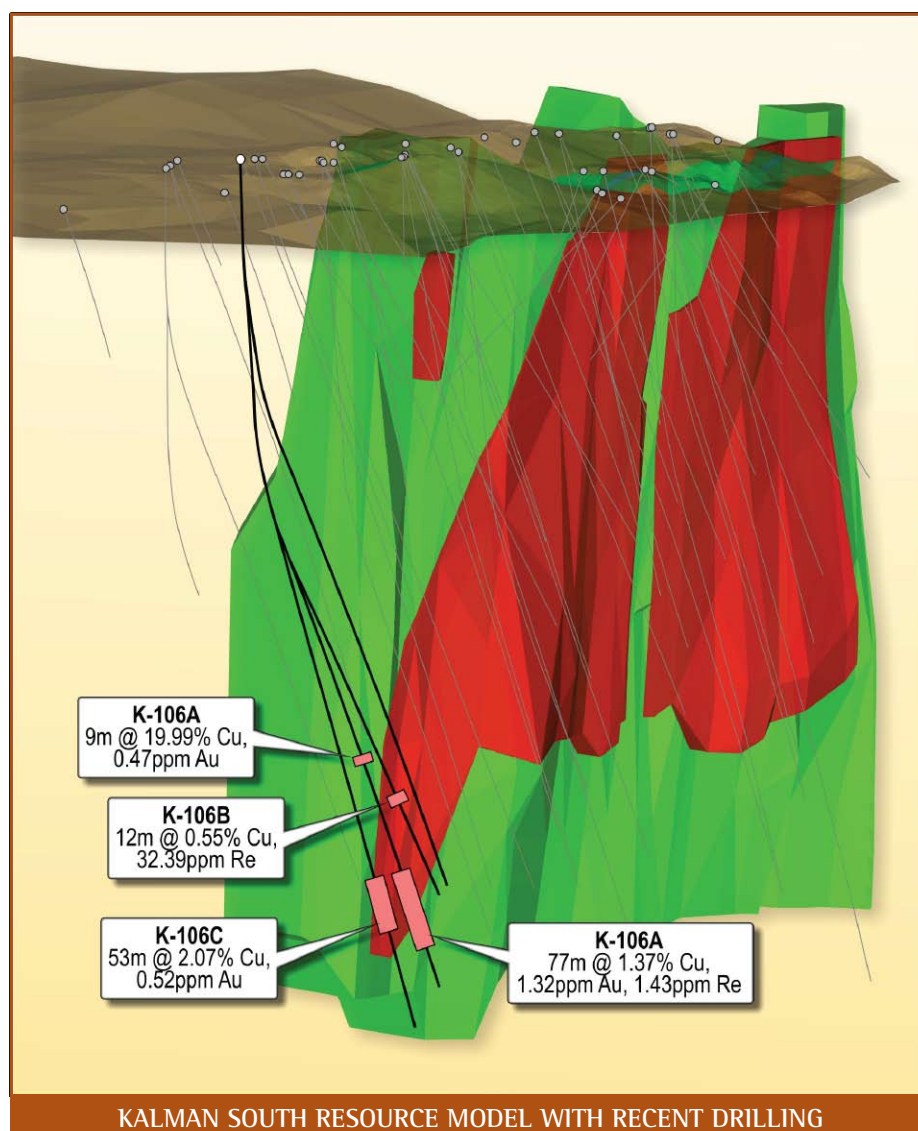
Given the dimensions of the mineralised zone of over 1200 metres strike length and the deep oxidation (>120metres depth) it is considered that good potential exists for a low-grade oxide copper deposit at Mount Hutchinson. Further work is focussing on locating favourable structural positions where higher grade accumulations may occur. Testing for deeper primary and supergene copper mineralisation is also planned.

## Kalman South Joint Venture

The Kalman South Project comprises EPM13870, a joint venture between Kings Minerals NL ("Kings") (ASX: KMN) and Syndicated. 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 +/- 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 May 2012. Syndicated is free-carried on the Kalman South Project until completion of the final feasibility study. Since commencement of the joint venture to August 2008 Kings has drilled 67 holes for about 25,600 metres of mostly core 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.



## PROJECT REVIEWS continued

### Mineral Resource Estimate

The most recent Inferred Mineral Resource estimate for the Kalman deposit incorporating new drilling and the rhenium assays 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.

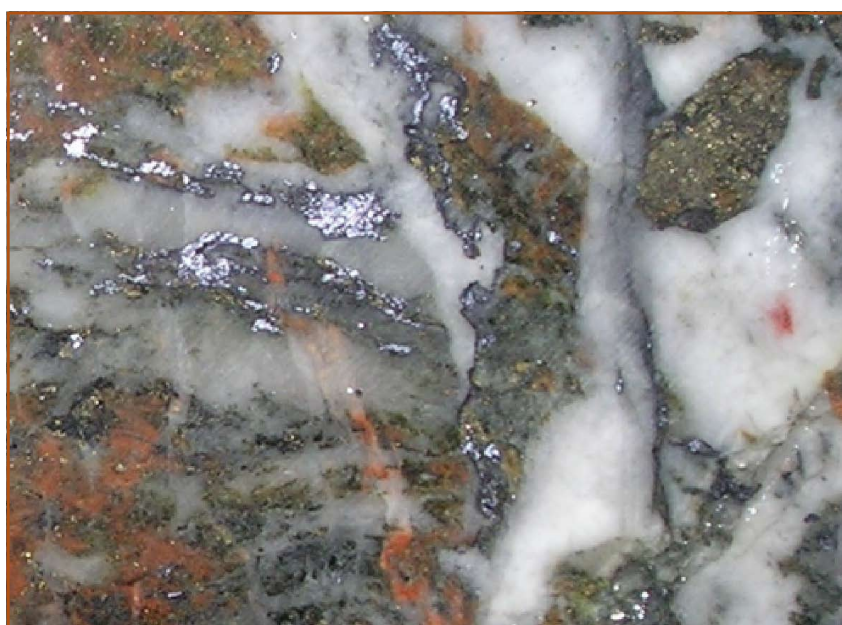
The southern part of the deposit as defined to date within EPM13870 was reported at 36.7 million tonnes grading 0.31% Cu, 0.06% Mo, 1.46g/t Re and 0.15g/t Au.

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>

*Table 4: Kalman Inferred Mineral Resource Estimate within EPM13870 – September 2008*

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.



**MOLYBDENUM RICH CORE FROM KALMAN DEPOSIT**

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.

Of note are the significant 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:

Hole number	Intercept
K106A	242m @ 1.28% Cu, 0.48g/t Au and 0.06% MoS <sub>2</sub> from 535m
including	7.65m @ 23.4% Cu, 0.51g/t Au and 20g/t Ag from 581.65m
including	54m @ 1.09% Cu, 0.69g/t Au, 0.24% MoS <sub>2</sub> and 4.5g/t Re from 666m
including	4m @ 2.27% Cu, 0.56g/t Au, 0.83% MoS <sub>2</sub> and 22.3g/t Re
including	55m @ 1.12% Cu, 1.29g/t Au from 720m
K106	185m @ 0.23% Cu, 0.04g/t Au, 0.01% MoS <sub>2</sub> from 497m
including	11m @ 1.1% Cu, 0.10g/t Au from 520m
Including	7m @ 1.34% Cu, 0.19g/t Au from 554m
K106B	213m @ 0.16% Cu, 0.13g/t Au, 0.03% MoS <sub>2</sub> from 527m
including	19m @ 0.52% Cu, 0.24g/t Au from 612m
including	13m @ 0.51% Cu, 1.50g/t Au, 0.43% MoS <sub>2</sub> and 7.9g/t Re from 631m
K106C	293m @ 0.47% Cu, 0.12g/t Au, 0.01% MoS <sub>2</sub> from 543m
including	48m @ 2.24% Cu, 0.56g/t Au, 0.03% MoS <sub>2</sub> from 698m
and	5m @ 0.72% Cu, 0.39g/t Au, 0.23% MoS <sub>2</sub> and 7.4g/t Re from 707m
and	27m @ 3.56% Cu, 0.89g/t Au from 710m

*Table 5: Selected significant drilling results from K106, K106A, K106B and K106C*

This zone of high copper-gold values over significant widths is open down-plunge to the south and it is considered that it may represent the beginnings of a copper-rich section of the Kalman mineralised zone.

## Metallurgy

Kings announced results of preliminary metallurgical testwork in late October 2008. Excellent recoveries of all valuable metals were achieved in the preliminary flotation test work on samples from the two mineralised domains (copper rich and molybdenum rich) in the deposit.

The flotation response and copper and gold recoveries from the copper zone material indicate favourable and conventional process conditions for this material. Copper and gold recoveries to rougher concentrate were 95% and 82% respectively.

## PROJECT REVIEWS continued

The flotation of the molybdenum zone material also produced excellent recovery of the molybdenum and included rhenium into a low mass concentrate. The recoveries of copper and gold were also high. Recoveries of molybdenum, copper and gold to rougher concentrate were 88%, 95% and 78% respectively. Rhenium is contained within the lattice of molybdenite and is recovered during roasting of the molybdenum concentrate. Rhenium shows a strong positive correlation with the molybdenum grades.

Further testing is underway to investigate cleaning of the rougher concentrate at various regrind size distributions and to establish comminution characteristics of the material.

Quantitative mineralogical analysis on six samples indicated that the most common copper species was chalcopyrite (>90%) with chalcocite and bornite present in trace amounts. The only molybdenum bearing mineral was molybdenite.

Kings is presently undertaking project studies to evaluate the opportunities for development of the deposit including further mining, metallurgical and baseline environmental studies.

### Dronfield Joint Venture

Agreement was reached with Universal Resources Limited (Universal) on the terms of a joint venture in which Syndicated may earn up to an 80% interest in Universal's wholly owned Dronfield tenement, EPM14369 located approximately 70 kilometres southeast of Mount Isa in Northwest Queensland. The tenement abuts the southern margin of Syndicated's Kalman South tenement EPM13870 and covers the southern extension of the regional scale Pilgrim Fault.

Under the terms of the agreement Syndicated may expend:

- \$250,000 on exploration within 2 years, to earn a 40% equity interest
- a total of \$500,000 on exploration within 3 years to earn a 60% interest
- a total of \$1,000,000 on exploration within 4 years to earn 70% interest

Either party may then choose to contribute or dilute.

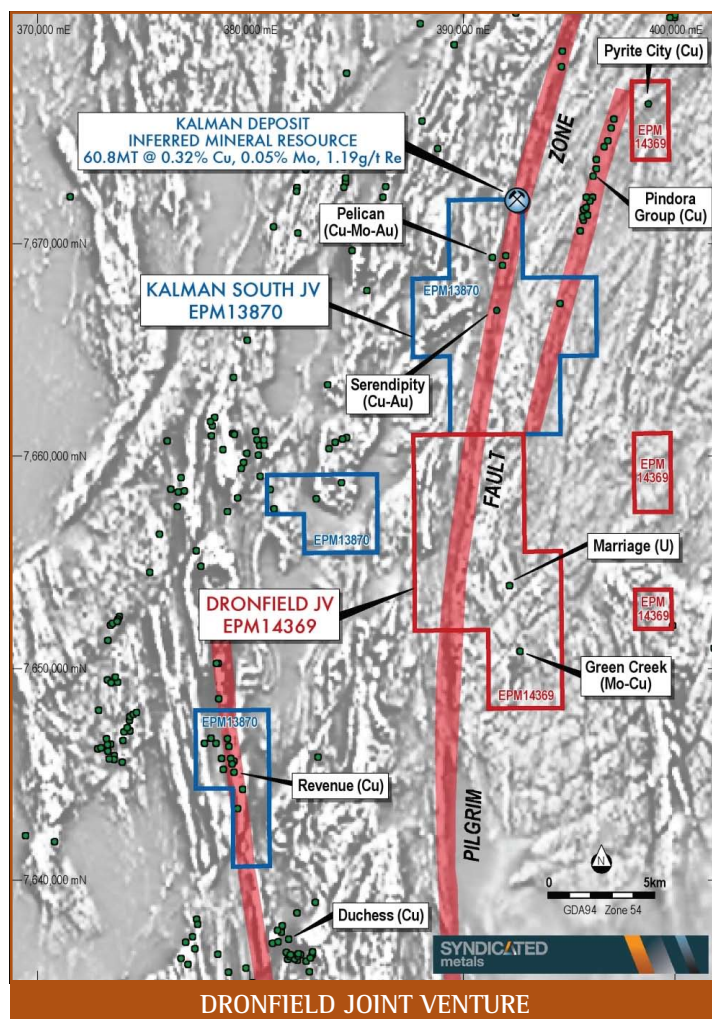
Should Universal choose to dilute, then Syndicated may sole fund a further \$1,000,000 on exploration over two years to increase its equity to 80% interest.

If Syndicated earns 80%, then Universal will be free carried to a decision to mine.

If either party's equity falls to 10% or less then that interest will be converted to a 1.5% net smelter return.

EPM14369 contains several known copper, gold, molybdenum and uranium prospects and covers nine kilometres of strike length of the Pilgrim Fault. The tenement complements Syndicated's current 49% interest in EPM13870 (Kalman South Joint Venture).

Field work is expected to commence in the fourth quarter of 2009.



## EXMOUTH

Syndicated's Exmouth project is located about 1000 kilometres north of Perth and 50 kilometres east of Coral Bay, between the Exmouth Gulf and the Minilya Roadhouse.

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

Syndicated has the rights to a 100% interest in four exploration licences (E08/1413, E08/1739, E08/1740 and E08/1854), covering a total area of 660 square kilometres.

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.

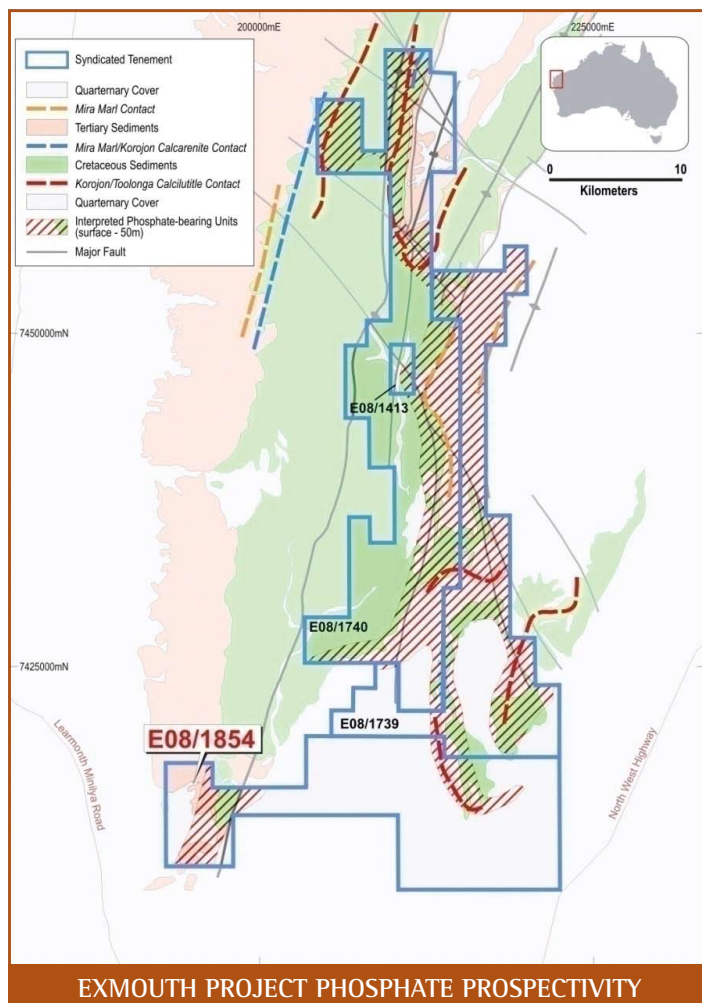
## PROJECT REVIEWS continued

Surface sampling by previous explorers suggests that there is potential for silver mineralisation. Rock chip sampling of gossanous rock fragments along a 1.6 kilometre section of the Giralia Fault found elevated silver values of up to 83gpt. This anomalism is believed to represent a different fault-related mesothermal or epithermal style of mineralisation. This zone has not been tested by drilling.

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.

The Company's initial field program comprised geological reconnaissance and soil and rock chip sampling with a view to locating the outcropping and near surface positions of the key phosphate bearing units.

Base metal results were received for the 1770 soil samples collected as part of a regional soil sampling survey. (A portable NITON XRF analyser was used to test the soil samples for base metals.) Several zones with elevated lead (up to 530ppm) and zinc (up to 109ppm) were outlined. Infill soil and rock chip sampling is required to further define the anomalies and to determine their significance. No significant uranium results were returned.



## Georgina Basin Phosphate

The Company has submitted four tenement applications (EPM17667, EPM17676, EPM17678 and EPM17689) covering 898 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.

Following a decision by Syndicated to focus on its base metals interests these tenements are now available for joint venture.

## COMPETENT PERSONS STATEMENTS

*The information in this report that relates to Exploration Results 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.*

*The data in this report that relates to Mineral Resources for the Barbara Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 (the "JORC Code"). Mr Tear is a full-time employee of Hellman & Schofield Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.*

*The information in this report that relates to the Kalman Mineral Resource is based on information compiled by Mr Rob Stewart who is a Member of the Australian Institute of Geoscientists. Mr Stewart is a full time Employee of Kings Minerals NL and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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". Mr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

## SCHEDULE OF INTERESTS IN MINING TENEMENTS

Tenement	Project	Percentage Held	Tenement Status	Area (km <sup>2</sup> )
EPM 13870	Kalman South JV	49%*	Granted	86
EPM15972	Kalman South JV	49%	Granted	20**
EPM16061	Kalman South JV	49%	Granted	11**
EPM 17637	Revenue	100%	Contested Application	61
EPM18078	Dronfield	100%	Application	29
EPM18082	Dronfield	100%	Partially Contested Application	67
EPM18223	Dronfield	100%	Contested Application	22
EPM 13855	Mount Remarkable	100%*	Granted	110
EPM 13869	Mount Remarkable	100%*	Granted	81
EPM 13903	Mount Remarkable	100%*	Granted	138
EPM 13904	Mount Remarkable	100%*	Granted	80
EPM 15564	Mount Remarkable	100%	Granted	151
EPM 15816	Mount Remarkable	100%	Granted	119
EPM 16112	Mount Remarkable – Leichhardt JV	51%	Granted	13
EPM 16197	Mount Remarkable – Leichhardt JV	51%	Granted	32
EPM 17636	Mount Remarkable	100%	Application	16
EPM 17638	Mount Remarkable	100%	Contested Application	55
EPM 17650	Mount Remarkable	100%	Contested Application	55
EPM 17677	Mount Remarkable	100%	Application	29
E 08/1413	Exmouth	100%*	Granted	6
E 08/1739	Exmouth	100%	Granted	189
E 08/1740	Exmouth	100%	Granted	310
E 08/1854	Exmouth	100%	Granted	189
EPM 17667	Georgina Basin	100%	Application	181
EPM 17676	Georgina Basin	100%	Application	304
EPM 17678	Georgina Basin	100%	Application	97
EPM 17689	Georgina Basin	100%	Application	316
E 70/3497	Dandaragan	100%	Application	178

\* 2% NSR to Asarco Exploration Company, Inc

\*\* Portion of total tenement falling into Kalman South JV "sphere of influence"

## DIRECTORS' REPORT

Your directors submit their report, together with the financial statements of the company for the financial year ended 30 June 2009.

### Principal Activities and Significant Changes in Nature of Activities

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

### Operating Results

The net loss of the company for the financial year after provision for income tax was \$1,013,349 (2008: \$168,316).

### Review of Operations

A detailed review of operations is outlined in the annual report.

### Financial Position

The net assets of the company decreased from \$6,291,833 at 30 June 2008 to \$5,491,868 at 30 June 2009. This decrease is largely as a result of the loss for the year of \$1,013,349 offset by the increase in the option reserve of \$213,384.

### Significant Changes in State of Affairs

There have not been any significant changes in the state of affairs of the company 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.

### After Balance Date Events

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 company, the results of those operations or the state of affairs of the company, in future years.

### Likely Development and Expected Results of Operations

Likely developments in the operations of the company 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 company'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 names of the directors in office at any time during or since the end of the year are:

Bruce McCullagh

Russell Davis

Andrew Dinning

Jan Hope

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

## DIRECTORS' REPORT continued

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

**Bruce McCullagh** CPA AICS – *Chairman and Company Secretary*

Bruce McCullagh was appointed to the Board on 30 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. Mr McCullagh is a Certified Practising Accountant and an Associate of the Institute of Chartered Secretaries. He has also held roles combining directorships and company secretarial duties with listed mineral and petroleum exploration companies in Australia and more recently directorships with Sabre Resources Limited from 1999 through to 2006, and with Golden Deeps Limited, from 1998 through to 2006.

Mr McCullagh holds an interest in 5,430,000 shares of the company and 2,000,000 options of the company.

**Russell Davis** BSc (Hons), MBA, MAIMM, FFIN – *Managing Director*

Russell Davis is a founding director of Syndicated Metals appointed to the board on 15 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.

Mr 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 5,728,597 shares of the company and 3,000,000 options of the company.

**Andrew Dinning** BEng, MBA – *Non Executive Director*

Mr 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 has been the Chief Operating Officer for Moto Goldmines Limited ("Moto") since October 2005 and an Executive Director of Moto since August 2006. Mr Dinning has a Mining Engineering Degree, First Class Mine Managers Certificate and a Masters of Business Administration.

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

**Jan Hope** – *Non Executive Director*

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. Jan 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. Jan 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 520,000 shares of the company, and 1,000,000 options of the company.

## Meetings of Directors

During the financial period, 4 meetings of directors were held. The number of meetings attended by each director during the period is stated below:

	Number of eligible to attend	Number attended
Bruce McCullagh	4	4
R Davis	4	4
A Dinning	4	4
J Hope	4	4

## Indemnifying Officers

During the financial year the company paid a premium of \$13,762 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.

## 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	Number under option
17/09/2007	03/09/2012	30¢	6,000,000
07/01/2008	03/09/2012	30¢	1,000,000
22/11/2008	30/08/2011	40¢	500,000
28/11/2008	03/09/2012	30¢	1,000,000
			<u>8,500,000</u>

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.

## 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.

## DIRECTORS' REPORT continued

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2009:

	\$
Taxation services	2,750
	<u>2,750</u>

### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2009 has been received and is included in the financial report.

### Remuneration Report – Audited

This report details the nature and amount of remuneration for each key management person of Syndicated Metals Limited, 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

	Short-Term Directors Fees \$	Benefits Salary and Consulting Fees \$	Post- Employment Super- annuation \$	Equity-Settled Share-Based Payments Options \$	Total \$	Percentage of remuneration as options %
<b>For the year ended 30 June 2009</b>						
<b>Directors</b>						
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	75.37
B R McCullagh	50,000	57,300	9,657	–	116,957	
	<b>140,000</b>	<b>257,300</b>	<b>35,757</b>	<b>150,070</b>	<b>583,127</b>	
<b>Executive</b>						
M Whittle	–	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>	
<b>For the year ended 30 June 2008</b>						
<b>Directors</b>						
R J Davis	–	132,500	11,925	1,500	145,925	1.03
A R Dinning	33,750	–	3,037	500	37,287	1.34
J L Hope	33,750	–	3,037	–	36,787	–
B R McCullagh	27,877	63,400	6,433	1,000	98,710	1.00
	<b>95,377</b>	<b>195,900</b>	<b>24,432</b>	<b>3,000</b>	<b>318,709</b>	
<b>Executive</b>						
M Whittle	–	80,000	7,200	176,100	263,300	66.90
<b>Total</b>	<b>95,377</b>	<b>275,900</b>	<b>31,632</b>	<b>179,100</b>	<b>582,009</b>	

## Performance income as a proportion of total income

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

## 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.

## Options granted as remuneration

	Granted No.	Grant Date	Value per Option at Grant Date Cents	Exercise Price Cents	First Exercise Date	Last Exercise Date
<b>Director</b>						
J Hope	1,000,000	28.11.2008	15.07	30	28.11.2008	03.09.2012

The service and performance criteria set to determine remuneration are included in this remuneration report.

Options were granted for nil consideration.

## DIRECTORS' REPORT continued

## Shares issued on exercise of compensation options

	Options granted as part of remuneration \$	Total remuneration represented by options %	Options exercised \$	Options lapsed \$	Total \$
<b>Directors</b>					
B McCullagh	1,000	1.0	—	—	1,000
R Davis	1,500	1.03	—	—	1,500
A Dinning	500	1.34	—	—	500
J Hope	150,070	75.37	—	—	150,070
<b>Executive</b>					
M Whittle	176,100	66.9	—	—	176,100

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



**Bruce McCullagh**  
Director

Date: 11 September 2009

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**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**  
**TO THE DIRECTORS OF SYNDICATED METALS LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2009 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.*

**Mack & Co**

*S S Fermanis*

**S S Fermanis**

Partner

West Perth

Date: 11th September 2009

## 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.

### Website Disclosures

the Further information about the Company's charters, policies and procedures may be found at 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)	5.1, 5.2
Compliance Procedures (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Strategy	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 2008/2009 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:

Between the founding of the Company in 2005 and its subsequent listing on the Australian Securities Exchange in 2007, a four-member Board was assembled bringing a variety of skills including geology and project development, mining engineering, finance and public and investor relations.

The Board members recognise that their role includes the requirement to meet regularly to formulate and guide the strategic direction of the Company and to provide leadership to senior management.

## CORPORATE GOVERNANCE STATEMENT continued

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. Members of the Board recognise that the Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company to ensure that they properly progress the chosen company strategy, providing overall corporate governance 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, as well as ensuring that appropriate resources are available to senior management. The Board also monitors the financial performance of the Company, appoints and engages with the external auditor and monitors compliance with all the Company's legal obligations relating to environmental management, native title and cultural heritage and occupational health and safety.

The Company has established the functions delegated to senior management and has set out these functions in its Board Charter. Senior management is 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 management is 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 senior management and with the Company employing just one permanent employee, a senior executive, and with the Company being in the early stage of development, performance evaluation is undertaken on an ongoing daily basis, consequently, no formal interviews or performance questionnaires 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 senior management took place in accordance with the process disclosed above at Recommendation 1.2.

## **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. Currently, the four member Board is comprised of an equal number of independent and non independent directors. The independent directors of the Board are Jan Hope and Andrew Dinning and the non independent directors of the Board are Bruce McCullagh and Russell Davis.

### **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 four-member Board includes members with disciplines from geology, mining engineering, 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 of the Board, Bruce McCullagh, is not an independent director as he also acts in an executive capacity as Company Secretary.

**Explanation for Departure:**

The Board believes that Mr McCullagh is the most appropriate person for the position of Chair because of his industry experience. The Company has appointed a lead independent director to take over the role of Chair when Mr McCullagh is unable to act in that capacity as a result of his lack of independence.

**Recommendation 2.3:**

The roles of the Chair and Managing Director should not be exercised by the same individual.

**Disclosure:**

The Managing Director is Russell 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 and the fact that the Board comprises just four directors, 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.

**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 Chairman continually assesses the ongoing performance of the Board and of the two independent directors through regular contact. The Managing Director is evaluated on an ongoing basis by the two independent directors and by the Chairman with whom he has a daily working relationship.

## CORPORATE GOVERNANCE STATEMENT continued

### 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 Jan Hope and Andrew Dinning. 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 the pro-forma net asset.
- Profit and loss items are material if they 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, could affect the Company's right 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 carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however the Board discussed nomination-related matters from time to time during the year as required. No appointments were made during the Reporting Period. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

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 the Chairman continually evaluated the function of the Board and the individual directors 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 considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Under the Company's constitution, at every annual general meeting one third of the directors (other than the Managing Director or any alternate directors) must retire from office and are eligible for re-election at that meeting. The directors to retire must be those who have been longest in office since their last election and, in any event, directors cannot hold office for more than three years without submitting themselves for re-election. Re-appointment of directors is not automatic. When a current Board member is due for retirement under the Company's constitution, the continuing Board members consider the re-appointment to the position, prior to inviting the retiring director to seek re-election.

## **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.

This Company listed on the ASX in December 2007. When assembling the Board, the directors invited only experienced people of integrity to join the Board and those original four directors remain to this day. An exploration manager was appointed, having been known to two of the directors for some years. This combination of five experienced people have the control and the zeal to materially influence the integrity, strategy and operation of the business and its financial performance.

### **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.

When trading in Company securities, the Board has adopted a policy which, among other things, prohibits dealing in the Company's securities by directors, officers and employees when those persons possess

## CORPORATE GOVERNANCE STATEMENT continued

inside information. The policy provides that the written acknowledgement of the Chair must be obtained prior to trading.

### **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.

## **Principle 4 – Safeguard Integrity in Financial Reporting**

### **Recommendation 4.1:**

The Board should establish an Audit Committee.

### **Notification of Departure:**

The Company has not established a separate Audit Committee.

### **Explanation for Departure:**

The Board considers that given its size and composition and the size of the Company, the Board believes that 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.

### **Recommendation 4.2:**

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
- has at least three members.

### **Notification of Departure:**

The Audit Committee is not structured in accordance with Recommendation 4.2.

### **Explanation for Departure:**

The Audit Committee comprises all four members of the Board being Messrs McCullagh, Davis and Dinning and Ms Hope, two of whom are executives of the Company and only two of whom are independent. The Chair of the Audit Committee, Mr McCullagh, is the Chair of the Board. The current structure of the Board does not allow for the compositional recommendation to be followed and therefore, given this as well as the size of the Company, the Board considers that no efficiencies or other benefits would be gained by establishing a separate Audit Committee.

**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 with respect to the Reporting Period, in July 2009. All four Board members were present. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter.

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. Messrs Davis and Dinning hold a 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. 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. 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.

## **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.

The policies set out the obligations of directors, officers and employees to ensure the Company satisfies its continuous disclosure obligations so that there is a timely disclosure of price sensitive information. The policies provide information as to what a person should do when they become aware of information which could have a material effect on the price of the Company's securities. Further, a responsible officer has been appointed to ensure compliance with the procedures detailed in the policies.

## CORPORATE GOVERNANCE STATEMENT continued

### 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.

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. The Company makes available on its website the following information on a regular basis: presentations to media and analysts, notices of meetings and explanatory materials, financial information including annual reports, and all other Company announcements.

The Company provides shareholder materials directly to shareholders through electronic means, and considers general meetings to be an effective means of communication with shareholders. The Company also requests the external auditor attend annual general meetings to answer shareholder questions about the conduct of the audit and preparation and content of the Auditor's Report.

### 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:

Being a new, emerging, junior, mineral exploration company, the Board has embarked on a process of identifying and managing risks. The culture of a junior exploration company embraces a certain tolerance for taking risks which can lead to business rewards. The Company is prepared to invest prudently, where possible, for the best possible reward while at the same time, maintaining a high degree of internal financial and operational control.

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management 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. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has also taken additional positive steps to satisfy itself that management is effectively managing material business risks. Regular monthly operational and financial reports are prepared and compared against the budget, and circulated. The Board communicates informally as required, and also meets formally, on a quarterly basis to receive reports on operational activities, financial and internal controls, safety, native title and cultural issues, any conflicts of interests and employment issues. Internal financial controls are in place so that dual authority, by the Managing Director and the Company Secretary, is required on any disbursements. Cash not immediately required is lodged prudently in a spread of recognised banks. Financial and statutory reporting is monitored by the Company Secretary.

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

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

In July 2009, the Board resolved to review, formalise and document the management of its material business risks and expects to implement this system in the second quarter of the 2009/2010 financial year. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

The Board is cognisant of the need to identify and manage material business risks in an exploration environment in the states of Queensland and Western Australia and to this end monitors any change in government or government policy (Strategic Risk). Material risks to the Company, after obtaining initial tenure of exploration tenements, include the continuing maintenance of those tenements by meeting required exploration expenditures and complying with environmental, cultural and native title obligations, managing finances to sustain the ongoing Company operations and satisfying all statutory, legal and reporting requirements (Operational, Reporting & Compliance Risk).

There is the risk of personal injury. Emphasis is placed on safety and every new employee is put through a structured induction on work safety. Safety is a standard Board agenda item.

The Company raised funds from investors under its initial public offering to invest in a speculative entity which already held mineral exploration tenements, mainly in northwest Queensland. Application of these funds has already resulted in the discovery of new mineral deposits. The Company acknowledges the risk that it could exhaust these funds before making a discovery; or that it may not make a discovery of

## CORPORATE GOVERNANCE STATEMENT continued

sufficient significance to attract the necessary additional funds to continue exploration. An additional risk to which the Company could be exposed would be a sustained fall in metal prices which would dampen investor appetite for further investment in its activities. To assist in conserving and managing funds, the Company has, where appropriate, entered into joint ventures on some exploration tenements. By this means, expenditure is shared along with some of the risk, however, these arrangements can also impact on any future rewards.

### **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 management 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 Managing Director 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, to the best of their knowledge and belief, 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 management under Recommendation 7.2.

## **Principle 8 – Remunerate Fairly and Responsibly**

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

### **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. From time to time, the Company may grant options to non-executive directors to recognise and reward efforts as well as to provide non-executive directors 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:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. No cash increases in remuneration were made during the year.

The full Board in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

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 Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

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## 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 Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, 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 company at the 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 control 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 compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

#### *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. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### *Audit Opinion*

In our opinion:

- a. the financial report of Syndicated Metals Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2009 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; and

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report under the heading "Remuneration Report – Audited" for the year ended 30 June 2009.

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.

### *Audit Opinion*

In our opinion the remuneration report of Syndicated Metals Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.



**Mack & Co**



**S S Fermanis**

Partner

West Perth

Date: 11th September 2009

## 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's financial position as at 30 June 2009 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.



**B R McCullagh**

Director

Dated this 11th day of September 2009

# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
<b>Continuing operations</b>			
Revenue – Interest Income		239,280	239,633
Sales of Investments		–	46,930
Cost of Sales		–	(49,500)
<b>Gross Profit</b>		<b>239,280</b>	<b>237,063</b>
Administration expenses		(125,058)	(98,699)
Borrowing costs		(3,697)	(2,641)
Corporate expenses		(60,282)	(54,985)
Depreciation		(53,354)	(20,400)
Employee benefits		(401,363)	(134,280)
Expenditure on tenements		(554,869)	–
Other expenses		(34,175)	(11,546)
		<b>(1,232,798)</b>	<b>(322,551)</b>
Loss before unrealised gains/(losses)		(993,518)	(85,488)
Change in fair value of investments		(19,831)	(104,701)
Loss before income tax		(1,013,349)	(190,189)
Income tax benefit	3	–	21,873
<b>Loss after related income tax expense</b>		<b>(1,013,349)</b>	<b>(168,316)</b>
		<b>Cents</b>	<b>Cents</b>
Basic (loss)/earnings per share		(1.76)	(0.36)
Diluted (loss)/earnings per share		(1.76)	(0.36)

The accompanying notes form part of these financial statements.

## BALANCE SHEET

### AS AT 30 JUNE 2009

	Note	2009 \$	2008 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	3,500,716	4,879,833
Receivables	5	219,685	206,217
Investments	6	12,758	32,589
<b>Total Current Assets</b>		3,733,159	5,118,639
<b>Non Current Assets</b>			
Property, plant and equipment	7	121,621	170,451
Exploration, evaluation and development costs	8	2,055,038	1,190,311
<b>Total Non Current Assets</b>		2,176,659	1,360,762
<b>Total Assets</b>		5,909,818	6,479,401
<b>Current Liabilities</b>			
Payables	9	330,456	119,470
Financial liabilities	10	13,227	11,786
Short term provisions	11	34,685	17,836
<b>Total Current Liabilities</b>		378,368	149,092
<b>Non Current Liabilities</b>			
Financial liabilities	12	25,249	38,476
Provisions	11	14,333	–
<b>Total Non Current Liabilities</b>		39,582	38,476
<b>Total Liabilities</b>		417,950	187,568
<b>Net Assets</b>		5,491,868	6,291,833
<b>Equity</b>			
Issued capital	14	6,230,011	6,230,011
Option reserve	15	392,484	179,100
Accumulated (loss)		(1,130,627)	(117,278)
<b>Total Equity</b>		5,491,868	6,291,833

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2007</b>	50,001	–	51,038	101,039
Issue of ordinary shares	6,835,000	–	–	6,835,000
Less capital raising costs	(654,990)	–	–	(654,990)
Issue of options to directors and employees	–	179,100	–	179,100
Net loss	–	–	(168,316)	(168,316)
<b>Balance at 30 June 2008</b>	6,230,011	179,100	(117,278)	6,291,833
Issue of options to a director and a corporate advisor	–	213,384	–	213,384
Net Loss	–	–	(1,013,349)	(1,013,349)
<b>Balance at 30 June 2009</b>	6,230,011	392,484	(1,130,627)	5,491,868

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
<b>Cash flow from operating activities</b>			
Payments to suppliers		(402,012)	(266,499)
Interest received		352,426	82,536
Interest paid		(4,625)	(2,565)
<b>Cash flow provided by (used in) operating activities</b>	17	(54,211)	(186,528)
<b>Cash flow from investing activities</b>			
Purchase of plant and equipment		(4,524)	(190,851)
Proceeds from sale of investments		—	46,930
Payment of exploration, evaluation and development costs		(1,307,204)	(980,353)
<b>Cash flow provided by (used in) investing activities</b>		(1,311,728)	(1,124,274)
<b>Cash flow from financing activities</b>			
Proceeds from share issue		—	6,735,000
Cost of issue of shares		—	(554,990)
Loan received		—	1,392
Loan repaid		(1,392)	(45,000)
Hire purchase borrowing		—	53,870
Hire purchase repayments		(11,786)	(3,608)
<b>Cash flow provided by (used in) financing activities</b>		(13,178)	6,186,664
Net (decrease)/increase in cash and cash equivalents		(1,379,117)	4,875,862
Cash and cash equivalents at start of period		4,879,833	3,971
<b>Cash and cash equivalents at end of period</b>	4	3,500,716	4,879,833

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### **Note 1: Statement of Significant Accounting Policies**

This financial report includes the financial statements and notes of Syndicated Metals Limited as an individual entity.

Syndicated Metals Limited is a public listed company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The financial report of Syndicated Metals Limited complies with Australian Accounting Standards and all International Financial Reporting Standards (IFRS) in their entirety.

The financial report of Syndicated Metals Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 11 September 2009.

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

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*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on the going concern basis. As at 30 June 2009 the company had net assets of \$5,491,868 and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 30 June 2009 the company had \$3,500,716 in cash and cash equivalents. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future. At this time the directors are of the opinion that no asset is likely to be realised for an amount less than the amount in the financial report. Accordingly there has been no adjustment in the financial report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the company be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the company not continue as a going concern.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets for which the fair value basis of accounting has been applied.

#### **Significant Accounting Policies**

##### **(a) Exploration, evaluation, development and restoration costs**

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward in respect of areas of interest for which the rights of tenure are current and where:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation, to the area are continuing.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 1: Statement of Significant Accounting Policies *continued*

##### Significant Accounting Policies *continued*

##### (a) *Exploration, evaluation, development and restoration costs continued*

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. Where carried-forward expenditure does not satisfy the policy stated above it is written off to the income statement in the review period.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

##### ***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 environment 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 the sale of assets or from plant clean-up at closure.

##### (b) **Income 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 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.

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.

**Note 1: Statement of Significant Accounting Policies** continued**(c) Acquisition of Assets**

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.

**(d) 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.

**(e) 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.

**(f) 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.

**(g) 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 set out in Note 1 (p) (i) financial assets at fair value through profit or loss. Unrealised gains/losses on securities held for long term investment are accounted for as set out in Note 1 (p) (iii) available for sale financial assets.

**(h) 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***

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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 1: Statement of Significant Accounting Policies *continued*

##### (h) Property, Plant and Equipment *continued*

###### ***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%
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.

##### (i) 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.

##### (j) 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.

##### (k) 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.

**Note 1: Statement of Significant Accounting Policies** continued**(k) Employee Benefits** continued**(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.

**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.

**(l) 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.

**(m) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 1: Statement of Significant Accounting Policies *continued*

(n) **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.

(o) **Comparative Figures**

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

(p) **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.

**Note 1: Statement of Significant Accounting Policies** continued**(p) Financial Instruments** continued***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.

***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.

**(q) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 1: Statement of Significant Accounting Policies *continued*

##### (r) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the company will be unable to be determined. The following changes to accounting requirements are included:
  - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
  - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
  - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
  - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the company's policy);
  - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
  - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
  - where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The company will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the company's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

**Note 1: Statement of Significant Accounting Policies** continued**(r) New Accounting Standards for Application in Future Periods** continued

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the company. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the company as a policy of capitalising qualifying borrowing costs has been maintained by the company.
- AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.
- AASB 2008-8: Amendments to Australian Accounting Standards — Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the company.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 — Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 1: Statement of Significant Accounting Policies *continued*

##### (r) New Accounting Standards for Application in Future Periods *continued*

- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the company.
- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the company.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the company's financial statements.

##### (s) 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.

##### (t) Interests in Joint Ventures

The Company'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 18.

##### (u) 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 \$2.06m.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

	2009 \$	2008 \$
<b>Note 3: Income Tax Expense</b>		
The prima facie tax payable on the operating profit/(loss) is reconciled to the income tax provided in the accounts as follows:		
Prima facie tax payable on operating profit/(loss) before income tax at 30%	(304,005)	(57,057)
Effect of share based payments	64,015	53,730
Increase in deferred tax balances not brought to account	239,990	3,327
Reversal of deferred tax liability previously brought to account	–	(21,873)
Income tax expense/(benefit)	–	(21,873)

The following deferred tax balances have not been recognised:

#### Deferred Tax Assets

At 30%

Carry forward revenue losses	899,612	407,183
Capital raising costs	117,898	157,198
Provisions and accruals	20,969	14,585
Other	9,157	3,208
	1,047,636	582,174

The tax benefits of the above Deferred Tax Assets will only be obtained if:

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

#### Deferred Tax Liabilities at 30%:

Exploration, evaluation and development costs	616,511	357,093
Accrued interest revenue	13,185	47,129
	629,696	404,222

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 4: Current Assets – Cash and Cash Equivalents

Cash on hand	200	200
Cash at bank	297,643	174,775
Term deposits	3,202,873	4,704,858
	3,500,716	4,879,833

	2009 \$	2008 \$
<b>Note 5: Current Assets – Receivables</b>		
Accrued interest receivable	43,951	157,097
Input tax credits	25,473	49,120
Debtors	145,261	–
Security Deposit	5,000	–
	<u>219,685</u>	<u>206,217</u>

**Note 6: Current Assets – Investments**

Listed securities at market value	<u>12,758</u>	<u>32,589</u>
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**Note 7: Non Current Assets – Property, Plant & Equipment**

Plant and equipment at cost	90,489	88,789
Less: accumulated depreciation	(38,195)	(10,886)
	<u>52,294</u>	<u>77,903</u>
Furniture at cost	56,489	53,665
Less: accumulated depreciation	(19,428)	(5,481)
	<u>37,061</u>	<u>48,184</u>
Vehicles at cost	48,397	48,397
Less: accumulated depreciation	(16,131)	(4,033)
	<u>32,266</u>	<u>44,364</u>
Total plant and equipment	<u>121,621</u>	<u>170,451</u>

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:

	Plant and equipment \$	Furniture \$	Vehicles \$	Total \$
Carrying amount at 1 July 2007	–	–	–	–
Additions	88,789	53,665	48,397	190,851
Depreciation expense	(10,886)	(5,481)	(4,033)	(20,400)
Carrying amount at 30 June 2008	<u>77,903</u>	<u>48,184</u>	<u>44,364</u>	<u>170,451</u>
Additions	1,700	2,824	–	4,524
Depreciation Expense	(27,309)	(13,947)	(12,098)	(53,354)
Carrying amount at 30 June 2009	<u>52,294</u>	<u>37,061</u>	<u>32,266</u>	<u>121,621</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

	2009 \$	2008 \$
<b>Note 8: Exploration, Evaluation and Development Costs</b>		
Exploration expenditure capitalised		
– exploration and evaluation phases	2,055,038	1,190,311
Movement in carrying value:		
Brought forward	1,190,311	–
Exploration assets acquired during the year	–	–
Exploration assets disposed of during the year	–	–
Exploration expenditure capitalised during the year	1,419,590	1,190,311
Exploration expenditure written off	(554,869)	–
At reporting date	2,055,038	1,190,311
<b>Note 9: Current Liabilities – Payables</b>		
Trade and other payables	26,058	39,235
Accruals	304,398	80,235
	330,456	119,470
<b>Note 10: Current Liabilities – Financial Liabilities</b>		
Due on hire purchase	16,411	16,411
Less unexpired charges	(3,184)	(4,625)
	13,227	11,786
<b>Note 11: Current Liabilities – Short Term Provisions</b>		
Provision for annual leave	34,685	17,836
<b>Note 12: Non Current Liabilities – Financial Liabilities</b>		
Due on hire purchase	27,351	43,762
Less unexpired charges	(2,102)	(5,286)
	25,249	38,476
<b>Note 13: Non-Current Liabilities – Provisions</b>		
Provision for long service leave	14,333	–

2009  
Shares2008  
Shares2009  
\$2008  
\$**Note 14: Issued Capital****(a) Share capital**

Fully paid ordinary shares	57,350,005	57,350,005	6,885,001	6,885,001
Less capital raising costs	—	—	(654,990)	(654,990)
	<u>57,350,005</u>	<u>57,350,005</u>	<u>6,230,011</u>	<u>6,230,011</u>

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

Date	Details	Number of shares	Issue price	\$
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
	Balance at 30 June 2008 & 2009	<u>57,350,005</u>		<u>6,885,001</u>

**(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.

2009  
\$2008  
\$**Note 15: Option Reserve**

Balance at beginning of financial period	179,100	—
Option expense	213,384	179,100
Balance at end of financial period	<u>392,484</u>	<u>179,100</u>

**Note 16: Auditors Remuneration**

Audit and review of financial reports of the company	43,304	45,500
Other services		
Taxation	2,750	900
Preparation of investigating accountants report for prospectus	—	8,950

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

	2009 \$	2008 \$
<b>Note 17: Notes to the Statement of Cash Flows</b>		
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:		
Cash on hand	200	200
Term deposits	3,202,873	4,704,858
Cash at bank	297,643	174,775
	3,500,716	4,879,833
Reconciliation of cash flow from operations with loss from ordinary activities after income tax.		
Profit/(Loss) after income tax	(1,013,349)	(168,316)
Non cashflows in operating profits		
Depreciation	53,354	20,400
Write-off of capitalised expenditure	554,869	–
Decrease in fair value of investments	19,831	104,701
Share options expensed	213,384	3,000
Loss on sale of investment	–	2,570
(Increase)/decrease in receivables	135,966	(200,120)
Increase/(decrease) in accruals and trade creditors	(19,227)	73,110
Increase/(decrease) provisions for employee entitlement	961	–
Increase/(decrease) in deferred tax liability	–	(21,873)
Cashflow (used in) operating activities	(54,211)	(186,528)

### Note 18: Joint Venture

- a. Syndicated has a 51% interest in the West Leichardt Joint Venture with Mount Isa Metals Pty 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	391,642	16,306
– less expenditure recharged back to Mount Isa Metals Pty Ltd	(196,164)	–
– less expenditure written off	(39,095)	–
	156,383	16,306

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 2009, 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, Syndicated will be free carried.

**Note 19: Share Based Payments**

The following share based payment arrangements existed at 30 June 2009:

On 19 September 2007 6,000,000 options were issued to directors for free. Each option entitles the holder to one fully paid share in the company at an exercise price of 30c at any time from the date that the company was admitted to the official list of the Australian Securities Exchange up to 3 September 2012.

On 7 January 2008 1,000,000 options were issued to a key executive for free. Each option entitles the holder to one fully paid ordinary share in the company at an exercise price of 30c at any time up to 3 September 2012.

On 22 September 2008 500,000 options were issued to a corporate advisor for services to progress towards the development of the company. Each option entitles the holder to one fully paid share in the company at an exercise price of 40 cents at any time up to 30 August 2011.

On 28 November 2008 1,000,000 options were issued to a director for free. Each option entitled the holder to one fully paid share in the company at an exercise price of 30c at any time up to 3 September 2012.

None of the above options are listed on any Stock Exchange.

	2009		2008	
	Number of options No.	Weighted average exercise price Cents	Number of options No.	Weighted average exercise price Cents
Outstanding at the beginning of the year	7,000,000	30	7,000,000	30
Granted	1,000,000	30	—	—
Granted	500,000	40	—	—
Forfeited	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding at year end	8,500,000	30.58	7,000,000	30
Exercisable at year end	8,500,000	30.58	7,000,000	30

The options outstanding at 30 June 2009, 8,000,000 options had a weighted average exercise price of 30 cents and a weighted average remaining contractual life of 3.17 years. An additional 500,000 options had a weighted average exercise price of 40 cents and a remaining contractual life of 2.16 years.

The options on issue were independently valued by Mr S Andrawes of BDO Kendalls Corporate Finance (WA) Pty Ltd. The valuations were done using the Black Scholes and Binomial methods for the options issued on 19 September 2007, 22 September 2008 and 28 November 2008, and using the Binomial method for the options issued on 7 January 2008. The basis input data used in the calculations is set out below:

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 19: Share Based Payments *continued*

	Options issued on 19/09/2007	Options issued on 07/01/2008
Underlying share value	\$0.01	\$0.29
Exercise price	\$0.30	\$0.30
Dividend rate	Nil	Nil
Standard deviation of returns (annualised)	70%	70%
Risk free rate	6.09%	6.3%
Expiration date	03/09/2012	03/09/2012
Expiration period	5 years	4.66 years
Valuation per option	\$0.0005	\$0.1761
Total value of options	\$3,000	\$176,100
	Options on 22/09/2008	Options issued on 28/11/2008
Underlying share value	\$0.20	\$0.20
Exercise price	\$0.40	\$0.30
Dividend rate	Nil	Nil
Standard deviation of returns (annualised)	125%	125%
Risk free rate	5.15%	5.15%
Expiration date	30/08/2011	03/09/2012
Expiration period	2.93 years	3.77 years
Valuation per option	\$0.127	\$0.15
Total value of options	\$63,314	\$150,070

The value of the options has been included in the financial statements as follows:

Employee benefits expense in the income statement	\$153,070
Exploration, evaluation and development costs in the balance sheet	\$176,100
Corporate expenses	\$63,314

2009  
\$

2008  
\$

#### Note 20: Commitments For Future Expenditure

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

Commitments on tenements payable		
– within 12 months	1,048,000	973,000
– between 12 months and 5 years	3,667,000	1,173,000
	4,715,000	2,146,000
Lease of office and equipment payable		
– within 12 months	30,841	30,841
– between 12 months and 5 years	25,628	57,369
	56,469	88,210

**Note 21: Financial Instruments****(a) Financial risk management**

The company's financial instruments consist of deposits with banks, trade receivables and payables, short term investments and available for sale investments. Derivative financial instruments are not used by the company. Senior executives meet regularly to analyse and monitor the financial risk associated with the financial instruments used by the company.

**(b) Interest risk rate**

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities are as follows:

	Weighted average effective Interest Rate		Variable Interest Rate		Maturing within one year Fixed Interest Rate		Non interest Bearing maturing within one year	
	2009 %	2008 %	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<b>Financial Assets</b>								
Term deposits	4.0	7.3	—	—	3,202,873	4,704,858	—	—
Cash at bank	0.01	0.06	297,643	174,775	—	—	—	—
Cash on hand	—	—	—	—	—	—	200	200
Receivables	—	—	—	—	—	—	219,685	206,217
Investments	—	—	—	—	—	—	12,758	32,589
			297,643	174,775	3,202,873	4,704,858	232,643	239,006
<b>Financial Liabilities</b>								
Trade and other payables	—	—	—	—	—	—	26,058	39,235
Unsecured loans	—	—	—	—	—	—	—	—
Hire purchase debt	7.5	7.5	—	—	38,476	50,262	—	—
Accruals and provisions	—	—	—	—	—	—	353,416	98,071
			—	—	38,476	50,262	379,474	137,306

**(c) Liquidity risk**

The company manages liquidity risk using forward cash flow projections, maintaining cash reserves and having minimal borrowings and debt.

**(d) Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is the carrying amount of the financial assets disclosed in the balance sheet and notes to the financial statements. There is no collateral or security held for those assets at 30 June 2009.

Credit risk arises from exposure to deposits with banks. Cash deposits are only made with major Australian based banks. These deposits are currently guaranteed by the Australian government.

The company has an investment in a company listed on the Australian Securities Exchange. This investment is considered to be liquid in nature.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009 *continued*

#### Note 21: Financial Instruments *continued*

##### (e) Sensitivity analysis

The company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The company has no current exposure to foreign currency risk or price risk.

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2009 \$	2008 \$
Increase/(decrease) in profit resulting from		
– increase in interest rate by 0.5%	17,310	24,147
– decrease in interest rate by 0.5%	(17,310)	(24,147)
Increase/(decrease) in equity resulting from		
– increase in interest rate by 0.5%	17,310	24,147
– decrease in interest rate by 0.5%	(17,310)	(24,147)

#### Note 22: Segment Reporting

The company operates predominantly in one business and geographical segment being exploration for minerals in Australia.

#### Note 23: Company Details

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

## 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

	Number of shareholders	Number of Ordinary Shares
a. Distribution of Shareholders		
Category (size of holding)		
1 – 1,000	1	1,000
1,001 – 5,000	26	86,685
5,001 – 10,000	80	750,962
10,001 – 100,000	167	7,091,209
100,001 – 9,999,999,999	62	49,420,149
	336	57,350,005

b. There are eight shareholders holding unmarketable parcels totaling 14,885 shares.

	Number of Shares Held	Held %
c. The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 are:		
Russell John Davis together with group members		
Davis Superannuation Fund and Davis Investment Account	5,728,597	9.98
McCullagh Superannuation Fund	5,430,000	9.46
Mark Whittle together with group member Htsam Holdings Pty Ltd	5,420,000	9.45
Brent Earl Green	5,232,392	9.12
Daniel Johnson	5,000,000	8.71
	Number of Options Held	Held %

d. Option holders as at 11 September 2009, with options exercisable at 30 cents each on or before 3 September 2012 are:

Davis Superannuation Fund	3,000,000	35.30
McCullagh Superannuation Fund	2,000,000	23.52
Andrew Dinning	1,000,000	11.76
Htsam Holdings Pty Ltd	1,000,000	11.76
Javron Pty Ltd	1,000,000	11.76
Zenix Nominees Pty Ltd (exercisable at 40 cents on or before 30 August 2011)	500,000	11.90
Total	8,500,000	100.00

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES *continued*

### 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	10.46
McCullagh Accounting Pty Ltd <McCullagh Superannuation Fund >	5,410,000	9.43
Mr Mark Whittle	5,300,000	9.24
Mr Brent Earl Green	5,232,392	9.12
Mr Russell John Davis	5,000,005	8.72
Mr Daniel Johnson	5,000,000	8.72
Dr Clive Brown + Mrs Cynthia Margaret Brown <The Clive Brown Family A/C>	1,000,000	1.74
Strathdale Pty Ltd	1,000,000	1.74
Zenix Nominees Pty Ltd	1,000,000	1.74
Whittingham Securities Pty Limited	821,000	1.43
Monal Pty Ltd	800,000	1.39
Perth Select Seafoods Pty Ltd	800,000	1.39
Jemaya Pty Ltd <The Featherby Family A/C>	600,000	1.05
CEN Pty Ltd	560,000	0.98
Mr Russell John Davis + Ms Susan Valerie Davis <Davis Superfund A/C>	500,000	0.87
Mr Tom Saggars <Saggars Bell S/F A/C>	500,000	0.87
Mr Martin James Pyle <M Pyle Super Fund A/C>	450,000	0.78
Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	440,000	0.77
Javron Pty Ltd <Jan Lockett Super Fund A/C>	400,000	0.70
Dr Sharmane Mattinson	397,214	0.69
	<b>41,210,611</b>	<b>71.86</b>



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