



**SYNDICATED METALS LIMITED
AND CONTROLLED ENTITIES**

ABN 61 115 768 986

FINANCIAL REPORT FOR THE HALF YEAR ENDED

31 DECEMBER 2012

**SYNDICATED METALS LIMITED
AND CONTROLLED ENTITIES
ABN 61 115 768 986**

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**SYNDICATED METALS LIMITED
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CORPORATE DIRECTORY

DIRECTORS

Peter Langworthy (Non-executive Chairman)
Andrew Munckton (Managing Director)
David Morgan (Executive Director)
Jan Hope (Non-executive Director)

REGISTERED OFFICE

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Subiaco, WA 6008
Telephone: (08) 9380 9440
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SOLICITORS

Gilbert + Tobin
1202 Hay Street
West Perth, WA 6005

AUDITORS

PKF Mack & Co
Level 4, 35 Havelock Street
West Perth, WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth, WA 6000
Telephone: (08) 9323 2000
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STOCK EXCHANGE LISTING

Australian Securities Exchange
Home Exchange: Perth, Western Australia
Code: SMD

BANK

Westpac Banking Corporation
1257 Hay Street
West Perth, WA 6005

**SYNDICATED METALS LIMITED
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ABN 61 115 768 986**

DIRECTORS' REPORT

Your directors submit the financial accounts of Syndicated Metals Limited and controlled entities (the Group) for the half year ended 31 December 2012.

DIRECTORS

The following persons were directors of Syndicated Metals Limited (the Company) during the whole of the half year and up to the date of this report:

Mr Peter Langworthy
Mr Andrew Munckton
Mr David Morgan
Ms Jan Hope

Mr Ki Deok Park resigned from the role of Non-Executive Director on 30 October 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Group is mineral exploration.

OPERATING RESULTS

The net loss of the Group for the financial period after provision for income tax was \$326,584 (2011: \$1,449,660).

DIVIDENDS PAID OR RECOMMENDED

No dividend has been paid or declared during the half year and up to the date of this report.

REVIEW OF OPERATIONS

The Company's principal focus of activity during the half year ended 31 December 2012 was base metal and gold exploration at its Northern Hub and Southern Hub projects in the Mount Isa region of Northwest Queensland.

Northern Hub

Following the change of management and strategic review in the first half of 2012, Syndicated commenced exploration of the Northern Hub projects. The Company conducted exploration programs focused on the high grade copper-gold potential of the Yamamilla and Floodbird deposits from within the Deep Yellow Joint Venture. The program of work involved RC drilling, downhole EM and mapping of the area. Initial results were strongly encouraging with drilling intersecting narrow, high grade Copper-Gold mineralisation at Yamamilla and broader but lower grade IOCG style Copper-Gold mineralisation at Floodbird.

At Barbara where the Company has Mineral Resources totalling 5.3 million tonnes at 1.4% Cu and 0.3ppm Au further RC drilling was conducted to extend along strike to the north-west of the northern lode. Drilling intersected narrow high grade Cu-Au mineralisation within a broader envelope of lower grade Cu-Co-Au mineralisation similar to mineralisation at the main Barbara lodes. The drilling indicated the presence of a potential third lode of mineralisation termed Alpha where the Company will be seeking to expand the Mineral Resources. In late 2012 the Company submitted a substantial series of samples from Barbara to Ammtec for metallurgical test work in preparation for a decision on the direction of the projects development during 2013.

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REVIEW OF OPERATIONS (continued)

Southern Hub

Within the Southern Hub, exploration programs were focussed at Dronfield where several surface EM anomalies were followed up with limited drilling programs to assess their potential to host significant Cu-Au and or Pb-Zn-Ag mineralisation. RC drilling at the northern anomaly at Dronfield intersected anomalous Pb-Zn-Ag mineralisation within a graphitic black shale unit of the Corella formation in conjunction with the Pilgrim Fault. Further work in 2013 is planned to follow up this encouraging intersection.

At Kalman West, part of the Kalman JV with Cerro Resources the Company conducted soil geochemical sampling programs to closely define the location of near surface Cu-Au mineralisation encountered in regional stream sediment sampling programs. Also within the Southern Hub tenements a sizeable program of mapping, project and data review was conducted to generate and prioritise targets for the 2013 program. Targets identified include Duke, Nil Desperandum, Duchess and Countess.

In October 2012 the Company raised approximately \$2.85 million from professional and sophisticated investors to fund its ongoing work programs through 2013. As at 31 December 2012 the cash balance of the Company was \$2.9 million.

EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen subsequent to 31 December 2012 that has significantly affected, or may significantly affect the operations or the state of affairs of the Group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2012.

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



Andrew Munckton
Managing Director

12 February 2013

COMPETENT PERSON'S COMPLIANCE STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Andrew Munckton 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 Munckton is a full-time employee of Syndicated Metals Limited and consents to the inclusion in the report of the Exploration Results and Mineral Resources in the form and context in which they appear.

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF SYNDICATED METALS LIMITED

In relation to our review of the financial report of Syndicated Metals Limited for the half year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK & Co



SIMON FERMANIS
PARTNER

12 FEBRUARY 2013
WEST PERTH,
WESTERN AUSTRALIA

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**SYNDICATED METALS LIMITED
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Note	31 December 2012 \$	31 December 2011 \$
Interest income		44,846	70,480
Borrowing costs		(2,486)	(348)
Share based payments		(29,255)	(789,500)
Depreciation		(36,245)	(28,249)
Employee benefits expense		(311,909)	(103,840)
Exploration expenditure written off		(27,819)	(414,596)
Other expenses		(483,650)	(166,272)
Change in fair value of investments		8,043	(17,335)
Loss before income tax		(838,475)	(1,449,660)
Income tax (expense)/benefit	6	511,891	-
Loss for the period		(326,584)	(1,449,660)
Other comprehensive income			
Other comprehensive income (net of tax)		-	-
Total comprehensive loss for the period		(326,584)	(1,449,660)
Earnings per share		Cents	Cents
Basic and diluted loss per share		(0.22)	(1.28)

The accompanying notes form part of these financial statements

**SYNDICATED METALS LIMITED
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	31 December 2012 \$	30 June 2012 \$
CURRENT ASSETS			
Cash and cash equivalents		2,899,440	1,979,546
Trade and other receivables		129,033	83,609
TOTAL CURRENT ASSETS		3,028,473	2,063,155
NON CURRENT ASSETS			
Property, plant and equipment		202,572	142,450
Financial assets		18,028	9,985
Exploration and evaluation costs		12,096,422	10,349,469
TOTAL NON CURRENT ASSETS		12,317,022	10,501,904
TOTAL ASSETS		15,345,495	12,565,059
CURRENT LIABILITIES			
Trade and other payables		576,594	218,504
Financial liabilities		22,115	21,068
Provisions		51,678	10,933
TOTAL CURRENT LIABILITIES		650,387	250,505
NON CURRENT LIABILITIES			
Financial liabilities		26,322	37,641
Provisions		-	4,170
TOTAL NON CURRENT LIABILITIES		26,322	41,811
TOTAL LIABILITIES		676,709	292,316
NET ASSETS		14,668,786	12,272,743
EQUITY			
Issued capital	7	18,877,658	16,184,286
Share based payments reserve	8	2,996,307	3,452,222
Accumulated losses		(7,205,179)	(7,363,765)
TOTAL EQUITY		14,668,786	12,272,743

The accompanying notes form part of these financial statements.

**SYNDICATED METALS LIMITED
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2012	16,184,286	3,452,222	(7,363,765)	12,272,743
Loss for the period	-	-	(326,584)	(326,584)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(326,584)	(326,584)
<i>Transactions with owners, recorded directly in equity</i>				
Options expired	-	(485,170)	485,170	-
Issue of share capital	2,844,585	-	-	2,844,585
Share issue costs	(151,213)	-	-	(151,213)
Fair value of options issued	-	29,255	-	29,255
Balance at 31 December 2012	18,877,658	2,996,307	(7,205,179)	14,668,786
 Balance at 1 July 2011	 13,430,963	 2,008,684	 (4,565,977)	 10,873,670
Loss for the period	-	-	(1,449,660)	(1,449,660)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,449,660)	(1,449,660)
<i>Transactions with owners, recorded directly in equity</i>				
Options expired	-	(63,314)	63,314	-
Issue of share capital	737,750	-	-	737,750
Share issue costs	(8,682)	-	-	(8,682)
Fair value of options issued	-	684,000	-	684,000
Balance at 31 December 2011	14,160,031	2,629,370	(5,952,323)	10,837,078

The accompanying notes form part of these financial statements.

**SYNDICATED METALS LIMITED
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	31 December 2012 \$	31 December 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	80,755
Payments to suppliers and employees	(703,979)	(454,684)
Interest paid	(2,486)	(348)
Interest received	37,554	110,298
R&D income tax benefit	511,891	-
Net cash used in operating activities	(157,020)	(263,979)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and development	(1,512,339)	(1,634,419)
Purchase of property, plant and equipment	(95,288)	(12,277)
Net cash used in investing activities	(1,607,627)	(1,646,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares net of costs	2,698,372	703,568
Funds received for shares to be issued	-	140,000
Payment of hire purchase loan	(10,273)	-
Payments for security deposits	(3,558)	-
Net cash from financing activities	2,684,541	843,568
Net increase/(decrease) in cash and cash equivalents held	919,894	(1,067,107)
Cash and cash equivalents at beginning of period	1,979,546	3,238,951
Cash and cash equivalents at end of period	2,899,440	2,171,844

The accompanying notes form part of these financial statements.

**SYNDICATED METALS LIMITED
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**CONDENSED NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

1. REPORTING ENTITY

The financial report of Syndicated Metals Limited and its controlled entities for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 12 February 2013.

Syndicated Metals Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange. The consolidated interim financial report of the Company for the six months ended 31 December 2012, comprise the Company and its subsidiaries (the "consolidated entity").

The principal activity of the consolidated entity during the half year was exploration and evaluation of minerals.

The consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2012 are available upon request or can be downloaded from the Australian Securities Exchange website.

2. BASIS OF PREPARATION

a) Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012.

b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

c) Adoption of new or revised accounting standards and interpretations

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The consolidated entity has not early adopted any Accounting Standards or Interpretations.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'.

**SYNDICATED METALS LIMITED
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**CONDENSED NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

2. BASIS OF PREPARATION (CONT)

c) Adoption of new or revised accounting standards and interpretations

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior half years. However, the application of AASB 2011-9 has resulted in changes to the consolidated entity's presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

- (a) items that will not be reclassified subsequently to profit or loss; and
- (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

d) Impairment of exploration and evaluation assets

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

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

The key areas of judgement and estimation include:

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

**SYNDICATED METALS LIMITED
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**CONDENSED NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

2. BASIS OF PREPARATION (CONT)

e) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgment made by management in applying the consolidated entity's accounting policies and key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2012.

f) Operating segments

From 1 July 2011, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the consolidated entity's chief operating decision maker which, for the consolidated entity, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included where applicable.

g) Going Concern

The half year financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The consolidated entity incurred a loss of \$326,584 for the period ended 31 December 2012 (2011: \$1,449,660). Included within this loss was the write off expenditure of \$27,819 (2011: \$414,596).

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

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

**SYNDICATED METALS LIMITED
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**CONDENSED NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 3: OPERATING SEGMENTS

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker (Board) to make decisions about resources to be allocated to the segments and assess their performance.

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

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

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

	Queensland	Unallocated Items	Total
	\$	\$	\$
31 December 2012			
Segment revenue	-	44,846	44,846
Segment net loss	27,819	298,765	326,584
Segment assets	12,096,422	3,249,073	15,345,495
Segment liabilities	-	676,709	676,709

	Queensland	Unallocated Items	Total
	\$	\$	\$
31 December 2011			
Segment revenue	-	70,480	70,480
Segment net loss	414,596	1,035,064	1,449,660
Segment assets	9,057,584	2,378,907	11,436,491
Segment liabilities	-	599,413	599,413

NOTE 4: CONTINGENT ASSETS AND LIABILITIES

There has been no change in contingent assets and liabilities since the last annual reporting date.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen subsequent to 31 December 2012 that has significantly affected, or may significantly affect the operations or the state of affairs of the consolidated entity in future financial years.

NOTE 6: INCOME TAX BENEFIT

The income tax benefit of \$511,891 relates to the Research and Development tax offset for the year ended 30 June 2011 which was received by the Company in July 2012.

**SYNDICATED METALS LIMITED
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**CONDENSED NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

NOTE 7: ISSUED CAPITAL

	31 December 2012 \$	30 June 2012 \$
(a) Issued and fully paid shares - at beginning of period	16,184,286	13,430,963
Additions during period	2,844,585	2,767,105
Less: capital issue costs net of tax	<u>(151,213)</u>	<u>(13,782)</u>
	<u>18,877,658</u>	<u>16,184,286</u>
 (b) Movements in issued and fully paid shares		
	Number of shares	\$
Balance at the beginning of the period	137,229,829	16,184,286
Shares issued on 24 October 2012	13,500,000	945,000
Shares issued on 5 December 2012	27,136,926	1,899,585
Less: capital issue costs	<u>-</u>	<u>(151,213)</u>
Balance at the end of the period	<u>177,866,755</u>	<u>18,877,658</u>
 (c) Movements in listed options		
	Number of options	\$
Balance at the beginning of the period	-	-
Options issued on 4 December 2012	<u>20,318,468</u>	<u>-</u>
Balance at the end of the period	<u>20,318,468</u>	<u>-</u>

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**CONDENSED NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

31 December	30 June
2012	2012
\$	\$

NOTE 8: SHARE BASED PAYMENT RESERVE

(a) Share Based Payment Reserve	2,996,307	3,452,222
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(b) Movement in share based payment reserve	Options (Number)	Performance Rights (Number)	Total (Number)	\$
Balance at the beginning of the period	22,000,000	12,000,000	34,000,000	3,452,222
Options expired 3 September 2012	(8,000,000)	-	(8,000,000)	(329,170)
Options expired 31 October 2012	(1,000,000)	-	(1,000,000)	(156,000)
Performance Rights issued 9 November 2012	-	750,000	12,750,000	29,255
	13,000,000	12,750,000	25,750,000	2,996,307

All of the options have vested.

Terms and conditions of performance rights

The terms and conditions relating to grants of performance rights in the current period are as follows;

Grant date/employees entitled	Number of instruments	Contractual life of performance rights (years)
Performance rights granted to employees on 9 November 2012	250,000	4
Performance rights granted to employees on 9 November 2012	250,000	4
Performance rights granted to employees on 9 November 2012	250,000	4
Total	750,000	

Performance rights - Vesting conditions

The performance rights are able to be exercised when the volume weighted average price (VWAP) for 10 trading days on ASX equals or exceeds \$0.30 (250,000 performance rights), \$0.45 (250,000 performance rights) and \$0.60 (250,000 performance rights).

Performance rights - Valuation methodology

The binomial barrier up and in model was used in the valuation of the performance rights which is suitable for a right with the share price hurdles that are a condition of the rights.

At grant date the underlying share price was 7 cents. A volatility of 100% was applied.

NOTE 9: DIVIDENDS

No dividend has been paid or provided for during the half-year ended 31 December 2012.

**SYNDICATED METALS LIMITED
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, of the consolidated entity are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date.
2. 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.



Andrew Munckton
Managing Director

12 February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

SYNDICATED METALS LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Syndicated Metals Ltd and controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2012.

Director's Responsibility for the Half-Year Financial Report

The directors of Syndicated Metals Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporation Regulations 2001. As the auditor of Syndicated Metals Ltd and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the Company a written Auditor's Independence Declaration.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Syndicated Metals Ltd and controlled entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2(g) in the financial report which states that the consolidated entity incurred a net loss of \$326,584 during the half year ended 31 December 2012 (31 December 2011: \$1,449,660) and had negative operating cash flow of \$157,020 (31 December 2011: \$263,979). These conditions, along with other matters as set forth in Note 2(g), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



PKF MACK & CO



SIMON FERMANIS
PARTNER

12 February 2013
West Perth,
Western Australia