

AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT – 5 JUNE 2018

SYNDICATED GRANTS OPTION TO NEW IPO CARNABY RESOURCES TO ACQUIRE AN 82.5% INTEREST IN SOUTHERN HUB TENEMENTS, NORTH QUEENSLAND

Continues strategy of crystallising value from its North Queensland copper-gold assets following recent sale of Northern Hub tenements to Minotaur Exploration

Highlights

- Syndicated enters into an agreement with recently-established Australian gold company Carnaby Resources Limited (Carnaby) to divest an 82.5% interest in its Southern Hub exploration tenements in North Queensland, under an option exercisable by Carnaby on or before 30th June 2018 (Option).
- The tenement package comprises an area of 293km² and forms part of Carnaby's strategy of consolidating the ground around the Tick Hill gold and Duchess copper-gold deposits.
- The Tick Hill and Southern Hub Projects are key assets in the upcoming IPO of Carnaby, which is led by former Beadell Resources executives Peter Bowler and Robert Watkins.
- If the Option is exercised and the completion conditions satisfied, Syndicated will receive 4,000,000 Carnaby shares at a deemed issue price of 25c per share at completion, which is expected to represent approximately 4% to 5.6% of Carnaby's total issued share capital at the time of the proposed ASX listing.
- The transaction provides Syndicated with:
 - *The retention of a 17.5% free-carried interest in the Southern Hub tenements up to a Decision to Mine;*
 - *Exposure to the consolidated tenure around the Tick Hill Gold Project;*
 - *Exposure to a portfolio of exploration properties within Western Australia which form part of the Carnaby IPO; and*
 - *A significant shareholding in a well-funded exploration group whose management team have a track record of discovery and project development.*
- The transaction is consistent with Syndicated's strategy of crystallising value from its North Queensland exploration assets while advancing its gold assets in the Laverton District of WA and pursuing other new gold and base metal project opportunities.

Syndicated Metals Limited (ASX: SMD – **Syndicated** or **the Company**) is pleased to advise that it has reached agreement with recently established Australian gold company Carnaby Resources Limited (**Carnaby**) for the sale of an 82.5% interest in its Southern Hub exploration tenements in North Queensland, under an option exercisable by Carnaby on or before 30th June 2018.

Subject to the exercise of the Option by Carnaby, and the conditions to completion (as detailed below) being satisfied, the sale of the tenement portfolio is expected to result in Syndicated holding a 4% to 5.6% stake in Carnaby, while retaining a 17.5% free-carried interest in the Southern Hub tenements – giving it exposure to the consolidation of tenure around the Tick Hill Gold Project and future exploration upside in Carnaby's Western Australian and Queensland projects.

The agreement continues Syndicated's strategy of crystallising value from its extensive North Queensland exploration portfolio, while maintaining its focus on gold and other new project opportunities in WA.

Last year, Syndicated sold its 50% share of the Barbara Copper Project in North Queensland to its joint venture partner, CopperChem Pty Ltd, for \$2.3 million in cash and a 1-2% net smelter return (NSR) production royalty on the first 10,000t of copper-in-concentrate production, payable once the Barbara Project moves into production. Syndicated continues to retain this royalty.

The Company recently disposed of its Northern Hub tenements to Minotaur Exploration (ASX: MER) for \$400,000 in cash and shares (refer SMD ASX announcement dated 23 May 2018).

Key Terms of Agreement with Carnaby

Syndicated has entered into an agreement with Carnaby to sell an 82.5% interest in a group of tenements located in the Tick Hill/Duchess area of Northern Queensland to Carnaby under an option exercisable by Carnaby on or before 30 June 2018. The tenements, which cover a total area of 293km², comprise Syndicated's Southern Hub Project (see Figure 1).

The consideration for the sale is 4,000,000 fully paid ordinary shares in Carnaby at a deemed issue price of 25c per share. The shares are expected to be escrowed for a period of 12 months from the date the shares are issued to Syndicated.

Completion of the sale is subject to Carnaby exercising the Option on or before 30th June 2018 and is conditional upon the satisfaction or waiver of the following conditions precedent within 120 days after signing the agreement:

- (a) Carnaby lodging a Prospectus with the ASIC for the purpose of satisfying the ASX conditions for the Company's admission to the Official List;
- (b) The receipt of written indicative approval under the *Mineral and Energy Resources (Common Provisions) Act 2014 (Qld)* from the relevant Minister to the transfer of the 82.5% interest in the tenements under the agreement on terms acceptable to Syndicated and Carnaby;
- (c) Carnaby receiving conditional approval to be admitted to the Official List of the ASX, on conditions satisfactory to Carnaby; and
- (d) Syndicated obtaining all necessary shareholder and regulatory approvals under the ASX Listing Rules, Corporations Act and applicable laws for the proposed sale, including shareholder approval under ASX Listing Rule 11.4.1.

Following completion, the parties will be deemed to have established a joint venture for the purpose of exploration and development of the tenements on the commercial terms set out in the agreement, under which Syndicated will retain a 17.5% free-carried interest in the Southern Hub tenements up to a Decision to Mine.

The agreement also contains:

- A right for Carnaby to buy out Syndicated's interest in the Southern Hub JV for agreed fair value or independently determined fair value at the Decision to Mine; and
- A small developments clause which allows the Southern Hub JV or Carnaby to develop smaller projects (defined as less than 100,000 oz of gold or gold equivalent) without triggering Carnaby's buy-out right over the whole of Syndicated's joint venture interest.

The exploration leases subject to the agreement are: EPM9083, EPM11013, EPM14366, EPM14369, EPM17637, EPM18223, EPM18980, EPM19008, EPM25435, EPM25439, EPM25853 and EPM25972.

Syndicated provides Carnaby with representations and warranties which are standard for an agreement of this nature.

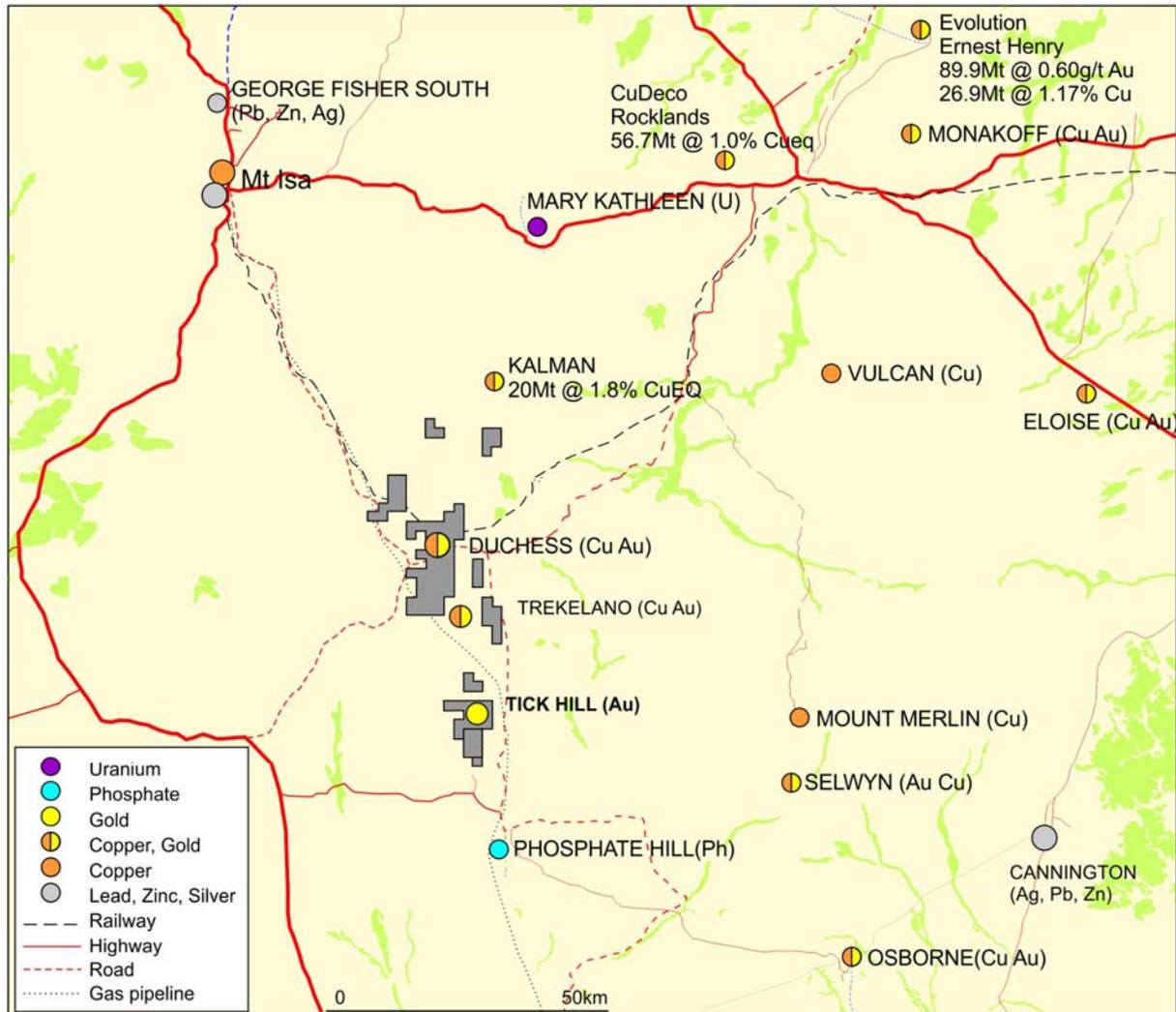


Figure 1 – Southern Hub tenement package (shaded grey)

About Carnaby

Carnaby is an Australian exploration company which has established a highly prospective portfolio of gold and copper projects in Queensland and Western Australia and is aiming to list on the ASX following its planned IPO.

Following completion of the IPO, Carnaby’s assets will include:

- A 310km² land package centered on the Tick Hill Gold Mine and the Southern Hub copper-gold assets in Queensland, where it plans to commence a 15,000m drilling program shortly after listing (the Tick Hill gold deposit was discovered in 1989 and was mined over four years from 1991-1995, at a time when the average gold price was approximately US\$350 per ounce. The 70m deep open pit produced 180,000oz at 18.1g/t Au, while a 165m underground produced 331,000oz at 26g/t Au)¹;
- The 173km² Porphyry North land package in a lightly explored section of the prolific Carosue Dam/Porphyry Belt of the Eastern Goldfields; and
- The 810km² Malmac land package on the Proterozoic age, Yilgarn Block margin.

Carnaby is led by Peter Bowler as non-executive Chairman and Robert Watkins as Managing Director who are key founding executive directors of the Brazilian gold company Beadell Resources and previous to that Agincourt Resources prior to being taken over by Oxiana.

Management Comment

Syndicated's Managing Director, Mr David Morgan, said the agreement with Carnaby provided the Company with an opportunity to crystallise further value from its extensive North Queensland exploration portfolio and participate as a significant shareholder in an exciting new Australian gold float.

"We are pleased to have reached agreement with Carnaby, which is led by the highly-credentialed management team which founded Brazilian gold miner Beadell Resources," he said.

"The agreement will result in Syndicated having a significant interest in Carnaby following the exercise of the Option, while retaining a direct free-carried interest in the Southern Hub tenements themselves – which will form part of a consolidated ground package surrounding the Tick Hill Gold Mine.

"We believe that Carnaby's exploration team will be well placed to unlock value from all of their Western Australian and Queensland exploration projects and, in particular, our Southern Hub tenements as part of a broader consolidated copper and gold exploration and development initiative based around the Tick Hill Gold Mine.

"This completes the rationalization of our North Queensland asset base following the sale of the Barbara Copper Project last year and the recent agreement with Minotaur to purchase the Northern Hub tenure and is consistent with our strategic focus on gold and base metal assets in Western Australia."

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¹ <https://mining-atlas.com/operation/Tick-Hill-Gold-Mine>