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Research Note

Signature Metals Ltd (ASX: SBL)

Signature Metals Limited ("the Company" or "SBL") is an Australian listed public company, focused on developing the Konongo Gold Project in Ghana, West Africa. The Company's primary objectives are to complete its exploration program, targeting 1.5Moz to 2.5Moz, and to concurrently restart gold production within Q1 2011.

The world class Ashanti gold belt hosts significant deposits, including Obuasi (+40Moz), Akyem (+8Moz), Tarkwa (+13Moz), Teberebie Iduapriem (+8.0Moz) and Prestea (+15Moz).

Konongo Project Highlights

- Located in the World Class Ashanti Gold Belt;
- 192km^2 of granted tenure with >12km of mineralised strike;
- 30kms along strike from the +40Moz Obuasi deposit (AngloGold Ashanti);
- 1.47Moz JORC resource;
- First production scheduled for January 2011;
- Aim to develop Konongo into a +100,000oz per annum producer;
- Onsite 350,000tpa CIL plant which is currently being refurbished at the fraction of the cost of purchasing a new/second hand plant;
- Expansion to 700,000tpa being examined;
- Existing infrastructure (haulage roads, accommodation, and power);
- Mining lease extended to 2023;
- Recent discovery of Manganese outcrops at surface with grades up to 40.3%. Seven of nineteen samples returned greater than 30% Mn. Exploration target of 15M to 54M tonnes at 25% to 30% Mn;
- Experienced management with a sound track record; and
- Increase in gold prices to record highs - approx. $1,400oz

Drill Results

Recent drill results from the Boabedroo South deposit include:

- 21m at 2.66 g/t gold from 47m
  - including 5m at 3.16g/t gold
  - including 2m at 6.72g/t gold
- 3m at 6.15 g/t gold from 77m
  - including 1m at 17.0g/t gold
- 9m at 2.18 g/t gold from 83m
  - including 1m at 9.14g/t gold
- 2m at 10.4g/t gold from 24m
- 7m at 2.79 g/t gold from 42m

SPECULATIVE BUY

SIGNATURE METALS LIMITED

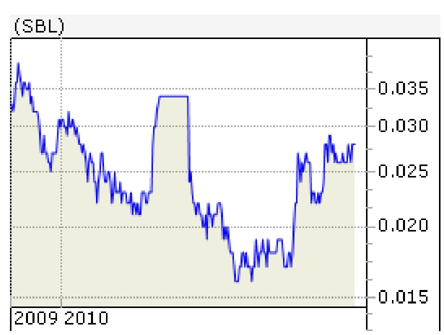
INDUSTRY	***METALS & MINING***

KEY INFORMATION	
Date	*11/11/2010*
Share Price	*$0.028*
52 Week High / Low	*$0.038 / $0.016*
Market Cap	*$52m*
Shares on Issue	*1,859m*
Cash	*$13.5m*

DIRECTORS	
Bill Oliver	*Managing Director*
Matthew Wood	*Chairman*
Tim Flavel	*Director*
Stuart Murray	*Director*

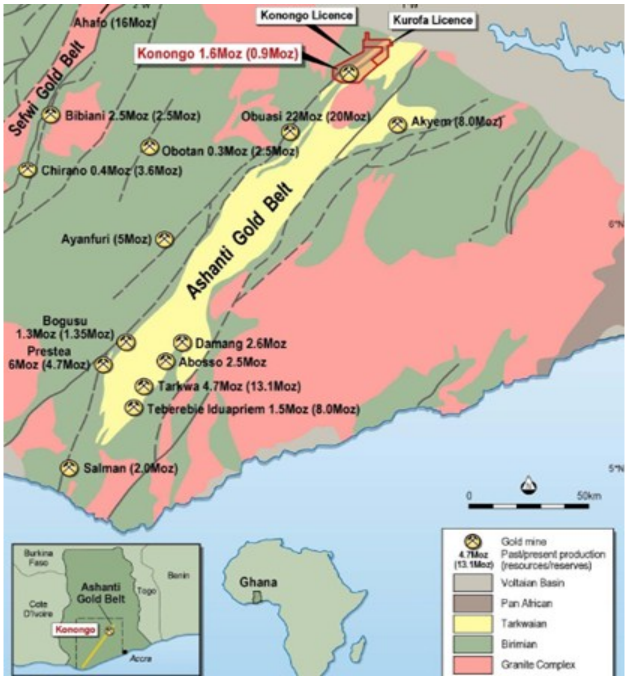
TOP 5 SHAREHOLDERS	
National Nominees Ltd	*3.44%*
Alpina Group Ltd	*2.69%*
Taycol Nominees Pty Ltd	*2.67%*
HSBC Custody Nominees Ltd	*2.49%*
Matthew & Belinda Wood <Wood Family A/C>	*2.42%*

12 MONTH SHARE PRICE



Marc Haynes
Representative
Office | +61 8 9223 2222
Email | marc.haynes@cpssecurities.com.au

Level 34 Exchange Plaza
2 The Esplanade
Perth WA 6000



Earlier RC drilling from Obenemase included (May 2010):

- 15m at 9.12g/t gold from 46m
- 7m at 9.54 g/t gold from 23m
- 35m at 5.23g/t gold from 93m
- 7m at 5.16g/t from 74m
- 11m at 2.05g/t gold from 15m

Deeper drilling at Obenemase included (December 2009):

- 1m at 438 g/t gold from 147m
- 16m at 9.76g/t from 170m
  - including 6m at 12.3g/t gold from 170m
  - including 8m at 10.3g/t gold from 178m
- 14m at 5.44g/t gold from 129m
  - including 5m at 9.39g/t gold from 129m
  - including 4m of stope material from 134m
- 10m at 5.70g/t gold from 173m
  - including 4m at 10.4g/t gold from 174m
- 4m at 10.5g/t gold from 127m
- 3m at 10.4g/t gold from 159m

A further drilling program will continue after the wet season (November) in order to build up a resource to an expected target of 1.5Moz to 2.5Moz.

Exploration Upside

Several gold in soil anomalies have been identified in geological settings similar to those where deposits have been discovered and mined elsewhere in the project.

Trench results from greenfields exploration carried out during this years wet season include 54m at 0.22g/t, 2m at 39.8g/t & 2m at 4.80g/t (Bimma South prospect), 8 metres at 3.84g/t (including 2 metres at 7.84g/t) and 22 metres at 1.52g/t (Kyereben West prospect (trench results) and 2 metres at 11.7g/t gold, 2 metres at 4.24g/t gold, 14 metres at 0.3g/t gold and 30 metres at 0.24g/t gold (Boabedroo West).

These large scale anomalies away from areas of known mineralisation are very encouraging and the Company intends to drill test these later in 2010. New discoveries here are likely to be a significant share price catalyst since they will demonstrate the exploration upside still present in the project, as well as adding near surface resources into the Company's resources base.

Development and Capital Expenditure

The company has been able to limit capex via the refurbishment of plant and equipment. The May 2010 placement (AUD$5m) allowed the company to strategically revamp the 350,000tpa CIL Plant, haulage roads, workers accommodation, and water and communication facilities – all of which are soon to be completed. This inexpensive refurbishment has put SBL one step closer to being a junior producer.

Announced to the market on 22 September, was the 670m share placement and rights issue at 2c per share to raise $13.4m. Funds raised will be used to "accelerate the exploration and development of the Konongo Gold Project".

Company Objectives

- First pour scheduled for January 2011
- Exploration target of 1.5Moz to 2.5Moz;
- Continue drilling program after the wet season;
- Examine plant expansion to 700,000tpa;
- Aim to develop the Konongo Project into a +100,000oz per annum gold producer.

SBL is in a strong position with $13.5m cash, near completion of plant and production facilities, and only months away from expected first pour.

The October Investor Presentation highlights targeted production over the course of the next two years as:

- Year 1 – 350,000t at 3.0gt to give 26,000oz (existing tails and stockpiles); and
- Year 2 – 700,000t at 2.5gt to give 40,000oz.

Historically, the Konongo Project has produced over 1.6Moz at a head grade of 11.8g/t gold. Previous work has seen little drilling below 100m across known deposits and with surrounding projects mining to depths greater than 1,000m, the Konongo has a great deal of potential. Several deposits within the Ashanti Gold Belt have produced significant levels of gold in addition to the proven resources.

Much of existing deposits within the Konongo project have not been drilled below 100m with several resources outside the primary development areas drilled less than 50m deep. Further drilling will commence after the wet season, initially targeting new resources.

Previous mining of existing pits was found to be feasible with gold prices <US$300oz. With current gold price fetching over $1,400oz, SBL becomes an attractive investment with production expected from January 2011.

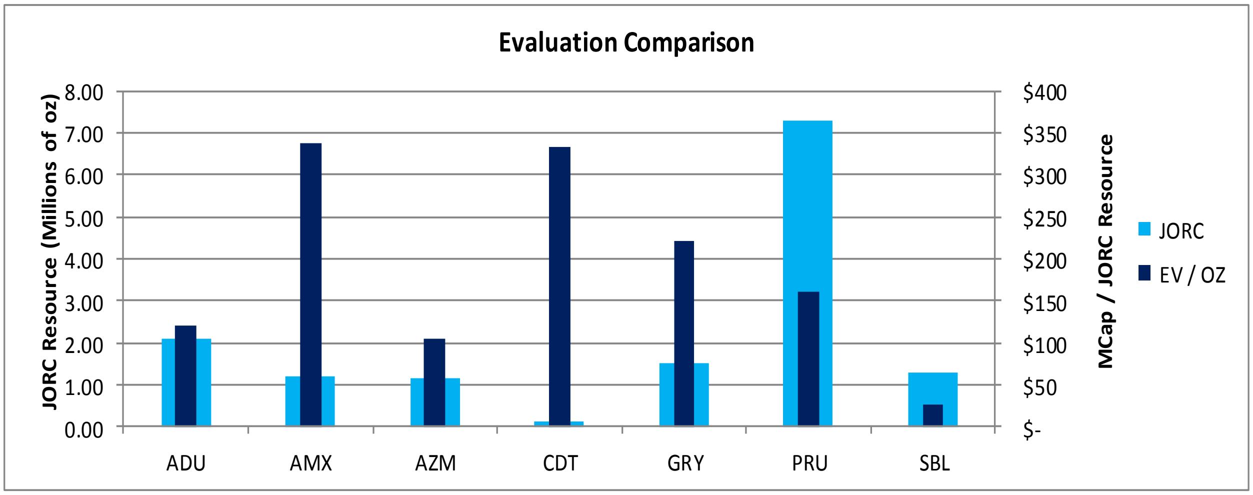
Peer Comparison

Several Australian listed resource companies operate closely to SBL. Similarities can be drawn between several of the companies and SBL.

As per the summarising table below, PRU expects to produce 400,000ozpa from its Central Ashanti Gold Project from 2013 with ADU, AMX and GRY all expected to produce between 100,000ozpa and 200,000ozpa. AZM is expected to produce up to 70,000ozpa with SBLs ramped up target 100,000ozpa.

COMPANY	CODE	S.PRICE	MCAP	CASH	JORC	1st POUR	ENTERPRISE VAL / JORC
ADAMUS RESOURCES	ADU	$ 0.610	$ 272,090,337	$17.6m	1.2Mozs	Jan-11	$121oz
AMPELLA MINING	AMX	$ 2.270	$ 454,510,995	$50m	1.2Mozs	>2013	$337oz
AZUMAH RESOURCES	AZM	$ 0.735	$ 162,395,350	$40m	1.17Mozs	Jan-12	$105oz
CASTLE MINERALS	CDT	$ 0.520	$ 50,576,741	$6.5m	132Kozs	>2013	$334oz
GRYPHON MINERALS	GRY	$ 1.360	$ 393,409,999	$60m	1.5Mozs	>2013	$222oz
PERSEUS MINING	PRU	$ 3.090	$ 1,301,838,902	$125m	7.3Mozs	Sep-11	$161oz
SIGNATURE METALS	SBL	$ 0.027	$ 52,055,744	$13.5m	1.47Mozs	Jan-11	$26oz

The below graph shows the valuation of each peers relative market capitalisation by total JORC ounces. SBL shows a significant lag between 'per ounce' valuation and its market capitalisation, indicating to us that the Company's value is substantially undervalued relative to its peers.



Announcements to the market over the past few months have revealed cash costs per ounce for several peers within the region. PRU stated in February 2010 that their Central Ashanti Gold Project carries a cash cost over the mine life of US$496oz. UBS released estimates of ADU's cash costs in September 2010 at US$490oz, taking into consideration the 27% hedge of their reserve base at US$1,075oz as a part of project financing agreements.

We believe that a conservative cash cost for SBL will be in order of 20% to 30% more than the US$500oz benchmark of these two peers (US$600oz to US$650oz).

Manganese Discovery

The Company announced on 8 September 2010 the discovery of Manganese (Mn) in Rockchip samples from its Konongo Gold Project. The outcropping indicates Mn materialisation which is open along the strike, providing potential for further occurrences under cover.

Further details include:

- 1.5km of strike, 150m across;
- 7 of 19 Rockchip samples assayed >30% Mn;
- Targeting 15M to 54M at 25% to 30% Mn; and
- Further exploration planned in conjunction with other drilling programmes on the project.

The discovery of Mn at Konongo highlights the potential of the project, not only as a gold producing asset. The Mn market is dominated by Chinese demand with approximately 94% of global production used as a ferroalloy in steel making. Given this, an increase in future steel demand (which is widely forecast) paints a optimistic picture for Mn producers.

Management

Bill Oliver (Managing Director)

Mr Oliver has over ten years experience in the international resources industry working for both major and junior companies. He holds an honours degree in Geology from the University of Western Australia as well as a post-graduate diploma in finance and investment from FINSIA. Mr Oliver has led large-scale resource definition projects for Rio Tinto Iron Ore and was responsible for evaluating deposits of all styles across the Pilbara. He managed exploration in Portugal for Iberian Resources Limited including target generation and grassroots exploration across a range of commodities. Mr Oliver has wide-ranging exploration experience and was previously Exploration Manager for Bellamel Mining Limited and BC Iron Limited.

Matthew Wood (Chairman)

Mr Wood has more than 18 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr Wood's expertise is in project identification, negotiation, acquisition and corporate development. Mr Wood has an honours degree in geology from the University of New South Wales in Australia and a graduate certificate in mineral economics from the Western Australian School of Mines.

Tim Flavel (Director)

Mr Flavel is a Chartered Accountant and Company Secretary, with more than 20 years experience in the mining industry and accounting profession both in Australia and overseas. Mr Flavel currently assists a number of resources companies operating throughout Australia and Africa with financial accounting, stock exchange compliance and regulatory activities.

Stuart Murray (Director)

Mr Murray has a degree in Chemical Engineering from Imperial College, London. Mr Murray has over 20 years experience in the mining industry in Australia and Africa and possesses a wealth of African commercial and operating experience. Mr Murray is currently the Managing Director and Chief Executive Officer of Aquarius Platinum Limited.

In Summary

- Proven Management
- 1.47Moz JORC resource, most of which at <100m depth, in the World Class Ashanti Gold Belt;
- First production expected for January 2011 - 26,000oz (tails & stockpiles);
- Plant refurbishment near completion and on budget;
- Past production of 1.6Moz at 11.8g/t;
- Aim to develop Konongo Gold Project into a +100,000oz per annum producer;
- Mining lease extended to 2023;
- Considerable potential for resource growth, targeting total JORC resource of 1.5Moz to 2.5Moz;
- Substantially undervalued compared to peers;
- Current gold prices over $1,400oz; and
- Manganese exploration with target JORC resource of 15Mt to 54Mt grading between 25% and 30% Mn.

Risks

- Exploration Risk - Further exploration of the Konongo may fall short of the 1.5Moz to 2.5Moz exploration target.
- Development and Operational Risk - The refurbishment and recommissioning of plant and facilities carries ongoing risks as well as funding blowouts which may impact on the Company's returns.
- Environmental Risks - Continuous domestic and international scrutiny on mining operations and the effects it has on the environment is increasing.
- Commodity Market Risks - Future prices of commodities dictated by global supply and demand may affect the Company's success.
- Market Condition Risks - General market conditions such as movements in interest, inflation, and currency rates may contribute in a negative way towards the Company's exploration, development and operations.
- Legislative Changes Risks - Changes in governments, government policies, legislation, regulations, and so forth, may affect the Company's ability to carry out its strategy.