

SML CORPORATION LIMITED

(RENAMED SYNERTEC CORPORATION LIMITED 15 AUGUST, 2017)

ARBN 161 803 032

Annual Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2017



CORPORATE DIRECTORY

Directors	Leeanne Bond (Non-Executive Chairperson), appointed 8 August 2017 Michael Carroll (Managing Director and CEO), appointed 8 August 2017 Kiat Poh (Non-Executive Director) Kim Chuan Freddie Heng (Non- Executive Director)
Corporate Secretary and principal registered office in Bermuda	Andrew Metcalfe, appointed 8 August 2017 Clarendon House 2 Church Street Hamilton HM11 Bermuda.
Registered office in Australia	Level 1, 57 Stewart Street Richmond, Victoria 3121, Australia Telephone: +(61 3) 9274 3000 Email: info@synertec.com.au shareholder@synertec.com.au
Registered agent office in Australia	Andrew Metcalfe Level 2, 470 Collins Street Melbourne, Victoria 3000, Australia. Telephone: +(61 3) 9867 7199 Facsimile: +(61 3) 9867 8587 Email: andrew@accosec.com
Share registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, New South Wales 2000, Australia Telephone: 1300 737 760 (within Australia) +(61 2) 9290 9600 (outside Australia) Facsimile: +(61 2) 9290 9655
Auditor	Grant Thornton Audit Pty Ltd The Rialto, Level 30, 525 Collins Street Melbourne, Victoria 3000, Australia
Banker	Westpac Banking Corporation 409 St Kilda Road Melbourne, Victoria 3004, Australia
Stock exchange listing	Synertec Corporation Limited shares are listed on the Australian Securities Exchange ASX Code: SOP (fully paid ordinary shares) SOPOA (quoted options, A\$0.053, expiring 7 August 2020)
Website address	www.synertec.com.au

CONTENTS

	PAGE
CORPORATE DIRECTORY	2
STATEMENT FROM THE CHAIR	3
CORPORATE EVENTS	5
STATUTORY ACCOUNTS FOR THE YEAR ENDED 31 JULY 2017	6
DIRECTORS' REPORT	7
FINANCIAL REPORT	16
DIRECTORS' DECLARATION	41
INDEPENDENT AUDITORS' REPORT	42
SHAREHOLDER INFORMATION AS AT 30 SEPTEMBER 2017	46

STATEMENT FROM THE CHAIR

Message from the previous Chairman, Mr Kiat Poh (resigned as Chairperson, on 8 August 2017)

The financial year ending 30 June 2017 has been a momentous one for the Company. On 10 March 2017, the Company announced that it had entered into an agreement to acquire the entire issued shares of Synertec Pty Ltd (the “Acquisition”).

The Acquisition was the culmination in the efforts of the Company since the downturn in the resource sector in Australia, that commenced some three years ago, to chart a new course for the Company and the group. At that time, the board made a strategic decision to conserve the cash resources of the Company and took active steps to seek alternative investments outside of the mineral resource space. During that journey, several options were explored and declined. In one particular instance, binding heads of agreement were entered into but the transaction was eventually terminated because the Vendors were unable to fulfil an important condition precedent. Our efforts continued until Synertec Pty Ltd was introduced to the Company and we were able to conclude a definitive agreement in March 2017.

The Company acquired Synertec Pty Ltd for a total consideration of \$10m, half payable in cash and the other half in shares in the Company at an issue price of 4.667 cents per share, for a total of 107,142,857 new shares in the Company.

The Acquisition was completed on 8 August 2017 and with effect from 15 August 2017, the Company name was changed from SML Corporation Limited to Synertec Corporation Limited (“Synertec”).

The existing shareholders (i.e. those people registered in the Company’s register at 5pm on 26 June 2017, the Record Date) were issued with bonus options on the basis of one bonus option for every five shares held. Each option is valid for three years from issue and exercisable at 5.3 cents. When exercised it will entitle the option holder to receive a new fully paid ordinary share in the Company.

Additionally, the existing shareholders were issued Redemption Notes that entitled them to the net proceeds (after deducting all direct costs, expenses, fees, and the like) of the divestment of the mining tenement at Glen-Wills Sunnyside together with certain land, plant and equipment (the “Divestment”). The Redemption Notes were issued to the existing shareholders on a pro-rata basis, comprising one Redemption Note for every share held as of the Record Date. The net proceeds to be distributed for each Redemption Note will be determined at the end of the sale process.

I am happy to report that the Divestment was successfully concluded with ABA Resources Pty Ltd at a gross sale amount of \$3.5m on 22 September 2017 and the cash has been received. It is envisaged that the entire sale process will be completed in the first quarter of calendar 2018 upon the conclusion of all obligations under that sale and purchase agreement.

The Company has moved into a new era, transforming from mineral resource exploration to specialized engineering expertise and solutions. A new, dedicated team has come on board, together with our new Chairperson, Ms Leeanne Bond. It gives me great pleasure to invite Leeanne to present her message to you in this exciting new age for Synertec and the group.

STATEMENT FROM THE CHAIR - CONTINUED

Message from the Chair, Ms Leeanne Bond (appointed 8 August 2017)

Firstly I would like to acknowledge the excellent work of Mr Poh Kiat as Chairperson of the Company. He and the former board have done an exceptional job in steering the acquisition of Synertec Pty Ltd and the Company is now well placed as we embark on our new direction.

The new Board has been working hard since the acquisition completed and I am pleased with the energy and commitment of all involved.

The Board is getting on with its task of creating value for the shareholders by unlocking value within the incredibly talented and committed technical team. For example:

- The Company announced on 20 September 2017 the establishment of a Perth office. This allows the Company to better serve significant oil and gas operations within Western Australia including Gorgon LNG, Wheatstone LNG and the North West Shelf. We are already starting to generate income as a result of this initiative and we are optimistic of realising significant opportunities into the future.
- With regards to our export aspirations the company announced on 1 September 2017 it had secured its first overseas contracts with the North Caspian Operating Company N.V. Kazakhstan. In addition, we have several other export opportunities that we believe we are well placed to secure in other major Oil and Gas regions.

In looking forward, I note that the Company has a strong Balance Sheet, has a considerable “pipeline” of opportunities and has an exceptionally talented and committed team of engineers and technicians.

I am excited to be part of this journey and I am very confident that Synertec Corporation Limited will continue to grow and deliver benefits to all stakeholders.

CORPORATE EVENTS

During the year under review and up to the date of this report, the following changes occurred within our Company:

- on 5 June 2017, our shareholders approved the change in the nature and scale of activities of our Company;
- on 20 June 2017, our Company completed the consolidation of capital on the basis of every four (4) shares into three (3) shares;
- a successful share offer of 18,750,000 fully paid ordinary shares at \$0.04 per share raising \$750,000 in cash;
- on 8 August 2017, our Company successfully acquired 100% of the voting shares of Synertec Pty Ltd (Synertec), resulting in the issue of 107,142,857 fully paid shares and a cash payment of \$5 million to the former shareholders of Synertec;
- an issue of 16,175,970 bonus options (“SOPOA”) to eligible existing shareholders with a 5.3 cents exercise price and expiring on 7 August 2020;
- an issue of 80,879,849 Redemption Notes to eligible existing shareholders;
- an issue of 13,928,571 fully paid ordinary shares to our Company’s adviser;
- on 8 August 2017, our Company also revamped the composition of our board:
 - o Ms. Leeanne Bond was appointed a Director and Chair of the Board;
 - o Mr. Michael Carroll was appointed a Managing Director and CEO of the Company;
 - o Mr. Furang Li and Mr Shaw Pao Sze resigned as Directors of the Company;
 - o Mr. Kiat Poh and Mr Freddie Heng remained as Directors of the Company.
- on 11 August 2017, our Company was successful re-listed on the Australian Stock Exchange;
- on 15 August 2017, our Company changed its name to Synertec Corporation Limited; and
- on 22 September 2017, our Company completed the divestment of our 100% voting interest in Australian Gold Mines Pty Limited, which in turn owns Mt Wills Gold Mines Pty Limited, the holder of all the mining assets, for \$3,500,000. With the completion of the divestment, our Company is no longer involved in any exploration related activities. Net proceeds from the sale will be distributed to our redemption note holders upon the conclusion of all obligations and the computation to arrive at the net proceeds.

ABOUT SYNERTEC

Synertec is a multi-disciplined engineering consulting firm, delivering specialist engineering and compliance services across complex and highly regulated oil and gas, biotechnology, food and dairy, industrial automation, mining, petrochemical and fine chemicals, pharmaceuticals and water industries.

Based in Melbourne, Synertec is an established business with over two decades of history in Australia’s specialist engineering consulting industry. Synertec’s senior management have many years experience in the multi-disciplined and the specialist engineering consulting industry to implement the development strategies and growth plans of the business.

Synertec’s ongoing growth strategy involves targeting industry segments in Australia and internationally that have:

- A requirement for complex engineering services;
- Large companies with complex manufacturing or production facilities
- Significant revenue opportunities in Australia, and in which the Australian market experience is equally applicable internationally;
- High barriers to entry; and
- Participants who seek long-term relationships with engineering firms

In addition, the Directors believe that there is a strong opportunity to leverage the Gorgon and Wheatstone sales of the LNG Custody Transfer Technology to market into the significant and expanding LNG sector worldwide.

For further information please refer to www.synertec.com.au

Statutory Accounts of SML Corporation Limited

For Financial Year ended 30 June 2017

The following pages contain the statutory accounts of SML Corporation Ltd for the year ended 30 June 2017 that were announced on the ASX on 31 July 2017.

The Company's name was changed on 15 August 2017 to Synertec Corporation Limited following the completion of the acquisition of Synertec Pty Ltd by SML Corporation Ltd on 8 August 2017.

As the acquisition was completed after the year-end date, the statutory accounts contain financial information of SML Corporation Ltd and the group only, without the inclusion of any financial information of Synertec Pty Ltd.

The statutory accounts of Synertec Pty Ltd were completed and announced on the ASX on 28 September 2017. Shareholders are invited to download the accounts from the ASX website (code "SOP").

Directors Report

30 June 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SML Corporation Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled for the year ended 30 June 2017.

1.0 Principal activities

The principal activity of the consolidated entity during the financial year was mineral exploration in Australia. There were no significant changes in the nature of the consolidated entity's principal activity during the year. The consolidated entity holds mining tenements in the East Gippsland region of Victoria encompassing the historic Glen Wills and Sunnyside gold projects.

2.0 Directors

The following persons were directors of SML Corporation Limited during the financial year and up to the date of this report:

Kiat Poh
Kim Chuan Freddie Heng
Shaw Pao Sze
Furang Li

2.1 Information on directors

Kiat Poh, Non-Executive Director.

Mr. Poh holds Certified Diploma in Accounting and Finance from ACCA, UK, Diploma in Management Studies from the Singapore Institute of Management, and a Diploma in Civil Engineering from the Singapore Polytechnic.

He has over 30 years' experience at senior management level in the construction, real estate development, manufacturing industries and financial markets. Over the years, he also held senior positions in corporate finance and mezzanine capital investment companies in Malaysia specialising in investments as well as mergers and acquisitions.

From 1998 to 2005, he was Managing Director of a Singapore Exchange listed company.

Since 2005, Mr. Poh has been managing a Singapore based investment advisory company that focuses on participating in strategic stakes in listed companies.

Since May 2008, he has been a non-executive director of Centrex Metals Limited, a company listed on ASX.

Kim Chuan Freddie Heng, Non-Executive Director.

Mr. Heng is a Chartered Accountant, BSc (Economics) from the London School of Economics. He worked with an international accounting firm in London and Singapore.

From 1992 to 2000, he was an Executive Director (Finance) in a Singapore Exchange listed company. During that period, he oversaw the structuring of four oil pipeline and storage depot projects in Indonesia. He also oversaw the successful issue of floating rate notes to financial institutions in East Asia to fund the first of those projects.

Since 2000, Mr. Heng has pursued his own interests in investments, primarily in listed companies. Mr. Heng is currently a director of Noel Gifts International Limited, a company listed on the Singapore Exchange and TMC Life Sciences Berhad, a company listed on the Kuala Lumpur Stock Exchange.

Directors Report
30 June 2017

Shaw Pao Sze, Non-Executive Director

Captain Sze is a Master Mariner FG (Commonwealth of Australia) having spent over 30 years of his career in the Neptune Orient Lines ('NOL') group of companies, holding the position of Managing Director of some of the group companies at various times. His expertise covers a spectrum of activities such as corporate planning for NOL headquarters, conventional and containerized shipping in areas of ownership and operation, shipping agency, cargo handling and haulage, port operations and development and heavy lifting.

Captain Sze is currently a non-executive Director of Zicom Group Limited, a company listed on the Australia Securities Exchange. He has no interest in shares or options of the Company.

Furang Li, Non-Executive Director

Mr. Li holds a master degree majoring in geosciences engineering and he is a member of Australasian Institute of Mining and Metallurgy. He presently holds the position of the vice-chief engineer of Northwest Mining and Geology Group Co., the general manager of Northwest Nonferrous International Investment Company Ltd and director of Northwest Nonferrous Australia Mining Pty Limited.

Since 1989, Mr. Li has worked on exploration of gold, silver, copper, lead-zinc, nickel, manganese, and iron. He has vast experience in presiding over the investigation and management of large-scale international geological exploration and mining projects.

Mr. Li has no other current directorships and has no former directorships during the last three (3) years. He has no interest in shares or options of the Company.

Note: "Other current directorships" quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

"Former directorships (in the last 3 years)" quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

2.2 Directors' Interest in shares

Director	Interest in Ordinary Shares
Kiat Poh	2,423,417
Kim Chuan Freddie Heng	2,176,433
Shaw Pao Sze	-
Furang Li	-

2.3 Meetings of directors

The number of meetings of the Company's Board of Directors held during the financial year ended 30 June 2017 and up to the report date, and the number of meetings attended by each director were:

	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration and Nomination Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Kiat Poh	4	4	2	2	-	-
Kim Chuan Freddie Heng	4	4	2	2	2	2
Shaw Pao Sze	4	4	2	2	2	2
Furang Li	4	4	-	-	2	2

Directors Report

30 June 2017

The Audit and Risk Management Committee and Remuneration and Nomination Committee comprise of the following independent non-executive directors:

Audit and Risk Management Committee:

- Kim Chuan Freddie Heng as Chairman;
- Kiat Poh as member; and
- Shaw Pao Sze as member.

Remuneration and Nomination Committee:

- Shaw Pao Sze as Chairman;
- Kim Chuan Freddie Heng as member; and
- Furang Li as member.

3.0 Remuneration Report

The Remuneration Report outlines the directors' and executive officers' remuneration arrangements for the Company and consolidated entity. Only key management personnel are included in the Remuneration Report. For the purposes of this Report, key management personnel of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "executive" encompasses persons associated with the Company and consolidated entity who take responsibility for day-to-day decisions affecting the corporate and exploration activities of the consolidated entity. The Company has no executive directors.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration.
- B Details of remuneration.
- C Service agreements.
- D Share-based compensation.

A. Principles used to determine the nature and amount of remuneration.

The performance of the Company and consolidated entity depends upon the quality of its directors and executive officers. To prosper, the consolidated entity must attract, motivate and retain highly skilled personnel. To this end, the consolidated entity:

- works to attract the appropriate staff by providing a competitive remuneration structure and a productive working environment.
- reviews and recommends remuneration, human resource policies, performance management and procedures for the Company and consolidated entity, including directors of the Company.
- ensures that all compliance, governance, accounting, legal approvals and disclosure requirements associated with the Company's and consolidated entity's employment practices are satisfied.

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the directors and the executive officers. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of experienced and high quality directors and executive officers. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and superannuation salary sacrifice. The directors' emoluments are comparable to similar sized companies in the resources industry.

Directors Report
30 June 2017

Compensation linked to performance.

At the date of this report, there is no formal link between the Company's and consolidated entity's performance and the directors' emoluments as the Company's and consolidated entity's exploration operations represent no guarantee of the Company's and consolidated entity's future value.

Remuneration structure.

In accordance with corporate governance principles and recommendations, the Company substantially complies with the guidelines for non-executive directors' remuneration.

Non-executive directors' remuneration.

On appointment, non-executive directors were advised of their directors' duties and responsibilities and the remuneration and fee to be paid to directors in carrying out their duties.

The Company and consolidated entity aims to reward its non-executive directors with a level of remuneration commensurate with their position and responsibilities within the consolidated entity so as to reward non-executive directors for meeting or exceeding targets set by reference to appropriate benchmarks; align the interests of non-executive directors with those of shareholders'; and ensure that remuneration is competitive by market standards.

It is the consolidated entity's policy that service agreements must be entered into with its non-executive directors, as detailed in section C below.

Fixed remuneration – objective

Fixed remuneration is reviewed at the end of each contract term by the Remuneration and Nomination Committee. The process consists of a review of the Company, consolidated entity and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Fixed remuneration - structure

Non-executive directors receive their fixed (primary) remuneration in form of cash payments to their nominated accounts.

Variable remuneration - short-term incentive

At the date of this report, there was no short-term incentive program for directors.

Directors Report
30 June 2017

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors are set out in the following tables.

2017	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Termination benefits	Total
	Salary/fees	Bonus	Super-annuation	Long service leave	Equity-settled		
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Kiat Poh	30,000	-	-	-	-	-	30,000
K.C. Freddie Heng	30,000	-	-	-	-	-	30,000
Shaw Pao Sze	32,850	-	-	-	-	-	32,850
Furang Li	-	-	-	-	-	-	-
Total	92,850	-	-	-	-	-	92,850

2016	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Termination benefits	Total
	Salary/fees	Bonus	Super-annuation	Long service leave	Equity-settled		
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Kiat Poh	30,000	-	-	-	-	-	30,000
K.C. Freddie Heng	30,000	-	-	-	-	-	30,000
Shaw Pao Sze	32,850	-	-	-	-	-	32,850
Furang Li	-	-	-	-	-	-	-
Total	92,850	-	-	-	-	-	92,850

All remuneration is fixed.

C. Service agreements

Remuneration and other terms of employment for directors are formalised in their respective service agreements. The service agreements may be terminated by either party by giving 1 month notice to the other.

D. Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

Directors Report 30 June 2017

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

E. Shareholding holding

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2017					
<i>Ordinary shares</i>					
Kiat Poh *	3,231,335	-	-	(807,918)	2,423,417
Kim Chuan Freddie Heng*	2,901,910	-	-	(725,477)	2,176,433
	<u>6,133,245</u>	<u>-</u>	<u>-</u>	<u>(1,533,395)</u>	<u>4,599,850</u>

* Other – represents the consolidation in the ratio of four (4) into three (3) shares that occurred during the year.

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2016					
<i>Ordinary shares</i>					
Kiat Poh	3,231,335	-	-	-	3,231,335
Kim Chuan Freddie Heng	2,901,910	-	-	-	2,901,910
	<u>6,133,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,133,245</u>

4.0 Shares under option

At the date of this report, there are no unissued shares under option.

5.0 Dividends

There were no dividends paid or declared during the current or previous financial year.

6.0 Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$9,568,692 (30 June 2016: \$7,600,130). During the financial year, the Board received an independent external valuation of its exploration and tenement assets which provided a value of \$6,520,000 resulting in a write down of \$8,120,275. The impaired value remains an estimate and as such the Board will continue to assess and make adjustment as the situation progresses. The Company has ceased further works and expenditure on its tenement following the proposed acquisition described in the paragraphs below.

Acquisition of 100% shareholding in Synertec Pty Ltd

In an announcement released by the Company on 10 March 2017 (the “Announcement”), it disclosed that it had on 9 March 2017 entered into a share purchase agreement pursuant to which the Company agreed, subject to the satisfaction of certain conditions precedent, including, compliance by the Company with Listing Rule 11.1 and Chapters 1 and 2 of the Listing Rules, to acquire 100% of the issued shares of Synertec Pty Ltd (“Synertec”) for a total consideration of \$10.0 million (the

Directors Report
30 June 2017

“Acquisition”).

6.0 Review of operations (continued)

The principal terms of the Acquisition are as follows.

The consideration is to be satisfied by the payment of \$5.0m in cash and the other \$5m by the issue of 107,142,857 new fully paid ordinary shares in the Company at an issue price of 4.667 cents per share post consolidation on the basis of every four fully paid ordinary shares being consolidated into three fully paid ordinary shares (the “Consideration Shares”). The Company was required to consolidate its capital in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Upon completion of the Acquisition but before the issue of the Consideration Shares, the Company will issue to the existing shareholders, at no issue price, new bonus options to subscribe for new shares in the Company on the basis of one bonus option for every five shares held. Each option will be exercisable at 5.3 cents and will have an exercisable period of three years from the date of issue.

Following the successful completion of the Acquisition, the Company will seek to divest the Glen Wills – Sunnyside mining tenement (the “GWS Tenement”) and the plant and equipment. If that divestment does not occur within six months of the said completion, the GWS Tenement will be relinquished. If the divestment is successful, the net sale proceeds will be distributed to the existing shareholders of the Company on a pro rata basis. Pursuant to this distribution, the shareholders will be issued with redemption notes that will entitle each shareholder to the net proceeds of the divestment on a pro rata basis to his shareholding in the Company (“Redemption Notes”).

Synertec is an Australian multi-disciplined engineering consulting firm, delivering specialist engineering and compliance services across complex and highly regulated oil and gas, biotechnological, food and dairy, hospitals, industrial automation, mining, petrochemical and fine chemicals, pharmaceutical and water industries.

The Company will change its name to Synertec Corporation Limited upon completion of the Acquisition.

On 5 June 2017, a Special General Meeting (“SGM”) was convened for the shareholders to consider and approve a number of resolutions pursuant to the Acquisition. All the resolutions were duly passed at the SGM.

Following the approval by shareholders of the Acquisition at the SGM, the shares of the Company were suspended from quotation on the ASX and will remain suspended until the Company re-complies with chapters 1 and 2 of the Listing Rules.

On 9 June 2017, in compliance with a requirement by the ASX in connection with the Acquisition, the Company effected a consolidation of the shares on the basis of three shares for every four held. The record date for the purposes of this consolidation was 13 June 2017 and the consolidated shares were issued on 20 June 2017.

On 23 June 2017, the Company lodged its prospectus with ASIC for an offer of 18,500,000 shares in the Company at \$0.04 per shares, raising \$750,000 before costs (the “Offer”). The purpose of the offer is to re-comply with chapters 1 and 2 of the ASX Listing Rules. The funds raised will be used to defray the costs of the Acquisition and as additional working capital.

7.0 Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial year with the exception of the items identified in the review of operations noted above.

8.0 Matters subsequent to the end of the financial year

Since 30 June 2017, the Offer was launched and has been managed by Phillip Capital Limited. The Offer was successfully completed on 20 July 2017.

Subject to the completion of the Acquisition, the existing shareholders of the Company will be issued with bonus options, at nil consideration, on the basis of one option for every five shares held. The options will be valid for three years from the date of issue and each option will entitle the holder to subscribe for one share in the Company at an exercise price of \$0.053.

Subject to the completion of the Acquisition, the Company will proceed with the divestment of the GWS Tenement. Further, the Redemption Notes will be issued to the shareholders.

On 17 July 2017, the Company received the decision from the ASX to re-admit the Company to its official list and to quote the Company's securities, subject to the satisfaction of certain conditions precedent including, inter alia, the completion of the Offer, the issue of the bonus options, the issue of the Redemption Notes and completion of the share purchase agreement.

With the Offer now completed, the Company is currently working towards satisfying the remaining conditions precedent to re-admit the Company to the ASX official list and to quote the Company's securities.

Except for the items above, no matters or circumstances have arisen since 30 June 2017 that could significantly affect the Company or its operations.

9.0 Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

10.0 Environmental regulation

The consolidated entity is required to carry out its activities in accordance with Commonwealth and State laws and regulations in the regions in which it undertakes its exploration activities.

The consolidated entity is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its activities, other than complying with Department of Economic Development, Jobs, Transport and Resources (DEDJTR) to make a provision for rehabilitation of areas affected by the consolidated entity's exploration program. At the reporting date, a provision of \$65,000 (2016: \$65,000) had been recorded in the financial statements to meet any future rehabilitation expenses that may arise.

The consolidated entity, as part of its operations, maintains strict adherence to environmental rehabilitation and protection of flora and fauna in its areas of interest.

11.0 Indemnity and insurance

11.1 Indemnity and insurance of officers

The Company has indemnified the directors and executive officers of the Company for costs incurred, in their capacity as a director or executive officer, for which they may be held personally liable, except where there is a lack of good faith.

**Directors Report
30 June 2017**

11.1 Indemnity and insurance of officers (continued)

The Company has a director and officer liability insurance policy for its directors and executive officers. The policy insures each of the directors and executive officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or executive officer of the Company. The insurance policy has a liability limit of \$5 million on any one claim and in the aggregate. The nature of the liabilities covered is official investigation, inquiries and proceedings, occupational health & safety, mitigation costs and civil awards. However, this does not include such liabilities that arise from conduct involving a wilful breach of duty by directors or executive officers or the improper use by the directors or executive officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. The policy is subject to a confidentiality clause which prohibits the disclosure of the premium.

11.2 Indemnity and insurance of auditor

The Company has not agreed to indemnify the auditor of the Company and any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

12.0 Proceedings on behalf of the Company

No person has applied to the Court for leave 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 part of those proceedings.

13.0 Officers of the Company who are former audit partners of auditor

There are no officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd.

14.0 Auditor

Grant Thornton Audit Pty Ltd continues in office.

This report is made in accordance with a resolution of directors.

On behalf of the directors,



Kiat Poh
Non-Executive Chairman
31 July 2017
Melbourne

FINANCIAL REPORT

For the year ended 30 June 2017

General information

The financial report covers SML Corporation Limited as a consolidated entity consisting of SML Corporation Limited and the entities it controlled. The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

The Company is a listed public Company limited by shares, incorporated in Bermuda.

Its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Its registered office in Australia is 9A/23-25 Bunney Road, Oakleigh South, VIC 3167, Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 July 2017. The directors have the power to amend and reissue the financial report.

SML Corporation Limited
Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Revenue	5	224,735	219,153
Expenses			
Operating expenses		(993,402)	(632,148)
Exploration expenditure written off	6	(8,120,275)	(7,189,546)
Impairment of property, plant and equipment	6	(679,750)	-
		<hr/>	<hr/>
Loss before income tax expenses		(9,568,692)	(7,602,541)
Income tax expenses	7	-	-
		<hr/>	<hr/>
Loss after income tax expense for the year attributable to the owners of SML Corporation Limited	17	(9,568,692)	(7,602,541)
Other comprehensive income for the year, net of tax		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	17	-	2,411
		<hr/>	<hr/>
Total comprehensive loss for the year attributable to the owners of SML Corporation Limited		(9,568,692)	(7,600,130)
		<hr/>	<hr/>
		Cents	Cents
Basic earnings per share	26	(11.83)	(9.40)
Diluted earnings per share	26	(11.83)	(9.40)

This statement should be read in conjunction with the notes to the financial statements.

SML Corporation Limited
Consolidated Statement of Financial Position
As at 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	3,768,772	4,558,649
Assets held for sale	9	6,855,238	-
Trade and other receivables	10	4,039	23,883
Other	11	2,704	2,704
Total current assets		10,630,753	4,585,236
Non-current assets			
Property, plant and equipment	12	-	1,161,274
Deferred exploration and evaluation expenditure	13	-	14,585,186
Total non-current assets		-	15,746,460
Total assets		10,630,753	20,331,696
Liabilities			
Current liabilities			
Trade and other payables	14	244,354	33,640
Total current liabilities		244,354	33,640
Non-current liabilities			
Provisions	15	-	65,000
Total non-current liabilities		-	65,000
Total liabilities		244,354	98,640
Net assets		10,386,399	20,233,056
Equity			
Contributed equity	16	(169,914)	108,051
Reserves	18	62,948,442	62,948,442
Accumulated losses	17	(52,392,129)	(42,823,437)
Total equity		10,386,399	20,233,056

This statement should be read in conjunction with the notes to the financial statements.

SML Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Contributed equity	Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2015	108,051	62,948,442	(35,223,307)	27,833,186
Other comprehensive income for the year, net of tax	-	-	2,411	2,411
Loss after income tax expense for the year	-	-	(7,602,541)	(7,602,541)
	<hr/>			
Balance at 30 June 2016	108,051	62,948,442	(42,823,437)	20,233,056
	<hr/>			
	Contributed equity	Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2016	108,051	62,948,442	(42,823,437)	20,233,056
Other comprehensive income for the year, net of tax	-	-	-	-
Loss after income tax expense for the year	-	-	(9,568,692)	(9,568,692)
Total comprehensive loss for the year	108,051	62,948,442	(52,392,129)	10,664,364
	<hr/>			
Transactions with owners in their capacity as owners:				
Transactions costs in issuing shares	(277,965)	-	-	(277,965)
	<hr/>			
Balance at 30 June 2017	(169,914)	62,948,442	(52,392,129)	10,386,399
	<hr/>			

This statement should be read in conjunction with the notes to the financial statements.

SML Corporation Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Cash flows related to operating activities			
Payments to suppliers (inclusive of GST)		(681,558)	(492,187)
Interest received		81,898	114,162
Other revenue		142,837	104,992
		<hr/>	<hr/>
Net cash used in operating activities	27	(456,823)	(273,033)
		<hr/>	<hr/>
Cash flows from investing activities			
Payments for exploration and evaluation	13	(55,089)	(102,729)
		<hr/>	<hr/>
Net cash used in investing activities		(55,089)	(102,729)
		<hr/>	<hr/>
Cash flows from financing activities			
Transactions costs on issue of shares	16	(277,965)	-
		<hr/>	<hr/>
Net cash used in financing activities		(277,965)	-
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(789,877)	(375,762)
Effects of exchange fluctuations on cash held		-	2,411
Cash and cash equivalents at the beginning of the financial year		4,558,649	4,932,000
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	8	3,768,772	4,558,649
		<hr/>	<hr/>

This statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

30 June 2017

Note 1. Corporate Information

The consolidated financial statements of the Company for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 31 July 2017. The Company is a limited company incorporated and domiciled in Bermuda whose shares are publicly traded.

The principal activity of the consolidated entity during the financial year was mineral exploration in Australia. There was no significant change in the nature of the consolidated entity's principal activity during the year. The consolidated entity holds mining tenements in the East Gippsland region of Victoria encompassing the historic Glen Wills and Sunnyside gold projects.

Note 2. Significant accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The consolidated financial information is presented in Australian dollars.

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Functional and presentational currency

The functional and presentational currency of the company is Australian dollars. The consolidated financial statements are presented in Australian dollars, which in the opinion of the directors is the most appropriate presentation currency as the operations are based in Australia.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New Accounting Standards and Interpretations

None of the amendments to Standards or interpretations effective for the first time for periods beginning on or after 1 July 2016 had a significant effect on the Group's financial statements.

Going concern

The 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 ordinary course of business. The consolidated entity is a mineral exploration entity and as such does not currently generate operating revenue to support continued business activities. The consolidated entity is therefore dependent on maintaining cash reserves.

The directors believe that they will be able to realise the consolidated entity's assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SML Corporation Limited ('consolidated entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. SML Corporation Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Notes to the financial statements

30 June 2017

Principles of consolidation (continued)

The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June. The effects of substantive potential voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the financial statements 30 June 2017

Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

The consolidated entity has not implemented the tax consolidation legislation.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-current assets classified as held for sale

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within twelve (12) months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as 'held for sale', the assets are not subject to depreciation or amortisation.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment. They are usually settled within 30-90 days.

An allowance account (provision for impairment of receivables) is used when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is expensed to profit or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account (bad debts written off). Subsequent recoveries of amounts previously written off are credited to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3-10 years
Mining and exploration assets	20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

The cost of discrete mine assets under construction is periodically transferred from deferred exploration and evaluation expenditure and is re-classified as property, plant and equipment. Assets still under construction are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Notes to the financial statements

30 June 2017

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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 assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Deferred exploration and evaluation expenditure assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 45 days of recognition.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

Notes to the financial statements

30 June 2017

Provisions (continued)

The increase in the provision resulting from the passage of time is recognised as a finance cost.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas. The provision for future restoration costs is calculated by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and is currently the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at reporting date; where the initial estimated cost is capitalised into the cost of the related asset and amortised on the same basis as the related asset.

Contributed equity

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Notes to the financial statements

30 June 2017

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SML Corporation Limited, 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 financial 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.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

Amounts in this report have been rounded off to the nearest dollar.

Application of new and revised Accounting Standards

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 periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the consolidated entity's presentation of or disclosure in its financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

IFRS 9 'Financial Instruments' (2014)

In July 2014, the IASB released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The entity is yet to undertake a detailed assessment of the impact of IFRS 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

Notes to the financial statements 30 June 2017

Standards and Interpretations in issue not yet adopted (continued)

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The entity is yet to undertake a detailed assessment of the impact of IFRS 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

IFRS 16 'Leases'

IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The entity is yet to undertake a detailed assessment of the impact of IFRS 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future event, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assets held for sale

As disclosed in Note 9 to the financials, the Deferred exploration and expenditure and Property, plant and equipment and restoration reserves were re-classified to "Assets held for sale" for the reporting year ended 30 June 2017. The Directors have assessed and then impaired the value of this non-current assets to its estimated fair value for the year ended 30 June 2017. It is expected that these assets will be sold in the next 12 months.

Notes to the financial statements
30 June 2017

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Provision for restoration and rehabilitation

As disclosed in Note 15 to the financials, the estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas. The provision for future restoration costs is calculated by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and is currently the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at reporting date.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recoverability of deferred exploration and evaluation expenditure

The consolidated entity assesses the recoverability of the carrying value of deferred exploration and evaluation expenditure at each reporting date, or at closer intervals should the need arise. The assessment includes a review of the consolidated entity's exploration and development plans for each area of interest, the success or otherwise of activities undertaken in those areas in recent times, the likely success of future planned exploration activities and/or any potential plans for divestment of those areas. The carrying value of the deferred exploration and evaluation expenditure is then adjusted, if necessary.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 4. Operating segments

Identification of reportable operating segments

The Company operated predominately as an explorer for base precious metals, with the emphasis on gold, silver, zinc and lead mineralisation within Australia.

IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the Company as a whole in the business segment of mineral exploration within Australia.

Note 5. Revenue

	2017 \$	2016 \$
Interest	81,898	114,162
Other revenue	142,837	104,991
	<u>224,735</u>	<u>219,153</u>

Notes to the financial statements
30 June 2017

Note 6. Expenses

	2017 \$	2016 \$
Analysis of expenses:		
<i>Depreciation</i>		
Plant and equipment	35,500	75,208
Mining and exploration assets	35,786	71,572
Total depreciation	<u>71,286</u>	<u>146,780</u>
<i>Others</i>		
Directors remuneration	92,850	92,850
Write down of exploration assets	8,120,275	7,189,546
Impairment of property, plant and equipment	679,750	-

Note 7. Income tax expense

	2017 \$	2016 \$
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Total comprehensive loss before income tax expense	<u>(9,568,692)</u>	<u>(7,600,130)</u>
Tax at the Australian tax rate of 30%	<u>(2,870,608)</u>	<u>(2,280,039)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	(268,995)	75,380
Tax losses and temporary differences for deferred tax assets not recognised	2,621,373	665,460
	<u>(518,230)</u>	<u>(1,539,199)</u>
Deferred tax asset attributable to tax losses not brought to account	<u>518,230</u>	<u>1,539,199</u>
Income tax expense	<u>-</u>	<u>-</u>
	2017 \$	2016 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	28,529,547	26,802,117
Potential tax benefit @ 30%	<u>8,558,864</u>	<u>8,040,635</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

At 30 June 2017, there is no recognised or unrecognised deferred income tax liability (2016: \$nil) for taxes that would be payable on the unremitted earnings of certain of the consolidated entity's subsidiaries, associates or joint ventures, as the consolidated entity has no liability for additional taxation should such amounts be remitted.

At 30 June 2017, the consolidated entity had deferred tax liabilities on capitalised mineral exploration expenditure of \$1,956,000 (2016: \$4,375,556) that has been set off against the deferred tax losses.

Notes to the financial statements
30 June 2017

Note 8. Cash and cash equivalents

	2017 \$	2016 \$
Cash on hand	-	4,000
Cash at bank	3,663,436	535,384
Cash on deposit	105,336	4,019,265
	3,768,772	4,558,649

An amount of \$52,000 (2016: \$62,000) is held on term deposit to support bank guarantees for an amount of \$52,000 (2016: \$62,000) given to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) to cover mining tenements granted to the consolidated entity and as rehabilitation bonds on these mining tenements, and as such are not available for general use.

An amount of \$53,336 (2016: \$53,336) is held on term deposit to support bank guarantee for office lease.

Note 9. Assets held for sale

	2017 \$	2016 \$
Assets held for sale comprise:		
Mineral exploration project, at fair value	6,520,000	-
Property, plant and equipment, at fair value	400,238	-
Provision for rehabilitation	(65,000)	-
	6,855,238	-

The Board has treated the above assets as held for sale. The assets held for sale are carried at their fair value less estimated costs to sell.

Note 10. Trade and other receivables

	2017 \$	2016 \$
Other receivables	4,039	23,883

Note 11. Other

	2017 \$	2016 \$
Deposits	2,704	2,704

Notes to the financial statements
30 June 2017

Note 12. Property, plant and equipment

	2017 \$	2016 \$
Plant and equipment - at cost	-	938,024
Less: Accumulated depreciation	-	(731,991)
	-	<u>206,033</u>
Mining and exploration assets - at cost	-	1,812,011
Less: Accumulated depreciation	-	(856,770)
	-	<u>955,241</u>
	-	<u>1,161,274</u>

Reconciliation of written down values

	Plant and equipment \$	Mining and exploration assets \$	Total \$
Balance at 30 June 2015	281,241	1,026,813	1,308,054
Additions	-	-	-
Disposals	-	-	-
Depreciation	(75,208)	(71,572)	(146,780)
Balance at 30 June 2016	<u>206,033</u>	<u>955,241</u>	<u>1,161,274</u>
Additions	-	-	-
Written off	(10,000)	-	(10,000)
Depreciation	(35,500)	(35,786)	(71,286)
Impairment	-	(679,750)	(679,750)
Transferred to assets held for sale	(160,533)	(239,705)	(400,238)
Balance at 30 June 2017	<u>-</u>	<u>-</u>	<u>-</u>

The Board of Directors has assessed impairment of property, plant and equipment at the reporting period and recognised impairment loss of \$679,750 on certain mining and exploration assets based on an estimate of the asset's recoverable amount.

Notes to the financial statements
30 June 2017

Note 13. Deferred exploration and evaluation expenditure

	2017	2016
	\$	\$
Mineral exploration projects - at cost	-	14,585,186
<i>Reconciliations</i>		
		Exploration and Evaluation
		\$
Consolidated		
Balance at 30 June 2015		21,692,003
Additions		102,729
Reversal of provision of rehabilitation		(20,000)
Exploration expenditure written off		(7,189,546)
Balance at 30 June 2016		14,585,186
Additions		55,089
Exploration expenditure written off (Note 6)		(8,120,275)
Transferred to assets held for sale		(6,520,000)
Balance at 30 June 2017		-

The consolidated entity holds granted Mining Licence 4921 in the East Gippsland region of Victoria.

During the financial year, the Board received an independent external valuation of the MIN 4921 which provided a value of \$6,520,000. The value of MIN 4921 has been estimated by using the Net Present Value of Future Cash Flows method. The impairment loss of \$8,101,523 was recognised in the Statement of Profit or Loss and Other Comprehensive Income to reduce the carrying amount of the exploration and evaluation assets to the independent valuation. The impaired value remains an estimate and further works and/or expenditure may be necessary. As such the Board will continue to assess and make adjustment as the situation progresses.

A royalty will be payable by Mt. Wills Gold Mines Pty Ltd ('Mt Wills') of \$2 per tonne of ore treated in the production of gold and other precious metals, for ore sourced from tenements and/or applications held by Mt Wills (MIN 4921). For the first 500,000 tonnes of ore treated, the royalty will be payable in equal proportions to Mrs Karen Bidstrup as trustee for The Red Gum Court Trust and to Mr William Jay, after which time the whole \$2 per tonne royalty will be payable to Mrs Karen Bidstrup as trustee for The Red Gum Court Trust.

Note 14. Trade and other payables

	2017	2016
	\$	\$
Trade payables	131,389	1,084
Other payables	112,965	32,556
	244,354	33,640

Notes to the financial statements
30 June 2017

Note 15. Non-current liabilities – provisions

	2017 \$	2016 \$
Provision for rehabilitation	65,000	65,000
Transferred to assets held for sale	(65,000)	-
	-	65,000

The provision for rehabilitation is the net present value of the estimated cost of rehabilitating the Glen Wills and Sunnyside project site in compliance with future regulations and practices at the end of commercial production. The consolidated entity carries out regular rehabilitation as part of its on-going exploration program.

Note 16. Equity – contributed

	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	80,879,849	107,839,799	(169,914)	108,051

Movements in ordinary share capital

Details	Date	No of shares	\$
Balance	30 June 2016	107,839,799	108,051
Share consolidation	20 June 2017	(26,959,950)	-
Capital raising costs		-	(277,965)
Balance	30 June 2017	80,879,849	(169,914)

Share buy-back

There is no current on-market share buy-back.

Share consolidation

On 20 June 2017, the Company consolidated the shares on issue on the basis that every four (4) shares be consolidated into three (3) shares.

Capital Raising Costs

As detailed in Review of Operations included in the directors report, subject to completion of the Acquisition, the Company will allot and issue the consideration shares, offer shares, advisor shares, bonus options and redemption notes. Any transactions costs associated with the issuing of shares are deducted from contributed equity.

Share options

The Company has no quoted share options.

Capital risk management

The Board of directors ('Board') manage the consolidated entity's capital to ensure the consolidated entity continues as a going concern. The primary objectives of the Board are to actively explore and develop the consolidated entity's mining assets so that they can maximise returns for shareholders; to minimise the cost of capital by maintaining the most efficient capital structure; and, to optimise the use of the consolidated entity's human and financial resources. None of the consolidated entity's entities are subject to externally imposed capital requirements. The exploration activities are being funded by equity.

Notes to the financial statements
30 June 2017

Note 16. Equity – contributed (continued)

Capital risk management (continued)

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The capital risk management policy remains unchanged.

Note 17. Equity - accumulated losses

	2017 \$	2016 \$
Accumulated losses at the beginning of the financial year	(42,823,437)	(35,223,307)
Other comprehensive income for the year	-	2,411
Loss after income tax expense for the year	(9,568,692)	(7,602,541)
	<hr/>	<hr/>
Accumulated losses at the end of the financial year	(52,392,129)	(42,823,437)

Note 18. Reserve

	2017 \$	2016 \$
Restructure of group with establishment of new parent entity	62,948,442	62,948,442

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and fair value estimation. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the consolidated entity's activities. The Board monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

Market risk

Commodity price risk

Although the consolidated entity is not in commercial production, the primary risk to the consolidated entity is the movement in the price of gold, base metals and the other target minerals, as measured in Australian dollars. An inferred gold mineral resource has been identified at the consolidated entity's Glen Wills and Sunnyside project on the mining tenements located in East Gippsland, Victoria.

The exploration potential for gold for part of the Glen Wills and Sunnyside project has also been independently assessed. The carrying value of the consolidated entity's projects and the economic viability of future developments are subject to the risk of movements in commodity prices and the effect that those movements may have on the economics of developing mineral projects and the resulting financial returns to be derived in future years.

Notes to the financial statements
30 June 2017

Note 19. Financial instruments (continued)

Market risk (continued)

Price risk

Although the consolidated entity is not in commercial production, the primary risk to the consolidated entity is the movement in US dollar/Australian dollar foreign currency market price risk effecting the price of gold.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or the cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets or liabilities that the consolidated entity may have. The consolidated entity's exposure to market risk for changes in interest rates relate primarily to the income that it earns from funds on deposit. The consolidated entity's policy is to invest surplus funds with only recognised, creditworthy third parties and to settle trade payables within the credit terms allowed by suppliers so as not to incur interest on overdue balances.

As at the reporting date, the consolidated entity had the following variable rate balances:

	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash and cash equivalents	1.30	<u>3,768,772</u>	2.60	<u>4,558,649</u>
Net exposure to cashflow interest rate risk		<u>3,776,772</u>		<u>4,558,649</u>

An official increase/decrease in interest rates of one (2016: one) percentage point would have favourable/adverse effect on profit before tax of \$37,687 (2016: \$45,586) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

The consolidated entity is not in commercial production and therefore has no significant sales transactions. With respect to the credit risk arising from the other financial assets of the consolidated entity, which comprise cash and cash equivalents, the consolidated entity's exposure to credit risk arises from the possible default of a counterparty, with the maximum exposure being equal to the carrying amount of these assets, less any recoveries which may be achieved in the event of a default by that counterparty. The consolidated entity trades with only recognised, creditworthy third parties and accordingly the consolidated entity's exposure to possible losses is not significant. Other than the cash funds held in interest-bearing accounts with an Australian first class bank, there are no significant concentrations of credit risk within the consolidated entity.

At 30 June 2017, none of the consolidated entity's receivables are past due or impaired (2016: nil).

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of new equity raisings and other finance facilities. At 30 June 2017, there were no bank facilities in place. The liquidity of the consolidated entity is monitored via regular cash flow budgets which highlight the need for capital raising when required.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Notes to the financial statements
30 June 2017

Note 19. Financial instruments (continued)

2017	Weighted average interest rate %	1 year or less \$	Consolidated			Remaining contractual maturities \$
			Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	131,389	-	-	-	131,389
Other payables	-	112,965	-	-	-	112,965
Total non-derivatives	-	244,354	-	-	-	244,354
<hr/>						
2016	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,084	-	-	-	1,084
Other payables	-	32,556	-	-	-	32,556
Total non-derivatives	-	33,640	-	-	-	33,640

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 20. Key management personnel disclosures

Directors and key management personnel

The following persons were directors and key management personnel of SML Corporation Limited during the financial year:

Kiat Poh	Non-Executive Chairman
Kim Chuan Freddie Heng	Non-Executive Director
Shaw Pao Sze	Non-Executive Director
Furang Li	Non-Executive Director

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2017	2016
	\$	\$
Short-term employee benefits	92,850	92,850

Related party transactions

Related party transactions are set out in note 23.

Notes to the financial statements
30 June 2017

Note 21. Contingent liabilities

As at 30 June 2017, contingent liabilities of the Company are as follows:

On 1 July 2016, the Company and Inaya Limited entered into an agreement pursuant to which Inaya Limited agreed to provide assistance to the Company in managing and communicating any proposed investment, merger and/or acquisition opportunities with its primary shareholders in the Peoples' Republic of China ("PRC"), Singapore and elsewhere outside Australia. For these services, and subject to completion of the acquisition, the Company will issue 13,928,571 Shares to Inaya Limited in consideration for Inaya Limited's facilitation of the proposed acquisition.

On 4 January 2017, the Company and TFO Nominees Pty Ltd ("TFO") entered into an agreement pursuant to which TFO agreed to provide assistance to divest the Glen Wills- Sunnyside mining tenement and the plant and equipment. If the divestment is successful, a management success fee of 1% on the sales price will be payable to TFO.

Note 22. Commitments for expenditure

	2017 \$	2016 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	38,303	85,214
One to five years	7,596	63,839
	<u>45,899</u>	<u>149,053</u>
<i>Exploration & evaluation expenditure payable</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	214,317	214,317
One to five years	214,317	428,634
	<u>428,634</u>	<u>642,951</u>

Operating lease commitments relate to the rent of the consolidated entity's premises in St Kilda Road and Oakleigh South. The current lease in St Kilda Road will expire on 30 April 2018 and the premises has been subleased to a third party for the same terms except the sublease will expire on 31 March 2018. The current lease in Oakleigh South will expire on 20 March 2018 however an option exists to extend the lease by further three terms of one year.

In order to maintain in good standing, the mining and exploration tenements in which the consolidated entity is involved, the consolidated entity will be required to meet the minimum conditions and expenditure obligations of the tenements once they are granted; as well as any other obligations which may arise from arrangements with participants over jointly held tenements. These expenditures are met on a regular basis as part of the consolidated entity's on-going exploration program.

Note 23. Related party transactions

Parent entity

SML Corporation Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Notes to the financial statements
30 June 2017

Note 23. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report in the directors' report.

Transactions with related parties

The consolidated entity derived \$31,620 (2016: \$71,623) in occupancy related charges from the Director related Company and major shareholder Northwest Nonferrous Australia Mining Pty Ltd. There is no outstanding balance as at 30 June 2017 (2016: Nil).

Loans to/from related parties

There were no loans to or from related parties at the reporting date.

Note 24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Equity holding	
			2017	2016
SML Resources Limited	British Virgin Island	Investment holding	100%	100%
Synergy Metals Pty Limited	Australia	Investment holding	100%	100%
Australian Gold Mines Pty Limited	Australia	Investment holding	100%	100%
Mt. Wills Gold Mines Pty Limited*	Australia	Mineral exploration	100%	100%
Mitta Omeo Metals Pty Ltd	Australia	Mineral exploration	100%	100%

* Owned 100% by Australian Gold Mines Pty Limited

Australian Gold Mines Pty Limited and Mt Wills Gold Mines Pty Limited collectively hold interests in the Glen Wills and Sunnyside gold project located in the East Gippsland region in Victoria, Australia.

Note 25. Events occurring after the reporting date

Since 30 June 2017, the Offer was launched and has been managed by Phillip Capital Limited. The Offer was successfully completed on 20 July 2017.

Subject to the completion of the Acquisition, the existing shareholders of the Company will be issued with bonus options, at nil consideration, on the basis of one option for every five shares held. The options will be valid for three years from the date of issue and each option will entitle the holder to subscribe for one share in the Company at an exercise price of \$0.053.

Subject to the completion of the Acquisition, the Company will proceed with the divestment of the GWS Tenement. Further, the Redemption Notes will be issued to the shareholders.

On 17 July 2017, the Company received the decision from the ASX to re-admit the Company to its official list and to quote the Company's securities, subject to the satisfaction of certain conditions precedent including, inter alia, the completion of the Offer, the issue of the bonus options, the issue of the Redemption Notes and completion of the share purchase agreement.

Notes to the financial statements
30 June 2017

Note 25. Events occurring after the reporting date (continued)

With the Offer now completed, the Company is currently working towards satisfying the remaining conditions precedent to re-admit the Company to the ASX official list and to quote the Company's securities.

Except for the items above, no matters or circumstances have arisen since 30 June 2017 that could significantly affect the Company or its operations.

Note 26. Earnings per share

	2017	2016
	\$	\$
Loss after income tax attributable to the owners of the Company	(9,568,692)	(7,600,130)
	Number	Number Restated
Weighted average number of ordinary shares used in calculating basic earnings per share	80,879,849	80,879,849
Weighted average number of ordinary shares used in calculating diluted earnings per share	80,879,849	80,879,849
	Cents	Cents
Basic earnings per share	(11.83)	(9.40)
Diluted earnings per share	(11.83)	(9.40)

Prior period restatement

The weighted number of ordinary shares for 2016 has been restated for the effect of the share consolidation (in the ratio of 4 into 3) completed in June 2017, in accordance with IAS 33 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	107,839,799
Adjustment required by IAS 33 'Earnings per share'	<u>(26,959,950)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u>80,879,849</u>

Notes to the financial statements
30 June 2017

Note 27. Cash flows information

	2017	2016
	\$	\$
Reconciliation of cash flows from operating activities with loss after income tax expense:		
Loss after income tax expense for the year	(9,568,692)	(7,600,130)
Cash flows excluded from loss attributable to operating activities:		
Non-cash flows in loss:		
Exploration expenditure written off	8,120,275	7,189,546
Impairment of property, plant and equipment	679,750	-
Write off of property, plant and equipment	10,000	-
Depreciation	71,286	146,780
Effects of exchange fluctuations on cash held	-	(2,411)
Changes in assets and liabilities:		
(Increase)/decrease in trade, other receivables and other assets	19,844	(2,036)
Increase/(decrease) in trade and other payables	210,714	(4,782)
	<hr/>	<hr/>
Net cash used in operating activities	(456,823)	(273,033)

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the directors,

A handwritten signature in black ink, appearing to be 'Kiat Poh', written over a horizontal line.

Kiat Poh
Non-Executive Chairman
31 July 2017
Melbourne

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Independent Auditor's Report to the Members of SML Corporation Limited Report on the audit of the financial report

Opinion

We have audited the financial report of SML Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group gives a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Financial Reporting Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assets Held for Sale – valuation Note 9</p> <p>At 30 June 2017 the carrying value of Assets Held for Sale was \$6,855,238.</p> <p>During the period SML has classified its Exploration and Evaluation Assets and associated plant and equipment as assets held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. Management made this determination on the basis that SML has entered into a share sale agreement to acquire 100% of the issued shares in another entity, and appointed a third party to assist with the divestment of its mining tenement and associated plant and equipment. Management engaged a specialist to assist with the divestment process.</p> <p>In accordance with IFRS 5, specific conditions must be met in order to be classified as assets held for sale.</p> <p>This area is a key audit matter as significant judgement is required in determining whether the facts and circumstances suggest that the assets be classified as held for sale.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Confirming that there is an intention to sell and an active marketing campaign has commenced for the sale of Exploration and Evaluation Assets and associated plant and equipment by agreeing to board papers and market announcements; • Assessing the completeness of the carrying value of these assets by considering whether all costs that should be capitalised have been appropriately captured in line with accounting standards, to ensure they have been appropriately recorded at fair value less estimated selling costs in line with accounting standards; • Reading related agreements and holding discussions with management's specialist to confirm the process of divestment of Exploration and Evaluation assets and associated plant and equipment; • Assessing the valuations of Exploration and Evaluation assets and associated plant and equipment and reviewing for mathematical accuracy; • Assessing the competence, capabilities and objectivity of management's expert used in performing the valuations; • Engaging with internal valuation experts to assess the reasonableness of assumptions and inputs used in the valuation; and • Assessing the adequacy of the related financial statement disclosures.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A. C. Pitts
Partner - Audit & Assurance

Melbourne, 31 July 2017

SHAREHOLDER INFORMATION

Fully Paid Ordinary Shares

Analysis of holdings as at 30 September 2017

Holdings Ranges	Holders	Total Units	%
1-1,000	141	44,270	0.020
1,001-5,000	150	392,465	0.178
5,001-10,000	107	821,858	0.372
10,001-100,000	399	17,134,365	7.764
100,001-99,999,999,999	73	202,308,319	91.666
Totals	870	220,701,277	100.000

The number of unmarketable parcel holders as at 30 September 2017 based upon a share price of \$.038 (3.8 cents), is 448 shareholders holding in aggregate 1,793,499 ordinary shares.

Top 20 Holdings as at 30 September 2017

Holder Name	Number Held	%
NEW CONCEPT CORPORATION LIMITED	98,796,992	44.765%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	39,375,000	17.841%
INAYA LIMITED	13,928,571	6.311%
KIPBERG PTY LTD <EDP FAMILY A/C>	8,345,865	3.782%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,656,377	3.469%
CITICORP NOMINEES PTY LIMITED	3,573,397	1.619%
MR SIK ERN WONG	2,539,800	1.151%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,453,171	1.112%
MR GOO TONG ANG	2,360,882	1.070%
MR EWE GHEE LIM & MISS CHARLENE YULING LIM	2,360,531	1.070%
MR KIAT POH & MISS JU-LYNN POH	2,170,376	0.983%
EST MR TREVOR NEIL HAY	1,607,526	0.728%
MS LEE LUANG YEO	1,408,180	0.638%
KENG CHUEN THAM	1,200,000	0.544%
PMR INVESTMENTS PTY LIMITED <PMR INVESTMENT A/C>	1,000,000	0.453%
MR KAH HONG CHAN	854,949	0.387%
MR DAVID KEITH EDWARDS & MRS ROBERTA MAY EDWARDS <EDWARDS SUPER FUND A/C>	506,250	0.229%
JAALEW INVESTMENTS PTY LTD <JAALEW PENSION FUND A/C>	500,000	0.227%
MR LARRY SCHREIER	475,501	0.215%
MRS ERICA MAY BINNIE	450,000	0.204%
	191,563,368	86.798%

Substantial Shareholders of the Company are set out below:	Number Held	%
NEW CONCEPT CORPORATION LIMITED	98,796,992	44.765%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	39,375,000	17.841%
INAYA LIMITED	13,928,571	6.311%

Voting rights attached to ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon poll each share shall have one vote.

Shares Options

Analysis of holdings as at 30 September 2017

Listed Options \$0.053 Expiring 7 August 2020

Holdings Ranges	Holders	Total Units	%
1-1,000	270	89,016	0.550
1,001-5,000	235	579,394	3.582
5,001-10,000	52	351,589	2.174
10,001-100,000	65	1,833,315	11.334
100,001-99,999,999,999	12	13,322,656	82.361
Totals	634	16,175,970	100.000

Top 20 Holdings as at 30 September 2017

Holder Name	Number Held	%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	7,875,000	48.683%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,531,278	9.466%
CITICORP NOMINEES PTY LIMITED	714,680	4.418%
MR SIK ERN WONG	507,960	3.140%
MS LEE LUANG YEO	481,636	2.977%
MR GOO TONG ANG	472,176	2.919%
MR EWE GHEE LIM & MISS CHARLENE YULING LIM	472,106	2.919%
MR KIAT POH & MISS JU-LYNN POH	434,075	2.683%
EST MR TREVOR NEIL HAY	321,505	1.988%
KENG CHUEN THAM	240,000	1.484%
MR KAH HONG CHAN	170,990	1.057%
MR DAVID KEITH EDWARDS & MRS ROBERTA MAY EDWARDS <EDWARDS SUPER FUND A/C>	101,250	0.626%
MRS LILIANA TEOFILOVA	85,778	0.530%
MR KA FAI MARTIN WONG	84,618	0.523%
SUBZERO COMMERCIAL REFRIGERATION PTY LTD <DKSM SUPER FUND A/C>	79,780	0.493%
MISS LAY HONG GOH	75,000	0.464%
MR GORDON BURDEKIN & MRS NOELLE BURDEKIN <BURDEKIN SUPER FUND A/C>	66,808	0.413%
MR CHEE KOK TEO	60,628	0.375%
MR MELVIN BOON KHER POH	60,522	0.374%
MR IVAN PRGOMET	56,250	0.348%
	13,892,040	85.881%



