

SML CORPORATION LIMITED

ARBN 161 803 032

**Statutory Accounts
For Financial Year Ended 30 June 2016**

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CORPORATE DIRECTORY

Directors	Kiat Poh Kim Chuan Freddie Heng Shaw Pao Sze Furang Li
Corporate Secretary and principal registered office in Bermuda	Kim Chuan Freddie Heng Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registered agent office in Australia	Synergy Metals Pty Limited 9A/23-25 Bunney Road Oakleigh South, VIC 3167 Australia Telephone: +(61 3) 8555 3708 Facsimile: +(61 3) 8555 3706 Email: smlcorp@optusnet.com.au
Share registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, NSW 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, VIC 3000 Australia
Banker	Westpac Banking Corporation 409 St Kilda Road Melbourne, VIC 3004 Australia
Stock exchange listing	SML Corporation Limited shares are listed on the Australian Securities Exchange ASX Code: SOP (fully paid ordinary shares) SOPO (quoted options, A\$0.20, expired 23/11/2015)
Website address	www.smlcorporation.com

Directors Report 30 June 2016

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 2016.

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 (Appointed on 5.4.2016)
Xiaohua Ren (Resigned on 5.4.2016)
Feng Sun (Resigned on 8.7.2015)

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.

He has been a non-executive director of Centrex Metals Limited, a company listed on ASX since May 2008. He has no former directorships during the last three (3) years except for his past directorship in Synergy Metals Limited.

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.

Directors Report
30 June 2016

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. He has no former directorships during the last three (3) years except for his past directorship in Synergy Metals Limited.

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 other current directorships and has no former directorships during the last three (3) years except for his past directorship in Synergy Metals Limited. 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 and Options

Director	Interest in Ordinary Shares
Kiat Poh	3,231,335
Kim Chuan Freddie Heng	2,901,910
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 2016 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	1	1	-	-	-	-
Xiaohua Ren (Resigned on 5.4.2016)	3	3	-	-	2	2

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.

**Directors Report
30 June 2016**

- 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.

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.

Directors Report
30 June 2016

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.

B. Details of remuneration

Amounts of remuneration

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

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

2015	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
Xiaohua Ren	-	-	-	-	-	-	-
Total	92,850	-	-	-	-	-	92,850

All remuneration is fixed.

Directors Report
30 June 2016

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 2016.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

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 2016.

E. Shareholding and Option 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
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>

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2015					
<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>

E. Shareholding and Option holding (continued)

Option holding

The number of options over ordinary 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:

2016	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Kiat Poh	2,154,224	-	-	2,154,224	-
Kim Chuan Freddie Heng	1,934,607	-	-	1,934,607	-
	<u>4,088,831</u>	<u>-</u>	<u>-</u>	<u>4,088,831</u>	<u>-</u>

2015	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Kiat Poh	2,154,224	-	-	-	2,154,224
Kim Chuan Freddie Heng	1,934,607	-	-	-	1,934,607
	<u>4,088,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,088,831</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 \$7,600,130 (30 June 2015: \$833,250).

During the financial year, there was no exploration work completed within MIN 4921, instead a Work Plan has been applied to undertake re-processing of existing surface tailings material and surface rock dumps.

7.0 Likely developments and expected results of operations

During the financial year the consolidated entity continued to review and assess its tenement holdings consistent with its philosophy of not just holding on to the tenement ground but to test and decide as expediently as possible the potential of any tenement.

8.0 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.

9.0 Matters subsequent to the end of the financial year

No matters or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 (2015: \$85,000) 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.

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
19 August 2016
Melbourne

FINANCIAL REPORT

For the year ended 30 June 2016

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 19 August 2016. 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 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Revenue	5	219,153	242,433
Expenses			
Operating expenses		(632,148)	(598,168)
Exploration expenditure written off	6	(7,189,546)	(280,188)
Impairment of property, plant and equipment	6	-	(201,537)
Loss before income tax expenses		(7,602,541)	(837,460)
Income tax expenses	7	-	-
Loss after income tax expense for the year attributable to the owners of SML Corporation Limited	16	(7,602,541)	(837,460)
Other comprehensive income for the year, net of tax		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	16	2,411	4,210
Total comprehensive loss for the year attributable to the owners of SML Corporation Limited		(7,600,130)	(833,250)
		Cents	Cents
Basic earnings per share	26	(7.05)	(0.77)
Diluted earnings per share	26	(7.05)	(0.77)

SML Corporation Limited
Consolidated Statement of Financial Position
As at 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	4,558,649	4,932,000
Trade and other receivables	9	23,883	24,551
Other	10	2,704	-
Total current assets		4,585,236	4,956,551
Non-current assets			
Property, plant and equipment	11	1,161,274	1,308,054
Deferred exploration and evaluation expenditure	12	14,585,186	21,692,003
Total non-current assets		15,746,460	23,000,057
Total assets		20,331,696	27,956,608
Liabilities			
Current liabilities			
Trade and other payables	13	33,640	38,422
Total current liabilities		33,640	38,422
Non-current liabilities			
Provisions	14	65,000	85,000
Total non-current liabilities		65,000	85,000
Total liabilities		98,640	123,422
Net assets		20,233,056	27,833,186
Equity			
Contributed equity	15	108,051	108,051
Reserves	17	62,948,442	62,948,442
Accumulated losses	16	(42,823,437)	(35,223,307)
Total equity		20,233,056	27,833,186

SML Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

	Contributed equity \$	Reserve \$	Accumulated losses \$	Total Equity \$
Consolidated				
Balance at 1 July 2014	108,051	62,948,442	(34,390,057)	28,666,436
Other comprehensive income for the year, net of tax	-	-	4,210	4,210
Loss after income tax expense for the year	-	-	(837,460)	(837,460)
	<hr/>			
Balance at 30 June 2015	108,051	62,948,442	(35,223,307)	27,833,186

	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

SML Corporation Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Cash flows related to operating activities			
Payments to suppliers (inclusive of GST)		(492,187)	(480,124)
Interest received		114,162	170,136
Other revenue		104,992	72,297
		<hr/>	<hr/>
Net cash used in operating activities		(273,033)	(237,691)
Cash flows from investing activities			
Payments for exploration and evaluation	12	(102,729)	(400,769)
		<hr/>	<hr/>
Net cash used in investing activities		(102,729)	(400,769)
Net decrease in cash and cash equivalents		(375,762)	(638,460)
Effects of exchange fluctuations on cash held		2,411	4,210
Cash and cash equivalents at the beginning of the financial year		4,932,000	5,566,250
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	8	4,558,649	4,932,000
		<hr/>	<hr/>

Notes to the financial statements

30 June 2016

1. Corporate Information

The consolidated financial statements of the Company for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 19 August 2016. 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.

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 2015 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 2016 and the results of all subsidiaries for the year then ended. SML Corporation Limited and its subsidiaries together are referred to in these financial

Notes to the financial statements

30 June 2016

statements as the 'consolidated entity'.

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

Notes to the financial statements

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is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

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
Mine 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.

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,

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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. 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

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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.

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

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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.

2. 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.

2.1 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 consolidated entity's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

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.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The consolidated entity's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

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2.1 Standards and Interpretations in issue not yet adopted (continued)

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.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. The consolidated entity's management have not yet assessed the impact of IFRS 16 on these consolidated financial statements.

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.

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.

Notes to the financial statements
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Note 3. Critical accounting judgements, estimates and assumptions (continued)

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

	2016	2015
	\$	\$
Interest	114,162	170,136
Other revenue	104,991	72,297
	219,153	242,433

Note 6. Expenses

	2016	2015
	\$	\$
<i>Analysis of expenses:</i>		
<i>Depreciation</i>		
Plant and equipment	75,208	76,641
Mining and exploration assets	71,572	94,489
Total depreciation	146,780	171,130
<i>Others</i>		
Directors remuneration	92,850	92,850
Write down of exploration assets	7,189,546	280,188
Impairment of property, plant and equipment	-	201,537

The Company surrendered its Exploration Licences 3916 (Merrimac Creek), 4744 (Granite Flat) and 4717 (Omeo) in order to reduce expenditure and maximise shareholder value. All exploration costs incurred in relation to these Exploration Licences have been written off during the financial year.

During the financial year, the Board of Directors assessed impairment on remaining exploration and evaluation balance relating to MIN 4921 and identified areas that were least prospective and as result agreed to impair \$2,304,924 at the reporting period.

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Note 7. Income tax expense

	2016	2015
	\$	\$
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Total comprehensive loss before income tax expense	(7,600,130)	(833,250)
Tax at the Australian tax rate of 30%	(2,280,039)	(249,975)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	75,380	88,703
Tax losses and temporary differences for deferred tax assets not recognised	665,460	(57,068)
	(1,539,199)	(153,618)
Deferred tax asset attributable to tax losses not brought to account	1,539,199	153,618
Income tax expense	-	-
	2016	2015
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	26,802,117	21,671,455
Potential tax benefit @ 30%	8,040,635	6,501,437

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 2016, there is no recognised or unrecognised deferred income tax liability (2015: \$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 2016 the consolidated entity had deferred tax liabilities on capitalised mineral exploration expenditure of \$4,375,556 (2015: \$6,507,601) that has been set off against the deferred tax losses.

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Note 8. Cash and cash equivalents

	2016 \$	2015 \$
Cash on hand	4,000	4,000
Cash at bank	535,384	399,981
Cash on deposit	4,019,265	4,528,019
	<u>4,558,649</u>	<u>4,932,000</u>

An amount of \$62,000 (2015: \$72,000) is held on term deposit to support bank guarantees for an amount of \$62,000 (2015: \$72,000) 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 (2015: \$53,336) is held on term deposit to support bank guarantee for office lease.

Note 9. Trade and other receivables

	2016 \$	2015 \$
Other receivables	<u>23,883</u>	<u>24,551</u>

Note 10. Other

	2016 \$	2015 \$
Deposits	<u>2,704</u>	<u>-</u>

Note 11. Property, plant and equipment

	2016 \$	2015 \$
Plant and equipment - at cost	938,024	938,024
Less: Accumulated depreciation	(731,991)	(656,783)
	<u>206,033</u>	<u>281,241</u>
Mining and exploration assets - at cost	1,812,011	1,812,011
Less: Accumulated depreciation	(856,770)	(785,198)
	<u>955,241</u>	<u>1,026,813</u>
	<u>1,161,274</u>	<u>1,308,054</u>

Notes to the financial statements
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Note 11. Property, plant and equipment (continued)

<i>Reconciliation of written down values</i>	Plant and equipment	Mining and exploration assets	Total
	\$	\$	\$
Balance at 30 June 2014	357,882	1,322,839	1,680,721
Additions	-	-	-
Disposals	-	-	-
Depreciation	(76,641)	(94,489)	(171,130)
Impairment	-	(201,537)	(201,537)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015	281,241	1,026,813	1,308,054
Additions	-	-	-
Disposals	-	-	-
Depreciation	(75,208)	(71,572)	(146,780)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2016	<u>206,033</u>	<u>955,241</u>	<u>1,161,274</u>

Note 12. Deferred exploration and evaluation expenditure

	2016 \$	2015 \$
Mineral exploration projects - at cost	<u>14,585,186</u>	<u>21,692,003</u>

Reconciliations

	Exploration and Evaluation \$
Consolidated	
Balance at 30 June 2014	21,571,422
Additions	400,769
Exploration expenditure written off	<u>(280,188)</u>
Balance at 30 June 2015	21,692,003
Additions	102,729
Reversal of provision of rehabilitation	(20,000)
Exploration expenditure written off (Note 6)	<u>(7,189,546)</u>
Balance at 30 June 2016	<u>14,585,186</u>

The ultimate recoupment of the exploration and evaluation expenditure carried forward in each area of interest is dependent upon the successful exploration, development and exploitation of the mining tenements on acceptable commercial terms, and/or the sale of the mining tenements for amounts greater than their carrying value.

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

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.

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Note 13. Trade and other payables

	2016 \$	2015 \$
Trade payables	1,084	10,302
Other payables	32,556	28,120
	<u>33,640</u>	<u>38,422</u>

Note 14. Non-current liabilities – provisions

Rehabilitation

The provision of \$65,000 (2015: \$85,000) 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 15. Equity – contributed

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares - fully paid	<u>107,839,799</u>	107,839,799	<u>108,051</u>	108,051

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

Share consolidation

During the financial year, the Company has not consolidated any of its shares on issue.

Share options

The Company has no quoted share options. For further details, see note 18.

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.

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 16. Equity - accumulated losses

	2016 \$	2015 \$
Accumulated losses at the beginning of the financial year	(35,223,307)	(34,390,057)
Other comprehensive income for the year	2,411	4,210
Loss after income tax expense for the year	<u>(7,602,541)</u>	<u>(837,460)</u>
Accumulated losses at the end of the financial year	<u>(42,823,437)</u>	<u>(35,223,307)</u>

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Note 17. Reserve

	2016 \$	2015 \$
Restructure of group with establishment of new parent entity	<u>62,948,442</u>	62,948,442

Note 18. Share options

	No of options	
	2016	2015
Quoted options		
Expired on 23 November 2015 ("SOPO")	<u>-</u>	36,891,338

The 36,891,338 quoted options (exercisable at amounts of \$0.20 per share) have expired unexercised during the financial year.

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.

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.

Note 19. Financial instruments (continued)

Market risk (continued)

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:

	2016		2015	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Consolidated				
Cash and cash equivalents	2.60	<u>4,558,649</u>	3.24	<u>4,932,000</u>
Net exposure to cashflow interest rate risk		<u>4,558,649</u>		<u>4,932,000</u>

An official increase/decrease in interest rates of one (2015: one) percentage point would have favourable/adverse effect on profit before tax of \$45,586 (2015: \$43,920) 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 2016, none of the consolidated entity's receivables are past due or impaired (2015: 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 2016 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.

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Note 19. Financial instruments (continued)

2016	Weighted average interest rate %	1 year or less \$	Consolidated			Over 5 years \$	Remaining contractual maturities \$
			Between 1 and 2 years \$	Between 2 and 5 years \$			
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
<hr/>							
2015	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	-	10,302	-	-	-	-	10,302
Other payables	-	28,120	-	-	-	-	28,120
Total non-derivatives	-	38,422	-	-	-	-	38,422

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
Xiaohua Ren (Resigned on 5.4.2016)	Non-Executive Director
Feng Sun (Resigned on 8.7.2015)	Non-Executive Director

Compensation

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

	2016	2015
	\$	\$
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 2016

Note 21. Contingent liabilities

The directors are not aware of any contingent liabilities to which the consolidated entity may be exposed to as at 30 June 2016 (2015: nil) and into the foreseeable future.

Note 22. Commitments for expenditure

	2016 \$	2015 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	85,214	71,300
One to five years	63,839	137,991
	<u>149,053</u>	<u>209,291</u>

During the financial year, the property located at St Kilda Road has been subleased to a third party for the same terms.

Exploration & evaluation expenditure payable

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	214,317	404,817
One to five years	428,634	906,951
	<u>642,951</u>	<u>1,311,768</u>

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.

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 Director related Company and major shareholder Northwest Nonferrous Australia Mining Pty Ltd ("Northwest") did not provide geological consultancy and geophysical services to the consolidated entity during the financial year (2015: \$84,344). There is no outstanding balance due to Northwest as at 30 June 2016 (2015: \$3,300).

The consolidated entity derived \$71,623 (2015: \$72,297) 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 2016 (2015: Nil).

Notes to the financial statements
30 June 2016

Note 23. Related party transactions (continued)

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	
			2016	2015
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

No matters or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 26. Earnings per share

	2016	2015
	\$	\$
Loss after income tax attributable to the owners of the Company	(7,600,130)	(833,250)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	107,839,799	107,839,799
Weighted average number of ordinary shares used in calculating diluted earnings per share	107,839,799	107,839,799
	Cents	Cents
Basic earnings per share	(7.048)	(0.772)
Diluted earnings per share	(7.048)	(0.772)

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 2016 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,



Kiat Poh
Non-Executive Chairman

19 August 2016
Melbourne

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Independent Auditor's Report To the Members of SML Corporation Limited

We have audited the accompanying financial report of SML Corporation Limited (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Responsibility of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion, the financial report gives a true and fair view of the financial position of the consolidated entity as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner – Audit & Assurance

Melbourne, 19 August 2016