

SML CORPORATION LIMITED
ARBN 161 803 032

INTERIM REPORT - 31 DECEMBER 2016

SML Corporation Limited
Corporate Directory

Directors

Kiat Poh
Kim Chuan Freddie Heng
Shaw Pao Sze
Furang Li

Registered office in Bermuda

Clarendon House
2 Church Street, Hamilton HM11
Bermuda

Website address

www.smlcorporation.com

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

Bankers

Westpac Banking Corporation
409 St Kilda Road
Melbourne VIC 3004
Australia

Company secretary

Kim Chuan Freddie Heng

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

Stock exchange listing

SML Corporation Limited shares are
listed on the Australian Securities Exchange
ASX Code : SOP (fully paid ordinary shares)

Auditor

Grant Thornton Audit Pty Ltd
The Rialto, Level 30, 525 Collins Street
Melbourne VIC 3000
Australia

SML Corporation Limited

Directors' report 31 December 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 half-year ended 31 December 2016.

Directors

The following persons were directors of SML Corporation Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Kiat Poh
Kim Chuan Freddie Heng
Shaw Pao Sze
Furang Li

Principal activities

The principal activity of the consolidated entity during the period continued to be mineral exploration in Australia. The consolidated entity holds mining tenement in the East Gippsland region of Victoria encompassing the historic Glen Wills and Sunnyside gold projects.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$9,020,179 (31 December 2015: \$1,384,471). During the financial period, the Board received an independent external valuation of its exploration and evaluation assets which provided a value of \$6,520,000 resulting in an impairment of \$8,101,523. Following the significant value impairment, the Board has resolved to initiate divesting all the exploration and evaluation assets. 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 adjustments as the situation progresses.

Significant changes in the state of affairs

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

On behalf of the directors



Kiat Poh
Non-Executive Chairman

22 February 2017
Melbourne

SML Corporation Limited
Financial report
For the half-year ended 31 December 2016

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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 SML Corporation Limited's functional and presentation currency.

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

SML Corporation Limited 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 22 February 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 half-year ended 31 December 2016

		Consolidated	
	Note	31/12/2016	31/12/2015
		\$	\$
Revenue	3	115,227	55,597
Expenses			
Operating expenses		(354,133)	(268,827)
Exploration expenditure written off	4	(8,101,523)	(1,171,241)
Impairment of Property, plant and equipment	4	(679,750)	-
		<u>(9,135,406)</u>	<u>(1,440,068)</u>
Loss before income tax expenses	4	(9,020,179)	(1,384,471)
Income tax expenses		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of SML Corporation Limited		(9,020,179)	(1,384,471)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the half-year attributable to the owners of SML Corporation Limited		<u>(9,020,179)</u>	<u>(1,384,471)</u>
		Cents	Cents
Basic earnings per share	12	(8.36)	(1.28)
Diluted earnings per share	12	(8.36)	(1.28)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

SML Corporation Limited
Consolidated Statement of financial position
As at 31 December 2016

	Note	Consolidated	
		31/12/2016	30/6/2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,343,657	4,558,649
Assets held for sale	5	6,920,238	-
Trade and other receivables		28,597	23,883
Other		2,704	2,704
Total current assets		<u>11,295,196</u>	<u>4,585,236</u>
Non- current assets			
Property plant and equipment	6	-	1,161,274
Deferred exploration and evaluation expenditure	7	-	14,585,186
Total non-current assets		<u>-</u>	<u>15,746,460</u>
Total assets		<u>11,295,196</u>	<u>20,331,696</u>
Liabilities			
Current liabilities			
Trade and other payables		17,319	33,640
Total current liabilities		<u>17,319</u>	<u>33,640</u>
Non- current liabilities			
Provisions		65,000	65,000
Total non-current liabilities		<u>65,000</u>	<u>65,000</u>
Total liabilities		<u>82,319</u>	<u>98,640</u>
Net assets		<u>11,212,877</u>	<u>20,233,056</u>
Equity			
Contributed equity	8	108,051	108,051
Reserves		62,948,442	62,948,442
Accumulated losses		(51,843,616)	(42,823,437)
Total equity		<u>11,212,877</u>	<u>20,233,056</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

SML Corporation Limited
Consolidated Statement of changes in equity
As at 31 December 2016

	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 half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(1,384,471)	(1,384,471)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	<u>108,051</u>	<u>62,948,442</u>	<u>(36,607,778)</u>	<u>26,448,715</u>
	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 half-year, net of tax	-	-	-	-
Loss after income tax expense for the half-year	-	-	(9,020,179)	(9,020,179)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	<u>108,051</u>	<u>62,948,442</u>	<u>(51,843,616)</u>	<u>11,212,877</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SML Corporation Limited
Consolidated Statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)	(275,823)	(208,435)
Interest received	35,212	19,884
Other revenue	65,943	-
	<u>(174,668)</u>	<u>(188,551)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	<u>(36,337)</u>	<u>(82,480)</u>
Net cash used in investing activities	<u>(36,337)</u>	<u>(82,480)</u>
Net decrease in cash and cash equivalents	(211,005)	(271,031)
Effects of exchange fluctuations on cash held	(3,987)	-
Cash and cash equivalents at beginning of the financial half-year	<u>4,558,649</u>	<u>4,932,000</u>
Cash and cash equivalents at the end of the financial half-year	<u>4,343,657</u>	<u>4,660,969</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

SML Corporation Limited
Notes to the financial statements
31 December 2016

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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.

Critical accounting judgements, estimates and assumptions

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, contingent liabilities, revenue and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the last annual report for the year ended 30 June 2016 except the following:

Assets held for sale

As disclosed in Note 5 to the financials, the Deferred exploration and expenditure and Property, plant and equipment were re-classified to "Assets held for sale" for the reporting period ended 31 December 2016. The Directors have assessed and then impaired the value of this non-current assets to its estimated fair value for the period ended 31 December 2016. It is expected that this assets will be sold in the next 12 months.

Note 2. Operating segments

Identification of reportable operating segments

The Company operated predominately as an explorer for base precious metals, with the emphasis on gold 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.

SML Corporation Limited
Notes to the financial statements
31 December 2016

Note 3. Revenue

	31/12/2016	31/12/2015
	\$	\$
Other revenue		
Interest	49,284	55,597
Other revenue	65,943	-
	<u>115,227</u>	<u>55,597</u>

Note 4. Expenses

	31/12/2016	31/12/2015
	\$	\$
Loss before income tax includes the following specific expenses:		
Depreciation:		
Plant and equipment	35,500	37,920
Mine and exploration assets	35,786	35,786
Total depreciation	<u>71,286</u>	<u>73,706</u>
Write down of exploration assets	8,101,523	1,171,241
Impairment of Property, plant and equipment	679,750	-

Note 5. Assets held for sale

	31/12/2016	30/6/2016
	\$	\$
Assets held for sale comprise:		
Mineral exploration project, at fair value	6,520,000	-
Property, plant and equipment, at fair value	400,238	-
	<u>6,920,238</u>	<u>-</u>

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 6. Property, plant and equipment

	31/12/2016	30/6/2016
	\$	\$
Plant and equipment -at cost		938,024
Less: Accumulated depreciation		(731,991)
	<u>-</u>	<u>206,033</u>
Mine and exploration assets -at cost		1,812,011
Less: Accumulated depreciation		(856,770)
	<u>-</u>	<u>955,241</u>
	<u>-</u>	<u>1,161,274</u>

SML Corporation Limited
Notes to the financial statements
31 December 2016

Note 6. Property, plant and equipment (continued)

	Plant and equipment	Mining and exploration assets	Total
	\$	\$	\$
Reconciliation of written down value			
Balance at 30 June 2016	206,033	955,241	1,161,274
Addition	-	-	-
Disposal /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 31 December 2016	<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.

Note 7. Deferred exploration and evaluation expenditure

	31/12/2016	30/6/2016
	\$	\$
Mineral exploration project, MIN 4921 - at cost	<u>-</u>	<u>14,585,186</u>
<i>Reconciliations</i>		Exploration and Evaluation
		\$
Balance at 30 June 2016		14,585,186
Additions		36,337
Exploration expenditure written off		(8,101,523)
Transferred to assets held for sale		<u>(6,520,000)</u>
Balance at 31 December 2016		<u>-</u>

During the financial period, 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.

Following the significant value impairment, the Board has resolved to initiate divesting all the exploration and evaluation assets. 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 adjustments as the situation progresses.

SML Corporation Limited
Notes to the financial statements
31 December 2016

Note 8. Equity - contributed

a) Ordinary shares

	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>107,839,799</u>	<u>107,839,799</u>	<u>108,051</u>	<u>108,051</u>

Note 9. Equity - dividends

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

Note 10. Contingent liabilities

The directors are not aware of any contingent liabilities to which the consolidated entity may be exposed to as at 31 December 2016 (2015: Nil) and into the foreseeable future.

Note 11. Events occurring after the reporting date

No matters or circumstance has arisen since 31 December 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 12. Earnings per share

	31/12/2016	31/12/2015
	\$	\$
Loss after income tax attributable to the owners of SML Corporation Limited	<u>(9,020,179)</u>	<u>(1,384,471)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>107,839,799</u>	<u>107,839,799</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>107,839,799</u>	<u>107,839,799</u>
	Cents	Cents
Basic earnings per share	(8.36)	(1.28)
Diluted earnings per share	(8.36)	(1.28)

SML Corporation Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board as described in note 1 to the interim financial statements;
- the attached financial statements and notes thereto give a true and fair view of the interim consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-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

22 February 2017
Melbourne

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Melbourne Victoria 3000

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Melbourne Victoria 3001

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SML CORPORATION LIMITED

We have reviewed the accompanying half-year financial report of SML Corporation Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of SML Corporation Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Accounting Standards and the International Accounting Standards and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ISRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the IAS 34 Interim Financial Reporting. As the auditor of SML Corporation Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SML Corporation Limited is not presented fairly, in all material respects, the consolidated entity's financial position as at 31 December 2016 and its financial performance and its cash flows for the half year ended on that date, in accordance with IAS 34 Interim Reporting.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Adam Pitts
Partner - Audit & Assurance

Melbourne, 22 February 2017