

SML CORPORATION LIMITED
ARBN 161 803 032

INTERIM REPORT - 31 DECEMBER 2014

expire 23/11/2015)

Australia

SML Corporation Limited

Directors' report 31 December 2014

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 2014.

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:

Feng Sun
Xiaohua Ren
Kiat Poh
Kim Chuan Freddie Heng
Shaw Pao Sze

Principal activities

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

Review of operations

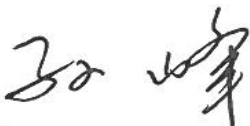
The loss for the consolidated entity after providing for income tax amounted to \$196,574 (31 December 2013: \$261,708).

The consolidated entity continued to develop and review its work plan for all the tenements located in the Eastern Victoria, Australia.

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.

On behalf of the directors



Sun Feng
Non-Executive Chairman

11 February 2015
Xian, China

SML Corporation Limited
Financial report
For the half-year ended 31 December 2014

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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 Suite 3, Level 5, 468 St Kilda Road, Melbourne, VIC 3004, 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 11 February 2015. 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 2014

		Consolidated	
	Note	31/12/2014	31/12/2013
		\$	\$
Revenue	3	124,946	157,707
Expenses			
Operating expenses		<u>(323,955)</u>	<u>(416,195)</u>
Loss before income tax expenses	4	(199,009)	(258,488)
Income tax expenses		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of SML Corporation Limited		(199,009)	(258,488)
Other comprehensive income for the half-year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>2,435</u>	<u>(3,220)</u>
Total comprehensive loss for the half-year attributable to the owners of SML Corporation Limited		<u>(196,574)</u>	<u>(261,708)</u>
		Cents	Cents
Basic earnings per share	9	(0.18)	(0.24)
Diluted earnings per share	9	(0.18)	(0.24)

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 2014

	Note	Consolidated 31/12/2014 \$	30/6/2014 \$
Assets			
Current assets			
Cash and cash equivalents		5,278,476	5,566,250
Trade and other receivables		38,686	34,671
Other		6,065	6,065
Total current assets		<u>5,323,227</u>	<u>5,606,986</u>
Non- current assets			
Property plant and equipment		1,594,982	1,680,721
Deferred exploration and evaluation expenditure		21,662,197	21,571,422
Total non-current assets		<u>23,257,179</u>	<u>23,252,143</u>
Total assets		<u>28,580,406</u>	<u>28,859,129</u>
Liabilities			
Current liabilities			
Trade and other payables		25,544	107,693
Total current liabilities		<u>25,544</u>	<u>107,693</u>
Non- current liabilities			
Provisions		85,000	85,000
Total non-current liabilities		<u>85,000</u>	<u>85,000</u>
Total liabilities		<u>110,544</u>	<u>192,693</u>
Net assets		<u>28,469,862</u>	<u>28,666,436</u>
Equity			
Contributed equity	5	108,051	108,051
Reserves		62,948,442	62,948,442
Accumulated losses		<u>(34,586,631)</u>	<u>(34,390,057)</u>
Total equity		<u>28,469,862</u>	<u>28,666,436</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 2014

	Contributed equity \$	Reserve \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2013	107,839	62,948,442	(33,843,975)	29,212,306
Other comprehensive income for the half-year, net of tax	-	-	(6,598)	(6,598)
Loss after income tax expense for the half-year	-	-	(539,484)	(539,484)
Contributions of equity, net of transaction costs	212	-	-	212
Balance at 31 December 2013	108,051	62,948,442	(34,390,057)	28,666,436
	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 half-year, net of tax	-	-	2,435	2,435
Loss after income tax expense for the half-year	-	-	(199,009)	(199,009)
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 31 December 2014	108,051	62,948,442	(34,586,631)	28,469,862

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 2014

	Consolidated	
	31/12/2014	31/12/2013
	\$	\$
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)	(324,192)	(465,492)
Interest received	90,572	122,192
Other revenue	34,374	35,515
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(199,246)</u>	<u>(307,785)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	-	(548)
Payments for exploration and evaluation	(90,963)	(665,127)
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(90,963)</u>	<u>(665,675)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	212
	<u> </u>	<u> </u>
Net cash from financing activities	<u>-</u>	<u>212</u>
Net decrease in cash and cash equivalents	(290,209)	(973,248)
Effects of exchange fluctuations on cash held	2,435	(3,221)
Cash and cash equivalents at beginning of the financial half-year	<u>5,566,250</u>	<u>6,765,879</u>
Cash and cash equivalents at the end of the financial half-year	<u>5,278,476</u>	<u>5,789,410</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 2014

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 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 2014 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.

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, 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 3. Revenue

	31/12/2014	31/12/2013
	\$	\$
Other revenue		
Interest	90,572	122,192
Other revenue	34,374	35,515
	<u>124,946</u>	<u>157,707</u>

SML Corporation Limited
Notes to the financial statements
31 December 2014

Note 4. Expenses

	31/12/2014	31/12/2013
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	38,495	38,495
Mine and exploration assets	47,244	47,244
Total depreciation	<u>85,739</u>	<u>85,739</u>

Note 5. Equity - contributed

a) Ordinary shares

	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>107,839,799</u>	<u>107,839,799</u>	<u>108,051</u>	<u>108,051</u>

b) Share options

	No. of options	
	31/12/2014	30/06/2014
Quoted options		
Expiring on 23 November 2015 ("SOPO")	<u>36,891,338</u>	<u>36,891,338</u>

Note 6. Equity - dividends

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

Note 7. Contingent liabilities

The directors are not aware of any contingent liabilities to which the consolidated entity may be exposed to as at 31 December 2014 (2013: nil) and into the foreseeable future.

Note 8. Events occurring after the reporting date

No matters or circumstance has arisen since 31 December 2014 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.

SML Corporation Limited
Notes to the financial statements
31 December 2014

Note 9. Earnings per share

	31/12/2014	31/12/2013
	\$	\$
Loss after income tax attributable to the owners of SML Corporation Limited	<u>(196,574)</u>	<u>(261,708)</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	(0.18)	(0.24)
Diluted earnings per share	(0.18)	(0.24)

At 31 December 2014, option holders held a total of 36,891,338 options exercisable at amounts of \$0.20 per share (2013: 89,391,338 options exercisable in the range from \$0.20 to \$0.32 per share).

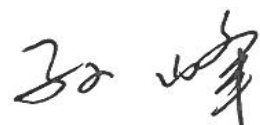
For the purposes of calculating the earnings (loss) per share, it has been assumed that option holders will not exercise their options. Therefore, the options have been classified as anti-dilutive and the diluted loss per share is the same as the basic loss per share.

SML Corporation Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the IAS 34 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 2014 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



Sun Feng
Non-Executive Chairman

11 February 2015
Xian, China

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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 ("Company"), and its subsidiaries (the "Group") which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, 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 Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such 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 International 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 presented fairly, in all material respects in accordance with IAS 134 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.

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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. A review is substantially less in scope than an audit conducted in accordance with International 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 does not present fairly, in all material respects, the consolidated entity's financial position as at 31 December 2014 and its financial performance and its cash flows for the half year ended on that date, in accordance with IAS 34 Interim Financial Reporting.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 11 February 2015