SML CORPORATION LIMITED

(TO BE RENAMED "SYNERTEC CORPORATION LIMITED")

ARBN 161 803 032

NOTICE OF SPECIAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00am (AEST)

DATE: 5 June, 2017

PLACE: Offices of Grant Thornton
The Rialto, Level 30, 525 Collins Street
Melbourne, Victoria, Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (AEST) on 3 June 2017.

BUSINESS OF THE MEETING - AGENDA

RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to and conditional upon the passing of the other Essential Resolutions, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company:

(a) to make a significant change in the nature and scale of its activities as described in the Explanatory Statement; and

(b) upon re-compliance with Chapters 1 and 2 of the ASX Listing Rules, to issue new Shares at an issue price of at least $0.04 per Share (on a post Consolidation basis); and

(c) upon re-compliance with Chapters 1 and 2 of the ASX Listing Rules, to issue and have Options on issue upon Completion with an exercise price of at least $0.053 per Option (on a post Consolidation basis)."

Short Explanation: The Company has entered into a Share Sale Agreement with Synertec Pty Ltd (**Synertec**), the Synertec Shareholders and the Covenantors (being the four ultimate beneficial owners of Synertec) pursuant to which the Company has agreed to acquire all of the issued shares in the capital of Synertec ("**Acquisition"**).

If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature or scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed and any associates of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 2 – CONSOLIDATION OF SHARE CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to and conditional upon the passing of the other Essential Resolutions, pursuant to bye-law 4(b)of the Bye-laws and for all other purposes, the authorised and issued capital of the Company be consolidated on the basis that every four (4) Shares be consolidated into three (3) Shares and, where this Consolidation results in a fraction of a Share being held, the Board be authorised generally to deal with any such fraction

of a Share including (without limitation) to round that fraction up or down to the nearest whole Share."

Short Explanation: The Company is required to consolidate its capital in order to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules. If Resolution 2 and the other Essential Resolutions are passed, the number of shares currently on issue will be reduced from 107,839,799 Shares to 80,879,849 Shares.

Bye-law 4(b) of the Bye-laws provides that the Company may, by an ordinary resolution passed in a general meeting, consolidate and divide all or any of its capital into shares of larger amount than its existing shares.

RESOLUTION 3 – ISSUE OF CONSIDERATION SHARES TO SYNERTEC SHAREHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to and conditional upon the passing of the other Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 107,142,857 Shares in the capital of the Company (on a post Consolidation basis) to the Synertec Shareholders (or their nominees) (**Consideration Shares**), on the terms and conditions set out in the Explanatory Statement."*

Short Explanation: As part of the Acquisition, the Company has agreed to issue the Consideration Shares to the Synertec Shareholders (or their nominees). The Company seeks Shareholder approval for the issue of the new Shares in accordance with ASX Listing Rule 7.1.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed and any associates of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert, BDO, for the purpose of the Shareholders' approval required under ASX Listing Rules 7.1 and 11.1.2. The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition (having regard to the related transactions which are the subject of the Essential Resolutions) to the non-associated Shareholders. The Independent Expert has determined the Acquisition (having regard to the related transactions which are the subject of the Essential Resolutions) is not fair but reasonable to the non-associated Shareholders.

RESOLUTION 4 – ISSUE OF CAPITAL RAISING SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to and conditional upon the passing of the other Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 18,750,000 Shares at $0.04 per Share (on a post Consolidation basis) to raise $750,000 on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company must issue a Prospectus in order to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed and any associates of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – ISSUE OF ADVISER SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to and conditional upon the passing of the other Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 13,928,571 new Shares (on a post Consolidation basis) to Inaya Limited (or its nominees) on the terms and conditions set out in the Explanatory Statement (**Adviser Shares**)."*

Short Explanation: The Company has agreed to issue 13,928,571 Shares (on a post Consolidation basis) to Inaya Limited in consideration for its advisory and facilitation services to the Company in relation to the Acquisition.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed and any associates of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – ISSUE OF REDEMPTION NOTES TO EXISTING SHAREHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to and conditional upon the passing of the other Essential Resolutions, for the purposes of bye-law 13 of the Bye-laws and for all other purposes, approval is given for the Company to issue 80,879,849 redemption notes to the Existing Shareholders on the terms and conditions set out in the Explanatory Statement (**Redemption Notes**)."*

Short Explanation: In the event that a Mining Assets Sale is successfully completed within 6 months from the date of completion of the Acquisition, an amount equal to the Net Sale Proceeds will be distributed to the Existing Shareholders on a pro rata basis via Redemption Notes to be issued at Completion of the Acquisition. Please refer to the Explanatory Statement for details.

The exact number of the Redemption Notes to be issued will depend on the number of Shares on issue following completion of the Consolidation.

Whilst no specific shareholder approval is required for the issue of the Redemption Notes as a matter of Bermuda law or the Bye-laws, the Directors believe it is in the best interests of the Shareholders to approve this element of the transactions contemplated by the Company.

RESOLUTION 7 – ELECTION OF DIRECTOR – MR MICHAEL CARROLL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to and conditional upon the passing of the other Essential Resolutions and for all purposes, Mr Michael Carroll, having been nominated and given his consent to act, be elected as a director of the Company with effect from Completion."

Short Explanation: It is a condition of the Share Sale Agreement that Mr Michael Carroll be appointed as a director of the Company with effect from completion of the Acquisition.

RESOLUTION 8 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of bye-law 172 of the Bye-Laws and for all other purposes, the name of the Company be and is hereby changed to "Synertec Corporation Limited"."

Dated: 5 May 2017

By Order of the Board
Kiat Poh
Non-Executive Chairman

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with the provisions of Bye-laws 83 to 88 inclusive of the Bye-laws, Shareholders are advised that:

- each Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder entitled to attend and vote at the Meeting who is the holder of 2 or more Shares may appoint not more than 2 proxies. If the member appoints 2 proxies, the proportion of the Shares to be represented by each proxy shall be specified in the instrument of proxy.

Shareholders and their proxies should be aware that:

- on a poll, a proxy need not use all the votes he is entitled to cast, or cast all such votes in the same way; and
- on a show of hands, if a Shareholder has appointed two proxies, neither of the proxies may vote as proxy for such shareholder.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 3 8555 3708.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

1.1 General

Resolution 1 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the acquisition of the Synertec Shares.

On 10 March 2017, the Company announced to ASX that it had entered into the Share Sale Agreement to acquire all of the issued shares in the capital of Synertec, a multi-disciplined engineering consulting company, delivering specialist engineering and compliance and related services across complex and highly regulated oil and gas, biotechnology, food and dairy, hospitals, industrial automation, mining, petrochemical and fine chemicals, pharmaceuticals and water industries.

Following Completion, the Company will focus on operating and developing the Synertec Business.

As the Synertec Business is not the same as the existing activities and operations of the Company, Resolution 1 seeks approval from Shareholders to permit the change in the nature and scale of the activities of the Company.

Subject to this Resolution and the other Essential Resolutions being approved by the Shareholders, the effect of Resolution 1 will be to allow the Company to proceed with and complete the Acquisition and carry on the Synertec Business.

A detailed description of the proposed Acquisition and the Synertec Business is outlined in Section 3 of this Explanatory Statement.

The Chairman will cast all proxies granted to him in favour of Resolution 1.

1.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

(a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

(b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and

(c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has confirmed to the Company that given the significant change in the nature and scale of the activities of the Company upon completion of the Acquisition, it requires the Company to:

(a) obtain the approval of its Shareholders for the proposed change of activities; and

(b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking approval of the Shareholders for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

Details of the Acquisition and the proposed changes to the structure and operations of the Company are set out throughout this Explanatory Statement.

1.3 Guidance Note 12 and Listing Rule Waivers

Recent changes to Guidance Note 12 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously a company had to re-comply to the Official List of the ASX at an issue price of 20 cents per share as part of compliance with Chapters 1 and 2 of the ASX Listing Rules. Guidance Note 12 states that this issue price can now be below 20 cents when an entity's securities have been trading on ASX at less than 20 cents. ASX will consider a request not to apply the 20 cent rule provided the issue price, sale price or exercise price for any securities being issued or sold as part of, or in conjunction with, the transaction:

(a) is not less than two cents each; and

(b) is specifically approved by security holders as part of the approval obtained under Listing Rule 11.1.2; and

(c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

The Company has received a waiver from ASX from:

(a) ASX Listing Rule 2.1 condition 2 to the extent necessary for the issue price of the Shares to be issued pursuant to the Capital Raising not to be at least 20 cents; and

(b) ASX Listing Rule 1.1 condition 11 to the extent necessary for the exercise price of the Bonus Options to be issued not to be at least 20 cents.

For this reason, the Company is seeking approval of the Shareholders for the Company to:

(a) issue new Shares at an issue price of at least $0.04 per Share (on a post Consolidation basis); and

(b) to issue and have Bonus Options on issue with an exercise price of at least $0.053 per Option (on a post Consolidation basis), For this reason, Resolution 1 also seeks approval of the Shareholders for the Company to:

(a) issue Shares at an issue price of at least $0.04 per Share (on a post Consolidation basis); and

(b) issue and have Bonus Options with an exercise price of $0.053 per Option (on a post Consolidation basis).

2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

2.1 Background

If Resolution 2 is passed, the number of Shares currently on issue will be reduced from 107,839,799 Shares to 80,879,849 Shares.

The Chairman will cast all proxies granted to him in favour of Resolution 2.

2.2 Legal requirements

Bye-law 4(b) of the Bye-laws provides that the Company may, by an ordinary resolution passed in a general meeting, consolidate and divide all or any of its capital into shares of larger amount than its existing shares.

2.3 Fractional entitlements

Not all Shareholders will hold that number of Shares which can be multiplied by a fraction of three quarters and will result in a complete number of Shares. Where a fractional entitlement occurs, the Board will round that fraction up or down to the nearest whole Share.

2.4 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor its advisers, accept any responsibility for the individual taxation implications arising from the Consolidation.

2.5 Holding statements

From the date two (2) Business Days after the Consolidation is approved by Shareholders, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to all holders.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal or exercise (as the case may be).

2.6 Effect on capital structure

Subject to this Resolution and the other Essential Resolutions being approved by the Shareholders, the effect which the Consolidation will have on the Company's capital structure at Completion is set out in the table below:

Capital Structure	Shares	Bonus Options
Pre-Consolidation of Shares - Existing	107,839,799	Nil
Post-Consolidation of Shares - Existing (Resolution 2)	80,879,849	Nil
Issue of Consideration Shares to Synertec Shareholders (post Consolidation) (Resolution 3)	107,142,857	Nil
Issue of Adviser Shares (post Consolidation) (Resolution 5)	13,928,571	Nil
Issue of Capital Raising Shares pursuant to Capital Raising (post Consolidation) (Resolution 4)	18,750,000	Nil
Issue of Bonus Options to Existing Shareholders (post Consolidation)	Nil	16,175,970
At Completion (post Consolidation)	**220,701,277**	**16,175,970**

1. Details of the Bonus Options are set out in Section 6 and the terms and conditions of the Options are set out in Schedule 2.

2. Assumes all the Bonus Options are issued to the Existing Shareholders.

2.7 Bonus Options – Pre Consolidation

There are no existing options on issue. Upon Completion of the Acquisition, up to 16,175,970 Bonus Options (on a post Consolidation basis) will be issued to Existing Shareholders pro rata at no issue price.

The Bonus Options each have an exercise price of $0.053 per Bonus Option and an exercise period of 3 years from the date of issue.

Details of the Bonus Options are set out in Section 6.

2.8 Indicative timetable*

If Resolution 2 together with all other Essential Resolutions are approved by the Shareholders, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Event	Date
Company sends out Notice of Special General Meeting to approve Consolidation	5 May 2017
Special General Meeting and Company informs ASX that Shareholders have approved the Consolidation	5 June 2017
Last day for pre-Consolidation trading.	8 June 2017

Event	Date
Post-Consolidation trading starts on a deferred settlement basis would ordinarily occur	9 June 2017
Last day for Company to register transfers on a pre-Consolidation basis	13 June 2017
First day for Company to send notice to each holder of the change in their details of holdings.	14 June 2017
First day for the Company to register Shares on a post-Consolidation basis and first day for issue of holding statements.	
Deferred settlement market would ordinarily end	20 June 2017
Last day for Securities to be entered into holders' Share holdings	
Last day for the Company to send notice to each holder of the change in their details of holdings	

* Due to the requirement that the Company's Shares must be suspended from trading from the date of the Special General Meeting until the ASX approves the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules, many of the events set out above (for example, deferred settlement trading) will not be applicable.

3. RESOLUTION 3 - ACQUISITION OF 100% OF SYNERTEC SHARES AND ISSUE OF CONSIDERATION SHARES TO SYNERTEC SHAREHOLDERS

3.1 Existing Activities of SML Corporation Limited

SML Corporation Limited is a public company incorporated on 15 October 2012 in Bermuda and has been admitted to the official List of the ASX since 28 May 2013 (ASX code: SOP).

The Company has operated as a gold and base metal exploration company in Victoria Australia. In addition to its principal business activities, the Company has been actively seeking to identify and evaluate new opportunities in related or non-related industries that may increase Shareholder value.

3.2 Introduction to Activities of Synertec

On 10 March 2017, the Company announced to ASX that it had entered into the Share Sale Agreement to acquire all of the issued shares in the capital of Synertec, a multi-disciplined engineering consulting company, delivering specialist engineering and compliance services across complex and highly regulated oil and gas, biotechnology, food and dairy, hospitals, industrial automation, mining, petrochemical and fine chemicals, pharmaceuticals and water industries. Following Completion, the Company will focus on operating and developing the Synertec Business.

3.3 About Synertec

(a) Background on Synertec

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

With the business of Synertec having been first established in 1996 in Australia, Synertec is active in Australia and is based in Victoria. Synertec is accredited to ISO9001 to deliver quality-assured results for its clients. Synertec personnel have a wide range of technical skills and expertise that encompass engineering, quality assurance, construction, and manufacturing to offer the broadest possible perspective on any industrial problem. Synertec has specific experience and expertise in:

- project and construction management;
- process, mechanical & electrical engineering;
- safety system design;
- process and industrial automation systems;
- process optimisation and scale-up;
- hazardous area design;
- compliance to Australian & international codes of Good Manufacturing Practice; and
- project planning studies.

(b) **Analyser Systems**

Synertec has established leading capability in analyser systems (**Analyser Systems**), which is an increasingly important field as customers drive to increase the quality of goods, reduce costs and meet regulatory requirements. An example is Synertec's LNG Custody Transfer Technology, which is world leading and can demonstrate considerable savings in LNG Custody Transfer operations. Systems have been developed for Australia's largest LNG production facilities, Gorgon and Wheatstone.

Synertec believes the accuracy and speed of the LNG Custody Transfer Technology makes it particularly applicable for the evolving LNG spot market. Synertec believes the potential market includes the more than 200 LNG Liquefaction & Regasification Terminals around the World that are either on-stream, under construction, planned, or proposed/ under-study.

(c) **Diversified Engagements**

Synertec has positioned itself to take advantage of three broad engagement methods, which have delivered strong revenue growth:

- Consulting and Design;
- Engineer, Procure, Construct (EPC); and
- Long term Service Level Agreements (SLAs)

The benefit of the diversified engagement model is that it allows Synertec to participate in client projects from concept development through to long-term maintenance activities.

(d) **Growth Strategy**

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

- a requirement for complex engineering services;
- large companies with complex manufacturing or production facilities;
- significant revenue opportunities in Australia, and in which the Australian market experience is equally applicable internationally;
- high barriers to entry; and
- participants who seek long-term relationships with engineering firms.

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

(e) **Markets and Customers**

Synertec's customers are typically major Australian companies and/or global service providers. A selection of customers that the Company is able to disclose include:

Oil and Gas • Bechtel • Chevron Australia • Conoco Phillips • Emerson • Yokogawa • Linde/BOC • QGC • Kellogg Joint Venture **Defence & Defence Prime Contractors** • Defence Science Technology Organisation • Jacobs • Kane Constructions • Thales / Australian Munitions • Transfield Services • Department of Defence **Pharmaceutical** • CSIRO • CSL & BioCSL • Ego Pharmaceuticals • Hospira (Mayne Pharma) • Orion Laboratories • Sigma Pharmaceuticals • Medical Developments International • Australian Nuclear Scientific Technology Organisation • Sanofi-Aventis Healthcare **Food, Beverage and Dairy** • SAB Miller/Carlton United Breweries • Murray Goulburn Cooperative • Cargill • Fonterra • Colonial Farms	**Petrochemical** • Caltex • Nyrstar • Shell • Queensland Nitrates **Terminals** • Stolthaven Australia • Terminals Pty Ltd • United Group **Water** • East Gippsland Water • Melbourne Water • Victorian Desalination Plant • Central Highlands Water • Eastern Tertiary Alliance • GHD

(f) **Contract Terms and Pricing**

Synertec sells on a combination of fixed price/milestone and time & material basis.

(g) **Enabled Growth**

Synertec has taken steps to implement systems and processes within the company enabling continued growth, including:

- the development of repeatable and documented processes and procedures;
- a project management office that offers clients a systematic approach to project management; and
- high quality accounting and management control systems.

(h) **Regulatory environment**

Synertec complies with the appropriate standards, conforming to the Australian ordinances, requirements, laws, by-laws, and regulations for the industry that Synertec operates in.

In addition Synertec has broad experience in compliance with GMP and a range of national and international regulation and standards.

This knowledge and experience enables Synertec to develop and implement practical solutions that are embraced by quality, production and engineering personnel.

Synertec's experience and knowledge is centred around a team of dedicated engineers and scientists who understand the technology and processes in a wide range of industries and also have hands on experience in implementing compliant solutions. Synertec's team has a proven track record of identifying and "translating" the applicable regulatory requirements and standards that are best suited to an individual project and organisation.

(i) **Key personnel**

The senior management and directors of Synertec have years of experience in aspects crucial to Synertec's operations.

Mr Michael Carroll, Managing Director of Synertec and having founded the business of Synertec over 20 years ago, is highly active in both the day-to-day operations and its strategy development. More information about Michael's qualifications and experience are set out in Section 8.

Michael is supported by a high quality senior management team lead by the National Operations Manager Joern Buelter, who has been working within the company for 7 years. Joern's involvement in the business is end to end, beginning with Strategy & Business Development all the way through to project delivery oversight.

As a successful business manager, Joern has experience with international engineering projects, across multiple industries, including Hydrocarbons, Defence, Aerospace, Automotive Pharmaceutical and PetroChemical.

Joern is also member of the Australian Institute of Company Directors, holds a Bachelor of Engineering (Mechanical), and is also a fluent speaker in German.

The senior management team includes departmental managers covering the following engineering disciplines;

- Electrical & Instrumentation
- Automation & Control
- Process & Mechanical
- Compliance & Validation

Synertec has also administration departments providing internal support via departments and/or roles including:

- Occupational Health Safety & Environment
- Quality
- Project Management Office
- Information Technology
- Business Development & Marketing
- Finance
- Human Resources

3.4 Key terms of the Share Sale Agreement

In accordance with the terms of the Share Sale Agreement, the Company will acquire the Synertec Shares.

The key terms of the Share Sale Agreement are as follows:

3.4.1 Conditions Precedent

Completion of the Acquisition is subject to a number of conditions precedent including:

(a) Due Diligence: Both the Company and Synertec undertaking due diligence in respect of each other and being satisfied with the results of their respective due diligence.

(b) Shareholder and regulatory approvals: The Company obtaining all necessary shareholder and regulatory approvals required in relation to the Acquisition, including the Shareholders approving the Essential Resolutions.

(c) ASX approval: The ASX approving the Company's re-compliance with Chapters 1 and 2 of the Listing Rules, subject to customary conditions, including completion of the Acquisition and certain other matters contemplated by the Share Sale Agreement.

(d) Other regulatory consents, etc: ASIC, the relevant Bermuda Government Authorities and ASX having issued or provided such consents, confirmations or approvals and having done such other acts which are necessary or reasonably desirable to implement the Acquisition and certain other matters contemplated by the Share Sale Agreement.

(e) Waivers: The ASX granting waivers in respect of certain Listing Rules which are necessary or reasonably desirable in relation to or in connection with the implementation of the Acquisition and certain other matters contemplated by the Share Sale Agreement (please refer to Section 1.3).

(f) Capital raising: The Company lodging a Prospectus with ASIC to undertake the Capital Raising (please refer to Section 4).

(j) Company cash: Immediately prior to Completion, the Company must have a cash balance of not less than $4.1 million (excluding any amount to be raised under the Capital Raising and before deducting all costs and expenses incurred by the Company in carrying out the Acquisition and associated transactions). Currently, the cash balance is held by the Company's wholly-owned subsidiary Synergy Metals Limited (**Synergy Metals**). It is intended that Synergy Metals will effect a return of capital equal to the cash balance to its immediate holding company SML Resources Limited (**SML Resources**) (also a wholly-owned subsidiary of the Company). SML Resources will then subsequently apply this cash to repay a loan outstanding to the Company. This will then result in the cash balance residing in The Company. The intended return of capital is subject to the Company receiving taxation advice on behalf of Synergy Metals and SML Resources. The cash balance will then be used towards payment of the Cash Consideration Payable (see Section 3.4.3).

(k) Synertec Working Capital: As at the Calculation Date, the amount of Synertec's Working Capital is at least $4,000,000.

(l) Synertec net assets: As at the Calculation Date, Synertec's net assets value is not less than Synertec's net assets value reported or stated in Synertec's audited accounts as at 31 December 2016.

(m) Synertec cash: As at the Calculation Date, Synertec has at least $1,500,000 in cash.

(k) Executive employment: Mr Michael Carroll entering into an executive employment agreement with Synertec in a form and on terms attached to the Share Sale Agreement (See Section 3.4.4 for a summary of this agreement).

(l) FIRB approval: If necessary or reasonably desirable, in relation to the Foreign Acquisitions and Takeovers Act 1975 Act (Cth), the Treasurer (or his delegate) has provided a written no objection notification to any of the transactions contemplated by the Share Sale Agreement either without conditions or with conditions acceptable to the Company and the Synertec Shareholders.

(m) Material Adverse Change and Prescribed Occurrences: No prescribed occurrences and no material adverse change occurring in respect of the Company or Synertec.

(n) Releases: The Company receiving acceptable releases in respect of all encumbrances over the Synertec Shares.

(o) Financial Assistance: For the purposes of section 260B of the Corporations Act and all other applicable laws, the Synertec Shareholders approving the giving to the Company of financial assistance by way of sufficient cash in the event of the Company has insufficient cash to pay the Cash Consideration to the Synertec Shareholders.

(p) Warranties and representations: The warranties and representations given by the Synertec Shareholders and the Covenantors, and the Company, being true and correct in all material respects.

The conditions precedent need to be satisfied or waived by 31 August 2017 or such later date agreed in writing by the shareholders of Synertec and the Company (**End Date**).

3.4.2 Other key terms of the Share Sale Agreement

(a) The parties have agreed to co-operate and assist each other in relation to the preparation and finalisation of this Notice of Meeting and the Prospectus.

(b) The Synertec Shareholders and the Covenantors have agreed to certain non-compete obligations and undertakings in relation to them and their related entities in favour of the Company.

(c) The Synertec Shareholders and the Covenantors have provided numerous warranties and representations in relation to Synertec and its assets and financial position and taxation and related matters in favour of the Company and related indemnities.

(d) The Company has provided numerous warranties and representations in relation to Company and related matters in favour of the shareholders and a related indemnity.

(e) The parties are subject to the usual confidentiality obligations and usual exceptions.

(f) The parties have agreed to mutual exclusivity obligations until the End Date with certain exceptions for the Company in certain circumstances including the occurrence of a superior transaction for the Company.

(g) The Share Sale Agreement can be terminated if a condition precedent is not satisfied or waived by the End Date or a party is in material breach and such breach is not remedied.

(h) The parties have each agreed to pay a break fee of $250,000 in certain circumstances, including if certain conditions precedent are not satisfied or waived, or the other party breaches the Share Sale Agreement and the Share Sale Agreement is terminated.

(i) Under the Share Sale Agreement and subject to its terms, the Company may nominate a substitute purchaser for the Synertec Shares. It is intended that the Company will nominate a new incorporated wholly-owned subsidiary of the Company to purchase the Synertec Shares (**Purchaser's Nominee**) It is intended that the Purchaser's Nominee will be capitalised initially to approximately $4,000,000 (with possibly further capitalisation of the Purchaser's Nominee to be considered in connection with the Consideration Shares to be issued by the Company).

3.4.3 Consideration payable under the Share Sale Agreement

Pursuant to the Share Sale Agreement, the Company has conditionally agreed to acquire all of the issued shares in Synertec free from all encumbrances for $10,000,000 payable to the Synertec Shareholders as follows:

- $5,000,000 by the issue of 107,142,857 new Shares in the Company (on a post Consolidation basis), representing a deemed issue price of 4.667 cents per Share (on a post Consolidation basis); and

- $5,000,000 in cash. As described above in Section 3.4.2(j) and assuming the Company nominates the Purchaser's Nominee to purchase the Synertec Shares, approximately $4,000,000 of the Cash Consideration will be paid by Purchaser's Nominee with the remaining $1,000,000 to be loaned to the Purchaser's Nominee by Synertec by way of financial assistance for the purposes of payment of the Cash Consideration to the Synertec Shareholders. Tax advice is being sought by the Company in connection with this proposed structuring of the Cash Consideration payable and the ability for the Purchaser's Nominee and Synertec to form a tax consolidated group.

3.4.4 Executive Employment Agreement with Mr Michael Carroll

Pursuant to the Share Sale Agreement, the Acquisition is conditional on Mr Michael Carroll entering into an executive employment agreement with Synertec by Completion, which key terms include:

(a) Michael will be employed in the position of Managing Director of Synertec;

(b) Michael's annual fixed remuneration will be AUD$355,000 inclusive of superannuation;

(c) Upon a person being appointed as a director of the Company and as new independent chairman of the Company and also a member of the Remuneration Committee, a bonus incentive scheme for Michael will be established based on appropriate key performance indicators;

(d) Following a period of 2 years from completion of the Acquisition, Michael or the Company will be entitled to terminate his employment by giving 3 months' notice.

After termination of employment, and in addition to his non-compete obligations under the Share Sale Agreement, Michael will be subject to non-compete obligations within China and Australia for a period of 24 months and non-solicitation obligations in respect of employees and customers for a period of 24 months.

3.4.5 Issue of Adviser Shares, Bonus Options and Redemption Notes

Pursuant to the Share Sale Agreement, and subject to completion of the Acquisition, the Company has agreed to issue the following securities:

(a) 13,928,571 Adviser Shares (on a post Consolidation basis) to Inaya Limited. Details of the Adviser Shares are set out in Section 5;

(b) up to 16,175,970 Bonus Options with an exercise price of $0.053 each (on a post Consolidation basis) to Existing Shareholders. Details of the Bonus Options are set out in Section 6;

(c) 80,879,849 Redemption Notes to Existing Shareholders (on a post Consolidation basis) to Existing Shareholders. Details of the Redemption Notes are set out in Section 7.

3.5 Board of directors of the Company

The Company's Board of Directors currently comprises:

- Kiat Poh, Chairman and Non-Executive Director
- Kim Chuan Heng , Non-Executive Director and Company Secretary
- Captain Shaw Pao Sze, Non-Executive Director
- Furang Li, Non-Executive Director

Effective from completion of the Acquisition, the composition of the Board of the Company will be as follows:

(a) Mr Michael Carroll will be appointed as a Director of the Company;

(b) A new independent chairman, to be nominated by the Synertec Shareholders and approved by the Company, will be appointed as a director of the Company

(c) Mr Kiat Poh and Mr Freddie Heng will remain as directors of the Company, while Captain Shaw Pao Sze and Mr Furang Li will resign as directors effective from completion of the Acquisition.

Please refer to Sections 3.3 and 8 for further information on Mr Michael Carroll.

3.6 Completion

Completion of the Acquisition will occur on that date which is five (5) business days after satisfaction (or waiver) of the Conditions Precedent or such other date as is agreed between the Company and the Synertec Shareholders.

3.7 Pro forma balance sheet

A pro forma balance sheet of the Company following completion of the Acquisition is set out in Schedule 1.

3.8 Pro forma capital structure

Set out below is the pro forma capital structure of the Company following completion of the Acquisition and associated Capital Raising.

Capital Structure	Shares	Bonus Options
Pre-Consolidation of Shares - Existing	107,839,799	Nil
Post-Consolidation of Shares – Existing (Resolution 2)	80,879,849	Nil
Issue of Consideration Shares to Synertec Shareholders (post Consolidation) (Resolution 3)	107,142,857	Nil
Issue of Adviser Shares (post Consolidation) (Resolution 7)	13,928,571	Nil
Issue of Capital Raising Shares pursuant to the Capital Raising (post Consolidation) (Resolution 8)	18,750,000	Nil
Issue of Bonus Options to Existing Shareholders (post Consolidation) (Resolution 6)	Nil	16,175,970
At Completion (post Consolidation)	**220,701,277**	**16,175,970**

1. Details of the Bonus Options are set out in Section 6 and the terms and conditions of the Options are set out in Schedule 2.
2. Assumes all the Bonus Options are issued to the Existing Shareholders.

3.9 Proposed Budget

The Company has current cash reserves of approximately $ 4,300,000 (excluding all costs and expenses paid and all costs and expenses incurred but not paid by the Company in relation to the negotiation, preparation, execution and performance of the Share Sale Agreement including, without limitation, the implementation of the Acquisition and related transactions described in this Notice) as at the date of this Notice of Meeting.

The Company intends to apply its current cash reserves and the proceeds from the Capital Raising to satisfy the cash portion of the cash consideration payable to Synertec Shareholders and to meet Acquisition expenses. However intervening events may alter the way funds are ultimately applied by the Company.

Pursuant to the Share Sale Agreement and subject to the Synertec Shareholders giving the necessary approval for the purposes of section 260B of the Corporations Act and all other applicable laws, Synertec will be required to give to the Company financial assistance by way of sufficient cash in the event of the Company having insufficient cash to pay the Cash Consideration to the Synertec Shareholders.

3.10 Anticipated timetable for the key business the subject of the Resolutions

If Resolution 3 together with all other Essential Resolutions are approved by the Shareholders, and subject to the terms of the Share Sale Agreement, the Acquisition will take effect in accordance with the Indicative Timetable as set out in Section 10 of this Explanatory Statement. The Directors reserve the right to change the indicative timetable without giving any notice to Shareholders.

3.11 Board intentions if Completion occurs

In the event that Completion occurs, the funds raised from the Capital Raising, together with the Company's existing cash reserves will be used as set out in Section 3.9.

3.12 Advantages of the proposals in the Essential Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each Essential Resolution:

(a) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in Shares;

(b) the Acquisition provides an opportunity for the Company to diversify its interests to include Synertec which is a multi-disciplined engineering consulting business as referred to above;

(c) the Acquisition provides the Company with the opportunity to potentially increase the value of the Company; and

(d) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Acquisition which may aid in the development of the Synertec Business.

3.13 Disadvantages of the proposals in the Essential Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each Essential Resolution:

(a) the Company will be changing the nature and scale of its activities to become a multi-disciplined engineering consulting business, as referred to above, which may not be consistent with the objectives of all Shareholders;

(b) the Acquisition and the Capital Raising will result in the issue of new Shares to the Synertec Shareholders and new investors, which will have a dilutive effect on the holdings of Shareholders; and

(c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks set out in Section 3.21 below.

3.14 Plans if the Essential Resolutions are not passed

If the Essential Resolutions are not passed and the Acquisition is not completed, the Company will continue to develop its existing activities and look for potential projects in order to continue to take the Company forward.

3.15 Directors' interests in the Share Sale Agreement

None of the Company's Directors have any interest in the proposed Acquisition pursuant to the Share Sale Agreement.

3.16 Synertec Shareholders

The shareholders of Synertec are:

Synertec Shareholders	% of Shares
New Concept	92.2%;
Kipberg	7.8%.
Total	**100.0%**

None of these entities are presently shareholders of the Company.

All the issued share capital in New Concept is held and beneficially owned by TMF Trustees Singapore Limited as trustee of the Pinnacle (MCGA) Retirement Fund – a retirement fund established as a trust structure, in respect of which the beneficial owners are described below.

The Covenantors are beneficial owners of all the benefits and rights in Pinnacle (MCGA) Retirement Fund as follows:

Beneficial Owners	Benefits and Rights
Michael Carroll	41.87%
Samantha Carroll (spouse of Michael Carroll)	8.13%
Gassan Abdallah	41.87%
Kerry Abdallah (spouse of Gassan Abdallah)	8.13%
Total	**100.0%**

None of these entities and persons are Shareholders of the Company.

In addition to the Company and Synertec, the Synertec Shareholders and the Covenantors are parties to the Share Sale Agreement.

Upon completion of the Acquisition, the Synertec Shareholders will collectively hold approximately 48.6% of the issued Shares of the Company as a consequence of the issue of the Consideration Shares.

Accordingly, New Concept's control of, and voting power in, the Company will increase from nil to 44.8%. Subject to below, Michael Carroll and Samantha Carroll's control of, and voting power in, the Company will, collectively, increase from nil to 22.4%. Similarly, Gassan and Kerry Abdallah's control of, and voting power in, the Company will, collectively, increase from nil to 22.4%. Given the ownership structures described above and on the basis that each of Michael and Samantha Carroll and Gassan and Kerry

Abdallah are treated as associates or as acting in concert with each other in relation to the Company, the control of, or voting power in, the Company of each of them will increase from nil to 44.8%.

3.17 Conditional Resolutions

The Essential Resolutions are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any one of those Resolutions is not approved at the Meeting, none of them will take effect and the Share Sale Agreement and other matters contemplated by the Essential Resolutions, including the Acquisition, will not be completed. Resolution 9 is subject to the Essential Resolutions being approved.

3.18 Directors' Recommendation

The Directors of the Company unanimously recommend the proposed Acquisition and the proposed issue of the Consideration Shares and that Shareholders vote in favour of Resolution 3 and the other Essential Resolutions as they consider the proposed Acquisition and the proposed issue of the Consideration Shares to be in the best interests of Shareholders for the following reasons:

(a) after assessment of the advantages and disadvantages referred to in Sections 3.12 and 3.13, the Directors are of the view that the advantages outweigh the disadvantages; and

(b) the Independent Expert's has determined that the Acquisition (having regard to the related transactions which are the subject of the Essential Resolutions) to be not fair but reasonable to the non-associated Shareholders of the Company.

3.20 Independent Expert's Report

The Independent Expert's Report (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the Acquisition (having regard to the related transactions which are the subject of the Essential Resolutions) is not fair but reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the Acquisition (having regard to the related transactions which are the subject of the Essential Resolutions) is not fair but reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

3.21 Risk factors

Shareholders should be aware that if the proposed Acquisition is approved, the Company will be changing the nature and scale of its activities. Based on the information available, a non-exhaustive list of risk factors are as follows:

Risks relating to the Change in Nature and Scale of Activities

(a) Re-Quotation of the Shares on ASX

The acquisition of Synertec constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for the re-compliance. Completion will not occur until such time as those requirements are met, if at all.

(b) Dilution Risk

Upon completion of the Acquisition, the Company will have 220,701,277 Shares (on a post Consolidation basis) on issue and up to 16,175,970 Bonus Options on issue. Accordingly, the interests of Shareholders will be diluted.

Although the Company will have sufficient working capital to achieve its stated objectives, there is also a risk that the interests of Shareholders will be further diluted as a result of possible future capital raisings that may be required in order to fund the development of the Synertec Business.

(c) Liquidity Risk

At Completion, the Company will allot and issue the Consideration Shares to the Synertec Shareholders. The Directors do not expect the Consideration Shares to be subject to escrow restrictions under Chapter 9 of the ASX Listing Rules.

Based on the post-Completion capital structure (and assuming no further Shares are issued), the Consideration Shares will equate to approximately 48.55% of the post-Acquisition issued share capital. This could be considered an increased liquidity risk.

(d) Contractual Risk

Pursuant to the Share Sale Agreement (summarised above) the Company has agreed to acquire 100% of the issued share capital of Synertec subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Share Sale Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

Risks specific to the Company

(e) Acquisition of Synertec

There are a number of specific risks involved for the Company, and consequently its Shareholders, in the acquisition of Synertec, including risks specific to the business and assets of Synertec, which include the following non-exhaustive list:

(i) Reliance on key management

- The responsibility of overseeing Synertec's day-to-day operations and the strategic management of Synertec rests substantially with its senior management and its key personnel. Synertec's success is and will depend on the core competencies of its key management team to operate in the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries. The loss of one or more of these persons could adversely affect Synertec's growth prospects, operating results and financial performance.

- There can be no assurance that Synertec will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

(ii) Reliance on key client relationships

- Synertec has established and will continue to establish important client relationships within the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries. The loss of one or more key clients could adversely affect the growth prospects, operating results and financial performance of Synertec.

- Further, any reduction in operations or contractual default by a key client could adversely affect the operating results and the financial performance of Synertec.

(iii) Failure to win new projects

- Synertec's performance will be influenced by its ability to win new projects and complete these projects in a timely and profitable manner. The failure to win or complete new projects may adversely impact Synertec's financial performance.

- Further, where existing or new projects are delayed, the recognition of revenue for those contracts may be deferred to later periods. This deferral may impact Synertec's financial performance in particular financial periods.

(iv) Lengthy sales cycle

- The lengthy sales cycle required to close larger projects makes it difficult to predict quarterly revenue levels and operating results. The sales process for larger projects and solutions can be lengthy and can exceed one year.

- The sales cycle may lengthen, which could increase the likelihood of delays and the cause and effect of a delay to become more pronounced. Delays in sales could cause shortfalls in Synertec's revenues and operating results for any particular period.

(v) Competition

- There is no certainty that Synertec will remain competitive. Increased competition could result in price reductions, under-utilisation of equipment and personnel, reduced operating margins and loss of market share. Despite Synertec's ability to compete effectively in the markets in which it operates, any of these occurrences may adversely affect Synertec's financial performance and/or financial position.

- An increase in competition may also result in Synertec being unable to increase its prices which, combined with rising labour costs, may adversely affect Synertec's financial performance and/or financial position.

(vi) Safety and industrial accidents

- The provision of Synertec's solutions and services will often involve some time working and commissioning systems on operational plants. This carries with it an increased safety related risk and may on occasions be considered risky activities. Synertec has policies and procedures in relation to safe work practices. Despite the relevant safeguards there is no guarantee a serious accident will not occur in the future. A serious accident may negatively impact the financial performance and/or financial position of Synertec.

(vii) Skilled labour constraints

- The provision of engineering, construction and maintenance related services is dependent on the availability and cost of skilled and unskilled labour. There may be shortages in the availability of a robust labour pool. In addition, the labour demand may create increases for the supply of labour and management services. Shortage of labour may adversely affect Synertec's ability to adequately service or expand its operations and may limit earnings and profitability. Historically, Synertec has had a strong track record of being able to attract an adequate supply of suitably qualified personnel, thereby largely avoiding previous periods of labour shortages.

(viii) Payment delays and failure to receive payments

- Whilst Synertec undertakes financial reviews of contracting parties, there are risks, including credit and insolvency risks of a contracting party that can impact on Synertec's financial operations.

(ix) Contractual Arrangements

- Synertec is party to various contracts for the provision of engineering and contracting services to parties within the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries in Australia, many of which contracts are vital for Synertec's ongoing corporate performance and growth.

- These contracts contain provisions providing for early termination of the contracts upon giving varying notice periods and paying varying termination amounts. The early termination of certain of these contracts, for any reason, may mean that Synertec will not realise the full value of the contract, which could adversely affect Synertec's growth prospects, operating results and financial performance.

(x) Contractual disputes and litigation

- As Synertec contracts with, and for, third parties there is a risk that Synertec or its subsidiaries may from time to time have disputes with relevant third parties (including payment disputes) or become a party to litigation.

- Whilst Synertec will seek to recover the full amount of any payment disputes, by way of alternative dispute resolution or through litigation (and with the assistance of claims consultants where deemed necessary), there can be no guarantee that Synertec will be able to recover any or all amounts disputed. The adverse outcome of a dispute in respect of a material contract or claim may have an adverse impact on Synertec's financial performance or position.

(xi) Management of growth

- Synertec expects to continue to experience growth in the scope and scale of its operating activities and employee and/or contractor numbers. To effectively manage its growth, Synertec will need to continue to develop and maintain its operational and financial systems and continue to train, expand and manage its employee base.

(xii) Performance of subcontractors

- As Synertec contract alongside and/or subcontract to third parties in limited cases requiring specialist services that Synertec cannot perform in-house. Synertec may be exposed to liability where those third parties do not perform their obligations under those contracts, in which case Synertec may also have liability for that non-performance or be required to source resources from additional providers. To mitigate these risks, Synertec may seek to include provisions limiting its liability under the relevant contracts and to ensure that the third party contractors are competent, creditworthy and of sound reputation.

(xiii) Disruption of business operations

- Synertec and its clients are exposed to a range of operational risks relating to both current and future operations. Such operational risks include loss or damage to operating assets and equipment, equipment failures or breakdowns, human error, accidents, information system failures, external services failure, industrial action or disputes, inclement weather (including cyclones) and natural disasters. While Synertec endeavours to take appropriate action to mitigate these operational risks and insure against many of them, it cannot completely remove all possible risks that may have on adverse impact on the financial performance and/or financial position of Synertec.

(xiv) Additional requirements for capital

- The funds raised under the Capital Raising are considered sufficient to meet the objectives of the Company following Completion. Additional funding may possibly be required in the future.

- The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(xv) Pricing and contracting risks

- In relation to the business of Synertec, some contracts are priced on a lump sum basis. To the extent that there is a mispricing, for example, due to unexpected site conditions or circumstances, Synertec may be subject to material losses on individual contracts.

(xvi) Foreign operations

- Synertec may derive an increasing proportion of its revenue from operations in foreign countries.

- There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation and war. There may also be fluctuations in currency exchange rates. Foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions and delays from customers, brokers or government agencies could have an adverse impact. Synertec could also be adversely affected by seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely impact the success of Synertec's international operations.

- There is also a risk that Australian government policies in relation to particular regions may change, affecting trade and investment opportunities in that region.

(xvii) Remote locations

- Synertec frequently undertakes projects in remote locations. This may involve logistical difficulties for plant, equipment and materials, as well as skilled personnel and general labour. Some locations may involve inherent risk to personnel.

(xviii) Foreign exchange rates

- Synertec may incur some revenue and expenditure in US dollars or other local currencies. Where Synertec is materially exposed to fluctuations in foreign exchange rates, it will attempt to offset this exposure through the use of appropriate financial products, such as hedging or forward rate contracts.

- There may be circumstances where Synertec is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of financial products is not commercially viable.

(xix) Concentrated share ownership

- Following the completion of the Sale Agreement, the Synertec Shareholders will together hold an interest of approximately 48.55% of the issued share capital of the Company as a consequence of the issue of the of the Consideration Shares. Following the completion of the Acquisition, and the Directors do not expect the Consideration Shares to be subject to escrow restrictions under Chapter 9 of the ASX Listing Rules. Mr Michael Carroll, following the completion of the Acquisition, will together with his wife Samantha Carroll hold an ultimate beneficial interest in approximately 22.4% of the issued share capital of the Company and have indicated that they do not intend to sell any Shares prior to the Company releasing its audited financial statements for the year ending 30 June 2017.

- Any future sales of Shares by any of the Synertec Shareholders may have a negative impact on the price of the Shares as traded on ASX.

(xx) Professional negligence and insurance

- Claims of professional negligence or a breach of contract may be made against Synertec. Synertec maintains significant professional indemnity insurance to cover liabilities in the event of a claim of negligence or a breach of contract.

- In the event of a successful claim for professional negligence or a breach of contract being made against Synertec or its subsidiaries, this may impact upon Synertec by:

  A. adversely affecting the reputation of Synertec;
  B. the payment of excesses incurred in defending claims;
  C. the payment of any amount of liability that exceeds available insurance coverage and increasing future insurance premiums.

- Synertec may be unable to obtain appropriate professional indemnity cover for all work, particularly given the state of the international insurance industry and the fact that Synertec's work in overseas countries may be considered by insurers to present additional risk, depending upon political and litigious circumstances in the country in question.

(xxi) Cyclical nature of the business

- The clients of Synertec are involved in the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries. The demand for and the prices of products in these industries can be both cyclical and very volatile and can influence the demand for the services offered by Synertec to its clients. Although Synertec has a diverse client base, the LNG industry cycles in Australia and overseas may adversely impact on Synertec's financial performance.

- The loss of major clients through industry downturns for any other reason could also impact the earnings of Synertec.

Key risks and dependencies to the Company in relation to Acquisition

(xxii) Completion risk

- Pursuant to the Share Sale Agreement, the Company has agreed to acquire all of the issued share capital of Synertec, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Acquisition will not be fulfilled and, in turn, that completion of the Acquisition does not occur. If the Acquisition is not completed, the Company will incur costs relating to advisers and other costs without any benefit being realised.

(xxiii) Quotation of Shares on the ASX's official list

- As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. It is expected that the Company's Shares will be suspended from the date of the Company's special general meeting and remain suspended until the Company re-complies with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX may impose on such reinstatement.

- There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares may consequently remain suspended from official quotation on ASX.

(xxiv) Unforeseen expenditure risk

- Expenditure may need to be incurred that has not been taken into account in the estimates summarised in Section 3.9. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(xxv) Liquidity risk

- On completion of the Acquisition, the Company's issued shares will increase following the issue of the Consideration Shares, the Adviser Shares and the shares pursuant to the Capital Raising. However there is no assurance that the liquidity of the Shares of the Company will improve.

General risks

(xxvi) Economic

- General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and their ability to fund its activities.

(xxvii) Force majeure

- The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(xxviii) Dependence on outside parties

- The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

(xxix) Market conditions

- Share market conditions may affect the value of the Company's quoted Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

  A. general economic outlook;
  B. introduction of tax reform or other new legislation;
  C. interest rates and inflation rates;
  D. changes in investor sentiment toward particular market sectors;
  E. the demand for, and supply of, capital; and
  F. terrorism or other hostilities.

- The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Notice or otherwise.

(f) Taxation

The Acquisition and/or the passing of the Essential Resolutions may give rise to income tax implications for the Company and Shareholders.

Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Acquisition or the Resolutions.

(g) Escrow

Following the completion of the Share Sale Agreement, Synertec Shareholders will together hold an interest in approximately 48.6% of the Company and the

Directors do not expect the Consideration Shares will be subject to the escrow restrictions under Chapter 9 of the ASX Listing Rules.

Mr Michael Carroll, following the completion of completion of the Acquisition, will together with his wife Samantha Carroll hold an ultimate beneficial interest in approximately 22.4% of the issued share capital of the Company and have indicated that they do not intend to sell any Shares prior to the Company releasing its audited financial statements for the year ending 30 June 2017.

3.22 Related party and takeover provisions of the Corporations Act

Given that the Company is incorporated in Bermuda, it is not a "company" or a "public company" for the purposes of and not subject to:

(a) the related party provisions set out in Chapter 2E of the Corporations Act; and

(b) the takeover provisions set out in Chapters 6 – 6C of the Corporations Act.

Accordingly, the Company is not required to obtain the approval of the Shareholders under section 611 Item 7 of the Corporations Act for the issue of the Consideration Shares and does not need to comply with the requirements of ASIC Regulatory Guide 74.

However, the Company believes that the Notice of Meeting, including this Explanatory Statement, contains all information reasonably required by a Shareholder to make an informed decision in relation to the Acquisition and Resolution 3.

3.23 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (as defined in Chapter 2E of the Corporations Act) or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The ASX has not informed the Company that it is of the opinion that approval should be obtained in relation to the issue of the Consideration Shares to the Synertec Shareholders under this Listing Rule. Accordingly, approval of the Shareholders under Listing Rule 10.11 is not required in relation to the issue of the Consideration Shares to the Synertec Shareholders.

3.24 ASX Listing Rule 7.1 and technical information required by ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Resolution 3 seeks the approval of the Shareholders for the issue of 107,142,857 new Shares (on a post Consolidation basis) to the Synertec Shareholders, being the Consideration Shares.

Subject to Resolution 3 and the other Essential Resolutions being approved by the Shareholders and subject to Completion of the Acquisition, the effect of Resolution 3 will be to allow the Company to issue the Consideration Shares pursuant to the Share Sale Agreement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Consideration Shares:

(a) the maximum number of new Shares to be issued is 107,142,857 (on a post Consolidation basis) – please refer to the pro forma capital structure of the Company in Section 3.8;

(b) the Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;

(c) in addition to the Cash Consideration (being $5,000,000), the Consideration Shares will be issued for nil cash consideration for the Acquisition pursuant to the Share Sale Agreement (a summary of the key terms of which is set out in Section 3.4). The Consideration Shares represent $5,000,000 worth of new Shares to be issued at a deemed issue price $0.04667 per Share (on a post Consolidation basis);

(d) the Consideration Shares are proposed to be issued to the Synertec Shareholders pursuant to the Share Sale Agreement at Completion on pro rata basis in accordance with their respective holdings in Synertec. None of the Synertec Shareholders are related parties of the Company;

(e) the Consideration Shares proposed to be issued will be fully paid common shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) since the Consideration Shares will be issued for nil cash consideration, no funds will be raised from this issue.

The Chairman will cast all proxies granted to him in favour of Resolution 3.

4. RESOLUTION 4 – ISSUE OF CAPITAL RAISING SHARES

4.1 General

Resolution 4 seeks approval of the Shareholders for the issue of 18,750,000 Shares at $0.04 per Share (on a post Consolidation basis) to raise $750,000 pursuant to the Capital Raising. This amount is both the minimum and maximum amount of capital to be raised.

A summary of ASX Listing Rule 7.1 is set out in Section 3.24.

Subject to this Resolution and the other Essential Resolutions being approved by the Shareholders and subject to Completion of the Acquisition, the effect of Resolution 4 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Chairman will cast all proxies granted to him in favour of Resolution 4.

4.2 ASX Listing Rule 7.1 and technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

(a) the maximum number of new Shares to be issued is 18,750,000 (on a post Consolidation basis) – please refer to the pro forma capital structure of the Company in Section 3.8;

(b) the new Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;

(c) the issue price of the new Shares will be $0.04 per Share (on a post Consolidation basis);

(d) the new Shares are proposed to be issued pursuant to a public offer by way of the Prospectus for the purpose of ASX Listing Rule 1.1 condition 3. The Directors will determine to whom the new Shares will be issued and will ensure that none of the subscribers under the Capital Raising will be related parties of the Company;

(e) the new Shares proposed to be issued will be fully paid common shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the Capital Raising ($750,000 before costs) towards the budgeted expenditure described at Section 3.9.

4.3 Indicative timetable

If Resolution 4 together with all other Essential Resolutions is approved by shareholders, the Capital Raising will take effect in accordance with the indicative timetable as set out in Section 10 of this Explanatory Statement. The Directors reserve the right to change the indicative timetable without giving any notice to Shareholders.

5. RESOLUTION 5 – ISSUE OF ADVISER SHARES

5.1 General

Resolution 5 seeks approval of the Shareholders for the issue of 13,928,571 new Shares (on a post Consolidation basis) to Inaya Limited (or its nominee) in consideration for Inaya Limited's facilitation of the Acquisition, at Completion of the Acquisition. Inaya Limited is not a related party of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 3.24.

Subject to Resolution 5 and the other Essential Resolutions being approved by the Shareholders and subject to Completion of the Acquisition, the effect of Resolution 5 will be to allow the Company to issue the Shares to Inaya Limited (or its nominee) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Chairman will cast all proxies granted to him in favour of Resolution 5.

5.2 ASX Listing Rule 7.1 and technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

(a) the number of Adviser Shares to be issued is 13,928,571 (on a post Consolidation basis) – please refer to the pro forma capital structure of the Company in Section 3.8;

(b) the Adviser Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;

(c) the Adviser Shares will be issued for nil cash consideration in consideration for Inaya Limited facilitating the Acquisition;

(d) the Adviser Shares proposed **to** be issued will be fully paid common shares in the capital of the Company issued on the same terms and conditions as the Company's then existing Shares;

(e) the Adviser Shares will be issued to Inaya Limited (or its nominee), who is not a related party of the Company; and

(f) no funds will be raised from the issue of the Adviser Shares as the Adviser Shares are being issued for nil cash consideration but in consideration for Inaya Limited facilitating the Acquisition.

5.3 Indicative timetable

If this Resolution together with all other Essential Resolutions is approved by shareholders, the issue of Adviser Shares will take effect in accordance with the Indicative Timetable as set out in Section 10 of this Explanatory Statement. The Directors reserve the right to change the indicative timetable without giving any notice to Shareholders.

6. ISSUE OF BONUS OPTIONS TO EXISTING SHAREHOLDERS

6.1 General

Subject to and upon Completion of the Acquisition, up to a maximum of 16,175,970 Bonus Options (on a post Consolidation basis) will be issued to Existing Shareholders pro rata at no issue price, on the basis of one Option for every 5 Shares held and on the terms and conditions in Schedule 2.

The exact number of Bonus Options issued will depend on the number of Shares on issue following completion of the Consolidation and the number of applications received from Existing Shareholders.

Each Option will be exercisable at $0.053 and when exercised, will entitle the Option holder to receive one new Share in capital of the Company. The Options will have an exercise period of 3 years from the date of issue.

The record date in relation to the Bonus Options is at 5.00 pm (AEST) on the Options Record Date.

6.2 Corporations Act and ASX Listing Rules 7.2 and Listing Rules 10.12

Under the Corporations Act, given that upon the exercise of a Bonus Option an exercise price of $0.053 will be payable, the Company is required to offer the Bonus Options to the Existing Shareholders pursuant to a disclosure document to be lodged with ASIC.

A disclosure document for the offer will be made available when the Bonus Options are offered. Existing Shareholders who want to acquire Bonus Options will need to complete the application form that will be in or will accompany the disclosure document. When the Bonus Options are offered, a copy of the disclosure document will be made available on the Company's website www.smlcorporation.com and, subject to obtaining any necessary modification or relief being granted by ASIC, send by mail a copy of the disclosure document to each Existing Shareholder.

The offer of the Bonus Options will not be made in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than New Zealand) having regard to the number of overseas Shareholders, the number and value of Bonus Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer will not be extended and Bonus Options will not be issued to Shareholders with a registered address which is outside Australia and New Zealand. The offer of the Bonus Options will be made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Approval of the Shareholders for the issue of the Bonus Options will not be required under ASX Listing Rule 7.1 on the basis of Exception 1 of Listing Rule 7.2 which provides an exception for a pro rata issue to holders of ordinary securities. Similarly, approval of the Shareholders for the issue of the Bonus Options will not be required under ASX Listing Rules 10.11 on the basis of Exception 1 of Listing Rule 10.12 which provides an exception for a pro rata issue to holders of ordinary securities.

Upon issue of the Bonus Options, and subject to the ASX Listing Rules, the Company will seek to have these Options quoted on the ASX. At present, the Company has no options on issue.

Shareholders should note the following:

(a) the maximum number of Bonus Options to be issued is 16,175,970 (on a post Consolidation basis) – please refer to the pro forma capital structure of the Company in Section 3.8;

(b) the Bonus Options will be issued at Completion;

(c) only Existing Shareholders are eligible to apply for the Bonus Options and the Bonus Options will be issued for nil cash consideration;

(d) the Bonus Options will be issued on the terms and conditions set out in Schedule 2; and

(e) no funds will be raised from the issue of the Bonus Options.

6.3 Indicative timetable

The issue of the Bonus Options will take effect in accordance with the Indicative Timetable as set out in Section 10 of this Explanatory Statement. The Directors reserve the right to change the indicative timetable without giving any notice to Shareholders.

7. RESOLUTION 6 – ISSUE OF REDEMPTION NOTES TO EXISTING SHAREHOLDERS

7.1 General

Resolution 6 seeks approval for the issue up to a maximum of 80,879,849 Redemption Notes (on a post Consolidation basis) to Existing Shareholders pro rata at no issue price on the terms and conditions in Schedule 3 (Redemption Notes).

The exact number of Redemption Notes issued will depend on the number of Shares on issue following completion of the Consolidation.

On the basis that the Shareholders approve the proposed change in nature and scale of activities of the Company, the subject of Resolution 1, and the proposed Acquisition, the subject of Resolution 3, the Directors believe that it is not in the interests of the Company to continue to hold the Mining Assets due to the Shareholders have approved a change in the nature of activities of the Company and the present mining activities of the Company are inconsistent with this approved new nature of activities. Further, it is difficult for the Company to raise equity or debt funds to continue the present mining exploration activities, which are very uncertain and highly speculative in nature. Accordingly, the Directors will endeavour to sell the Mining Assets to any interested buyers (not related to the Company) at market value.

The Mining Assets Sale will be conditional upon and occur following the Completion of the Acquisition.

Subject to Resolution 6 and the Essential Resolutions being approved by the Shareholders and subject to Completion of the Acquisition, in the event that a Mining Assets Sale is successfully completed within 6 months from the date of completion of the Acquisition and subject to Mt Wills and each of its holding companies (which are all wholly-owned subsidiaries of the Company) complying with any applicable requirements of the Corporations Act, and any applicable laws of the British Virgin Islands, an amount equal to the Net Sale Proceeds will be distributed to the Existing Shareholders on a pro rata basis via Redemption Notes to be issued at Completion of the Acquisition.

In order to achieve this, the Company will issue at Completion of the Acquisition one (1) Redemption Note for every one (1) Share (on a post Consolidation basis) held by each Existing Shareholder as at 5.00 pm (AEST) on the Notes Record Date, with each Redemption Note entitling the holder to payment of an amount (in dollars or a fraction of a dollar) equal to the Net Sale Proceeds divided by the number of Redemption Notes issued by the Company (**Redemption Amount**) but subject to:

(a) completion of the Mining Assets Sale (including payment of the sale price for the Mining Assets) occurring within 6 months from the date of Completion of the Acquisition; and

(b) Mt Wills (a wholly-owned subsidiary of the Company and the legal holder of the Mining Assets) and each of its holding companies (which are all wholly-owned subsidiaries of the Company) complying with any applicable requirements of the Corporations Act and any applicable laws of the British Virgin Islands,

and payment of the Redemption Amount will be made by the Company at a date to be determined by the Board and notified to the ASX following completion of the Mining Assets Sale.

Upon completion of the Mining Assets Sale and receipt of the Net Sale Proceeds, this amount will effectively be distributed by Mt Wills to its intermediate holding companies up to Synergy Metals Ltd (all being wholly-owned subsidiaries of the Company) by way of repayment of inter-company loans.

Once the Net Sale Proceeds have been effectively distributed to Synergy Metals Ltd, it is likely that Synergy Metals Ltd will, subject to compliance with the applicable requirements of the Corporations Act, undertake a reduction of capital to distribute the Net Sale Proceeds to its immediate holding company, SML Resources Limited (being the immediate wholly-owned subsidiary of the Company).

Similarly, once the Net Sale Proceeds have been effectively distributed to SML Resources Limited, it is likely that SML Resources Limited will, subject to compliance with the applicable requirements of its memorandum and articles of association and the BVI Business Companies Act 2004, distribute the Net Sale Proceeds to the Company. Once this distribution to the Company occurs, the Company will be in a position to pay the Redemption Amounts in respect of the Redemption Notes to the Existing Shareholders.

After the Essential Resolutions are approved by the Shareholders, the Board will further consult with its legal and taxation advisers as to the most effective way to distribute the Net Sale Proceeds.

The Directors cannot give any assurance nor any guarantee that any Mining Assets Sale will occur or, if it occurs, that completion of the Mining Assets Sale will occur within 6 months from the date of Completion of the Acquisition.

Further, the sale price may be below the latest valuation of the Mining Assets last reported by the Company to the ASX in its announcement of its Half-Year results for 31 December 2016.

If a buyer is unable to be found for the Mining Assets within 6 months from the date of Completion of the Acquisition, then the Directors intend to relinquish or surrender the Glen Wills-Sunnyside mining tenement to the Victorian Government Department of Economic Development, Jobs, Transport and Resources.

If completion of the Mining Assets Sale (including payment of the sale price for the Mining Assets) does not occur within 6 months from the date of Completion of the Acquisition, then no Redemption Amount will be payable in respect of any of the Redemption Notes and all the Redemption Notes will automatically lapse and be of no effect.

Please refer to Schedule 3 of this Explanatory Statement which sets out the terms and conditions of the Redemption Notes. Please note that each Redemption Note will not carry any rights (other than payment of the Redemption Amount subject to the terms of the Redemption Notes) and will not be transferable and will not be quoted on the ASX.

The terms and conditions of the Redemption Notes are set out in Schedule 3.

The effect of Resolution 6 will be to allow the Company to issue the Redemption Notes at Completion.

The Redemption Notes will not be quoted on the ASX.

7.2 ASX Listing Rules 7.2 and Listing Rules 10.12

Approval of the Shareholders for the issue of the Redemption Notes will not be required under ASX Listing Rule 7.1 on the basis of Exception 1 of Listing Rule 7.2 which provides an exception for a pro rata issue to holders of ordinary securities. Similarly, approval of the Shareholders for the issue of the Redemption Notes will not be required under ASX Listing Rules 10.11 on the basis of Exception 1 of Listing Rule 10.12 which provides an exception for a pro rata issue to holders of ordinary securities.

Shareholders should note the following:

(a) the maximum number of Redemption Notes to be issued is 80,879,849 (on a post Consolidation basis) – please refer to the pro forma capital structure of the Company in Section 3.8;

(b) the Redemption Notes will be issued at Completion;

(c) the Redemption Notes will be issued for nil cash consideration to Existing Shareholders;

(d) the Redemption Notes will be issued on the terms and conditions set out in Schedule 3; and

(e) no funds will be raised from the issue of the Redemption Notes as the Redemption Notes Options are being issued for the purpose of returning to Existing Shareholders an amount equal the Net Sale Proceeds from the Mining Assets Sale, if any.

The Company has received a waiver from ASX from ASX Listing Rule 7.25 in relation to the issue of the Redemption Notes. ASX Listing Rule 7.25 provides that an entity must not issue bonus securities or reorganise its capital if the effect of doing so would be to decrease the price at which its shares are likely to trade, after the issue or reorganisation, to an amount below 20 cents. In the absence of this waiver, the Company will or could be prevented from paying the Redemption Amounts to its Existing Shareholders in relation to the Redemption Notes.

7.3 Bermuda requirements

Whilst no specific shareholder approval is required for the issue of the Redemption Notes as a matter of Bermuda law or the Bye-laws, the Directors believe it is in the best interests of the Shareholders to approve this element of the transactions contemplated by the Company.

7.4 Indicative timetable

The issue of Redemption Notes will take effect in accordance with the Indicative Timetable as set out in Section 10 of this Explanatory Statement. The Directors reserve the right to change the indicative timetable without giving any notice to Shareholders.

The Chairman will cast all proxies granted to him in favour of Resolution 6.

8. RESOLUTION 7 – ELECTION OF DIRECTOR – MR MICHAEL CARROLL

8.1 General

This Resolution seeks the approval of Shareholders for the Company to elect Mr Michael Carroll as a Director of the Company, with effect from Completion of the Acquisition.

It is a condition of the Share Sale Agreement that Mr Michael Carroll be appointed as a director of the Company with effect from Completion of the Acquisition. By Completion, Mr Michael Carroll will be required to have entered into an executive employment agreement with Synertec as the Managing Director of Synertec.

Mr Michael Carroll is a founding principal and managing director of Synertec and a significant beneficial owner of Synertec. He has successfully grown the business of Synertec since the business was first established in 1996. His leadership style is “hands on” ensuring efficient and robust internal processes that directly support the strategic direction of Synertec.

As managing director of Synertec, Michael has negotiated complex agreements with a range of parties, such as large multinational energy conglomerates, water utilities, defence and pharmaceutical companies. Michael has direct experience within the Asian market having established and sold successful companies in both Singapore and Malaysia.

Michael is a member of the Institute of Company Directors and holds a Degree in Applied Science (Applied Chemistry) and post graduate qualifications in Chemical Engineering.

The Chairman will cast all proxies granted to him in favour of Resolution 7.

9. RESOLUTION 8 – CHANGE OF COMPANY NAME

9.1 General

Bye-law 172 of the Bye-laws provides that the Company may change its name if the company passes a special resolution adopting a new name.

This Resolution seeks the approval of the Shareholders for the Company to change its name to "**Synertec Corporation Limited**".

If this Resolution and the Essential Resolutions are approved by Shareholders, and subject to Completion of the Acquisition, the change of name will take effect when the Registrar of Companies in Bermuda alters the details of the Company's registration and enters the effective date of the change of name of the Company on the register of companies maintained by it in Bermuda.

The proposed name has been reserved by the Company with the Registrar of Companies in Bermuda and if this Resolution is passed (along with all the Essential Resolutions) the Company will lodge a copy of the special resolution with the Registrar of Companies in Bermuda on Completion in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 8 is subject to the approval of the Essential Resolutions and subsequent Completion.

The Chairman will cast all proxies granted to him in favour of Resolution 8.

10. INDICATIVE TIMETABLE

Event	Indicative Date*
Despatch Notice of Special General Meeting of the Company's Shareholders	5 May 2017
Date of Special General Meeting ASX notified whether Shareholders' approval has been granted for the Resolutions Suspension of Company's Shares from trading on ASX	5 June 2017
Lodge Prospectus (for each of Capital Raising and Bonus Options) with ASIC and ASX	21 June 2017
Opening of Offer for Capital Raising and Bonus Options	28 June 2017
Closing of Offer for Capital Raising and Bonus Options	20 July 2017
Subject to Directors' satisfaction that the Conditions Precedent in Share Sale Agreement are satisfied (or waived) Completion of Acquisition and issue of Consideration Shares, new Shares under Capital Raising, Bonus Options, Redemption Notes and Adviser Shares	27 July 2017
Date of quotation of Bonus Options (suspended)	28 July 2017
Date of re-quotation of the Company's Shares and Bonus Options	3 August 2017

*The Directors reserve the right to change the Indicative Timetable without giving any notice to Shareholders.

11. GLOSSARY

Where the following terms are used in this Notice of Meeting and Explanatory Statement they have the following meanings:

$ or **AUD** means an Australian dollar.

Acquisition means the acquisition of the Synertec Shares from the Synertec Shareholders in accordance with the terms and conditions set out in the Share Sale Agreement.

Adviser Shares means the 13,928,571 new Shares (on a post Consolidation basis) in the Company to be issued to Inaya Limited as described in Section 5.

AEST means Australian Eastern Standard Time as observed in Melbourne, Victoria, Australia.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

Bermuda Companies Act means the Companies Act 1981 of Bermuda.

BDO means BDO Corporate Finance (QLD) Ltd (ABN 54 010 185 725).

Board means the board of Directors as constituted from time to time.

Bonus Option means an option to acquire a Share as described in Section 6 and to be issued on the terms and conditions set out in Schedule 2.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Bye-laws means the bye-laws of the Company.

Calculation Date means the day after the closing date of the Capital Raising.

Capital Raising means the capital raising which is the subject of Resolution 4.

Capital Raising Shares means the new Shares to be offered and issued in relation to the Capital Raising.

Cash Consideration means $5,000,000.

Company or **SML Corporation** means SML Corporation Limited (ARBN 161 803 032).

Completion means completion of the Acquisition in accordance with the terms of the Share Sale Agreement.

Completion Date means the date on which Completion occurs.

Conditions Precedent means the conditions precedent in the Share Sale Agreement including those set out in Section 3.4.1.

Consideration Shares means the 107,142,857 new Shares (on a post Consolidation basis) in the Company to be issued to the Synertec Shareholders on the terms and conditions set out in Section 3.4.

Consolidation means the consolidation of the authorised and issued share capital of the Company on the basis of four (4) common shares in the authorised and issued capital of the Company being consolidated into three (3) common shares in the authorised and issued capital of the Company (rounded up or down to the nearest whole number).

Corporations Act means the Corporations Act 2001 (Cth).

Covenantors means Michael Carroll, Gassan Abdallah, Samantha Carroll and Kerry Abdallah.

Directors mean the directors of the Company as at the date of this Notice.

End Date means 31 August 2017 or such later date agreed in writing by the Synertec Shareholders and the Company.

Essential Resolutions means each of Resolutions 1 to 7 (inclusive).

Existing Shareholders means:

(a) in respect of the Options, the persons who are registered in the Company's register of shareholders as a holder of Shares as at 5.00pm (AEST) on the Options Record Date; and

(b) in respect of the Redemption Notes, the persons who are registered in the Company's register of shareholders as a holder of Shares as at 5.00pm (AEST) on the Notes Record Date.

FIRB Act means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

GMP means the applicable Good Manufacturing Practice principles and procedures that when followed helps ensure that therapeutic goods are of high quality.

Independent Expert means BDO.

Independent Expert's Report means the independent expert's report of the Independent Expert set out in Annexure A.

Kipberg means Kipberg Pty Ltd (ACN 007 130 190) as trustee for the EDP Family Trust.

Mining Assets means the Glen Wills-Sunnyside mining tenement and related plant and equipment and inventory owned by Mt Wills.

Mining Assets Sale means a sale of the Mining Assets.

Mt Wills means Mt Wills Gold Mines Pty Ltd (ACN 009 223 992), a subsidiary of the Purchaser.

Net Sale Proceeds means the sale price received by Mt Wills or its nominee for the sale of the Mining Assets less:

(a) all direct costs, expenses, fees and taxes payable by Mt Wills in relation to or in connection with the maintenance or operation of the Mining Assets (including, tenement rent, exploration expenditure and other holding costs) from the Completion Date;

(b) all costs, expenses, fees and taxes payable by Mt Wills in relation to or in connection with the sale of the Mining Assets;

(c) all registry costs and taxes payable by Mt Wills in relation to or in connection with the issue or redemption of the Redemption Notes.

New Concept means New Concept Corporation Ltd (HK Company No. 2451989).

Notes Record Date means 26 June 2017.

Notice or **Notice of Meeting** means this notice of special general meeting including the explanatory statement and proxy form.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means a Bonus Option.

Optionholder means a holder of an Option.

Options Record Date means 26 June 2017.

Prospectus means the prospectus to be lodged with ASIC and issued by the Company in relation to the Capital Raising [and the Bonus Options].

Record Date means the Options Record Date or the Notes Record Date, as the context requires.

Redemption Amount means an amount (in dollars or a fraction of a dollar) equal to the Net Sale Proceeds divided by the number of Redemption Notes issued by the Company.

Redemption Note means a redemption note as described in Section 7 and to be issued on the terms and conditions set out in Schedule 3.

Resolutions means the resolutions set out in the Notice of Meeting or any of them, as the context requires.

Section means a section of this Notice of Meeting including the Explanatory Statement.

Security means a security issued or to be issued in the capital of the Company, including a Share or an Option.

Share means a common share par value AUD $0.001 (on a pre-Consolidation basis) or a common share par value AUD $0.001333 (recurring) (on a post-Consolidation basis) in the capital of the Company, as the case may be.

Shareholder means a registered holder of Shares.

Share Sale Agreement or **Sale Agreement** means the share sale agreement between the Company, Synertec and the Synertec Shareholders dated 10 March 2017 (as varied by a Deed of Variation dated 1 May 2017).

Special General Meeting or **Meeting** means the special general meeting of Shareholders to be held on 2 June 2017 at which the Shareholders will consider and vote on the resolutions outlined in the Notice of Meeting including the Essential Resolutions.

Synertec means Synertec Pty Limited (ACN 114 707 050).

Synertec Business means the business carried on by Synertec and described in Section 3.3.

Synertec Shareholders means New Concept and Kipberg.

Synertec Shares means all of the issued shares of Synertec.

TMF Trustees Singapore means TMF Trustees Singapore Limited as trustee of the Pinnacle (MCGA) Retirement Fund

Working Capital means the amount of the current assets minus the amount of the current liabilities.

SCHEDULE 1 – PRO FORMA STATEMENT OF FINANCIAL POSITION

The Pro forma Statement of Financial Position is set out below and is based on the audited accounts of the Company and Synertec as at 31 December 2016. The Pro forma Statement has not been reviewed by the Company's auditor or an independent accountant.

	Company Audited as at 31-Dec-2016	SYNERTEC Audited as at 31-Dec-2016	Subsequent events Total	Pro-forma adjustments Total	Pro-forma after offer
	$	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	4,343,657	5,737,845	-	(4,734,650)	5,346,852
Assets held for sale	6,855,238	-	(6,855,238)	-	-
Trade and other receivables	28,597	1,425,922	-	-	1,454,519
Other assets	2,704	1,462,902	-	-	1,465,606
Work in progress	-	999,595	-	-	999,595
	11,230,196	9,626,264	(6,855,238)	(4,734,650)	9,266,572
Non-current assets					
Net deferred tax assets	-	193,943	-	-	193,943
Other assets	-	831,477	-	-	831,477
Property, plant and equipment	-	364,560	-	-	364,560
	-	1,389,980	-	-	1,389,980
TOTAL ASSETS	11,230,196	11,016,244	(6,855,238)	(4,734,650)	10,656,552
LIABILITIES					
Current liability					
Trade and other payables	17,319	1,890,681	-	-	1,908,000
Current tax liability	-	1,744,670	-	-	1,744,670
Loans and borrowings	-	38,028	-	-	38,028
Employee benefits	-	442,779	-	-	442,779
Deferred income		51,223	-	-	51,223
	17,319	4,167,381	-	-	4,184,700
Non-current liability					
Employee benefits	-	74,015	-	-	74,015
	-	74,015	-	-	74,015
Total liabilities	17,319	4,241,396	-	-	4,258,715
NET ASSETS	11,212,877	6,774,848	(6,855,238)	(4,734,650)	6,397,837
EQUITY					
Issued capital	108,051	950	-	4,381,748	4,490,749
Other equity contribution	-	132,904	-	-	132,904
Reserves	62,948,442	-	-	(62,948,442)	-
(Accumulated losses)/ Retained earnings	(51,843,616)	6,640,994	(6,855,238)	53,832,044	1,774,184
Total equity	11,212,877	6,774,848	(6,855,238)	(4,734,650)	6,397,837

1. PRO FORMA TRANSACTIONS

Subsequent events

The pro-forma statement of financial position reflects the following events that have no effect on the Acquisition and the issue of Shares subsequent to the period ended 31 December 2016:

(i) The Company will divest all of Mining Assets within 6 months from the date of completion of the Acquisition. The Net Sales Proceeds will be distributed to the existing shareholders on a pro rata basis via Redemption Notes to be issued at Completion of the Acquisition.

If, within 6 months from the date of completion of the Acquisition, completion of the Mining Assets Sale has not occurred, then the Directors intend to relinquish or surrender the Glen Wills-Sunnyside mining tenement to the Victorian Government Department of Economic Development, Jobs, Transport and Resources.

The pro-forma statement of financial position has been prepared based on the following transactions and events relating to the Acquisition and the issue of Shares described in this Notice:

(ii) The issue of Consideration Shares (107,142,857 Shares) and Cash Consideration ($5,000,000) to the Synertec Shareholders for the acquisition of all of the Synertec Shares.

(iii) The issue of 13,928,571 Shares to Inaya Limited in consideration for its advisory and facilitation services.

(iv) The issue of 18,750,000 Shares at an offer price of $0.04 each to raise $750,000 before costs and expenses, pursuant to the Capital Raising;

(v) Cash expenses associated with the Acquisition and Capital Raising are estimated at $484,650. Of this amount, $145,395 has been allocated against contributed equity and $339,255 against retained earnings.

2. CASH AND CASH EQUIVALENTS

	$
Cash and cash equivalents at 31 Dec 2016	4,343,657
Pro-forma adjustments:	
Acquisition of Synertec	5,737,845
Acquisition of Synertec - Cash Consideration	(5,000,000)
Proceeds from Shares issued under the Capital Raising	750,000
Capital Raising & Transaction costs	(484,650)
	1,003,195
Pro-forma balance	5,346,852

3. ASSETS HELD FOR SALE

	$
Assets held for sale at 31 Dec 2016	6,855,238
Subsequent events	
Divestment of Mining Assets	(6,855,238)
	(6,855,238)
Pro-forma balance	-

4. TRADE AND OTHER RECEIVABLES

	$
Trade and other receivables at 31 Dec 2016	28,597
Pro-forma adjustments:	
Acquisition of Synertec	1,425,922
	1,425,922
Pro-forma balance	1,454,519

5. OTHER ASSETS – CURRENT

	$
Other assets at 31 Dec 2016	2,704
Pro-forma adjustments:	
Acquisition of Synertec	1,462,902
	1,462,902
Pro-forma balance	1,465,606

6. WORK IN PROGRESS

	$
Work in progress at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	999,595
	999,595
Pro-forma balance	999,595

7. NET DEFERRED TAX ASSETS

	$
Deferred tax assets at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	193,943
	193,943
Pro-forma balance	193,943

8. OTHER ASSETS – NON-CURRENT

	$
Other assets - non-current at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	831,477
	831,477
Pro-forma balance	831,477

9. PROPERTY, PLANT AND EQUIPMENT

	$
Property, plant and equipment at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	364,560
	364,560
Pro-forma balance	364,560

10. TRADE AND OTHER PAYABLE

	$
Trade and other payable at 31 Dec 2016	17,319
Pro-forma adjustments:	
Acquisition of Synertec	1,890,681
	1,890,681
Pro-forma balance	1,908,000

11. CURRENT TAX LIABILITY

	$
Current tax liability at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	1,744,670
	1,744,670
Pro-forma balance	1,744,670

12. LOANS AND BORROWINGS

	$
Loans and borrowings at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	38,028
	38,028
Pro-forma balance	38,028

13. EMPLOYEE BENEFITS

	$
Employee benefits at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	442,779
	442,779
Pro-forma balance	442,779

14. DEFERRED INCOME

	$
Deferred income at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	51,223
	51,223
Pro-forma balance	51,223

15. EMPLOYEE BENEFITS – NON CURRENT

	$
Employee benefits at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	74,015
	74,015
Pro-forma balance	74,015

16. ISSUED CAPITAL

Issue of Shares	Number of shares	$
Fully paid ordinary share capital of Company as at 31 Dec 2016	107,839,799	108,051
Completion of Consolidation (4 Shares into 3 Shares)	80,879,849	108,051
Pro-forma adjustments:		
Acquisition of Synertec	-	950
Elimination of Company's issued capital upon Acquisition	-	(108,051)
Issue of Shares to the Synertec Shareholders for the Synertec Shares	107,142,857	3,235,194
Issue of the Adviser Shares	13,928,571	650,000
Proceeds from Shares issued under the Capital Raising	18,750,000	750,000
Capital Raising and Transaction costs	-	(145,395)
	139,821,428	4,382,698
Pro-forma balance	220,701,277	4,490,749

17. OTHER EQUITY CONTRIBUTION

	$
Other Equity Contribution at 31 Dec 2016	-
Pro-forma adjustments:	
Acquisition of Synertec	132,904
	132,904
Pro-forma balance	132,904

18. RESERVES

	$
Reserves at 31 Dec 2016	62,948,442
Pro-forma adjustments:	
Elimination of Company's reserves upon Acquisition	(62,948,442)
	(62,948,442)
Pro-forma balance	-

19. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	$
Accumulated losses at 31 Dec 2016	(51,843,616)
Subsequent events:	
Divestment of Mining Assets	6,855,235
Cash consideration to Synertec	5,000,000
	11,855,238
Pro-forma adjustments:	
Acquisition of Synertec -Retained Earnings	6,640,994
Elimination of Company's accumulated losses upon Acquisition	39,988,378
Amount recognised as ASX listing expense upon Acquisition	(3,877,555)
Issue of Adviser Shares	(650,000)
Expenses of the Capital Raising and Transactions, not capitalised	(339,255)
	41,762,562
Pro-forma balance	1,774,184

SCHEDULE 2 – TERMS AND CONDITIONS OF BONUS OPTIONS

The following are the terms and conditions of the Bonus Options:

(a) Each Bonus Option entitles the holder to subscribe for one Share upon payment of $0.053 (**Exercise Price**).

(b) The Bonus Options are exercisable on or before 3 years from the date of issue at any time.

(c) The Bonus Options will expire on the date being 3 years from the date of issue. Bonus Options not exercised on the expiry date will automatically lapse.

(d) The Bonus Options may be exercised in whole or in part, by notice in writing to the Company.

(e) Holders of Bonus Options will be permitted to participate in new issues of securities only following the prior exercise of the Bonus Option, in which case the record date must be at least seven (7) Business Days, or such lesser number of days as is permitted under the ASX Listing Rules, after announcement of the new issue, to allow exercise of the Bonus Options.

(f) Shares issued on the exercise of the Bonus Options will be issued not more than fourteen (14) days after receipt by the Company of notice in writing of exercise of Options and payment of the Exercise Price in respect of each Option exercised.

(g) Shares allotted or issued pursuant to the exercise of a Bonus Option will rank equally with the then issued Shares.

(h) Subject to paragraphs (i) and (j), a Bonus Option does not confer the right to a change in Exercise Price or a change in the number of Shares over which the Bonus Option can be exercised.

(i) In the event of a pro rata issue (except a bonus issue) of Shares by the Company, the Exercise Price for each Option will be adjusted in accordance with the formula specified in Listing Rule 6.22.2 of the ASX Listing Rules.

(j) In the event of any reconstruction (including consolidation, subdivision, reduction or returns) of the issued capital of the Company, the number of Bonus Options or Exercise Price or both shall be reconstructed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

SCHEDULE 3 – TERMS AND CONDITIONS OF REDEMPTION NOTES

The following are the terms and conditions of the Redemption Notes:

(a) subject to completion of the Mining Assets Sale occurring within 6 months from the Completion (including payment of the sale price for the Mining Assets Sale), a Redemption Note entitles the holder to an amount (in dollar terms or a fraction of a dollar) equal to the amount of the Net Sale Proceeds divided by the total number of Redemption Notes issued by the Company (**Redemption Amount**);

(b) the Redemption Amount will be paid by the Company at a date to be determined by the Board and notified to the ASX following completion of the Mining Assets Sale;

(c) the Redemption Notes are unsecured;

(d) other than the right to payment of the Redemption Amount, a Redemption Note confers no other rights including (without limitation):

    (i) no right convert to any other securities (whether equity or debt or otherwise);

    (ii) no right to attend or vote at any general meeting of the Company or to receive any notices of any such meeting unless required by law;

    (iii) no right to participate in any dividends or capital distributions; and

    (iv) no right to participate in any new issue of securities;

(e) a Redemption Note is not transferable, except to a transfer to its holder's administrator, liquidator or trustee in the event of the death or insolvency of its holder;

(f) the validity of a Redemption Note (including the right to payment of the Redemption Amount in accordance with these terms and conditions) is not conditional upon its holder remaining a Shareholder of the Company and is not affected if the holder ceases to be a Shareholder of the Company; and

(g) the Redemption Notes will not be quoted on the ASX.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

SML CORPORATION LIMITED
Independent Expert's Report

28 April 2017

Table of Contents

Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

(a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and

(b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the non-associated shareholders of SML Corporation Limited ('SML' or 'the Company') in relation to the proposed acquisition ('the Proposed Transaction') of Synertec Pty Ltd ('Synertec').

Further details of the Proposed Transaction are set out in Section 3.0. The scope of this Report is set out in detail in Section 4.0. This Report provides an opinion as to whether or not the Proposed Transaction is 'fair' and 'reasonable' to the non-associated shareholders of SML and has been prepared to provide information to the non-associated shareholders of SML to assist them to make an informed decision on whether to vote for or against the resolutions that comprise the Proposed Transaction.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has not provided any services to SML or Synertec in the past two years.

The signatories to this Report do not hold any shares in SML or Synertec and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

Glossary

Reference	Definition
ABV	Asset-based valuation
Adviser Shares	13,928,571 new SML shares to be issued to the advisers nominated by SML
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AUD or $	Australian dollars
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDO CFQ, BDO (QLD) or any of its partners, directors, agents or associates
Bonus Options	New options to be issued to the Record Date Shareholders to subscribe for new SML shares on the basis of one such option for every 5 SML shares, with each such option having an exercise price of $0.053 and exercise period of 3 years
Calculation Date, the	The day after the closing date of the Offer
Cash Consideration	$5,000,000
CME	Capitalisation of maintainable earnings
Company, the	SML Corporation Limited
Completion	Completion of the sale and purchase of the Sale Shares
Consideration Shares	107,142,857 new SML shares
Corporations Act, the	The Corporations Act 2001
DCF	Discounted cash flow
EBITDA	Earnings before interest, tax, depreciation and amortisation
EFIC	Export Finance and Insurance Corporation
EV	Enterprise value
Explanatory Statement, the	Notice of Special General Meeting and Explanatory Statement prepared by SML and dated on or about 2 May 2017
FSG	Financial Services Guide
FY2014	Financial Year ended 30 June 2014
FY2015	Financial Year ended 30 June 2015
FY2016	Financial Year ended 30 June 2016
FY2017 YTD	Half Year ended 31 December 2016
GRI	Global Resources and Infrastructure Pty Ltd
GRI Report	Global Resources and Infrastructure Pty Ltd.'s technical expert report date 6 April 2017

Reference	Definition
Loan Amount	Synertec agrees to loan to SML, without charging any interest or fees, at Completion an amount equal to the Cash Consideration less the amount of cash held by SML at its bank as at the time immediately prior to Completion.
MBV	Market-based valuation
Mining Assets	The Tenement and related PPE
NCC	New Concept Corporation Ltd
Net Sale Proceeds	Sales price paid for the sale of the Mining Assets less associated costs
Notice of Meeting, the	Notice of Special General Meeting and Explanatory Statement prepared by SML and dated on or about 2 May 2017
Offer, the	Issue of 18,750,000 new shares at $0.04 to be issued under a prospectus as a minimum subscription in order to raise $750,000
PPE	Property, Plant and Equipment
Proposed Transaction, the	The proposed acquisition of Synertec by SML
Record Date Shareholders	Existing shareholders as at the record date specified in the Notice of Meeting excluding the shareholders of Synertec, the holder of the Adviser Shares and the new holders of shares issued under the Offer
Redemption Notes	New debt securities conferring to the Record Date Shareholders a conditional entitlement to the Net Sale Proceeds, with one such debt security to be issued for each SML share entitling the Record Date Shareholder to receive payment of his entitlement subject to Completion occurring and completion of the sale of the Mining Assets occurring within 6 months from the Completion Date
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDO CFQ dated 28 April 2017
Resolutions, the	Notice of Meeting Essential Resolutions 1 to 7 (inclusive)
RG 111	Regulatory Guide 111: Content of Expert Report
RGs	Regulatory guides published by ASIC
Sale Shares	950 fully paid ordinary shares in the capital of Synertec
Share Sale Agreement	Agreement between SML Corporation Limited and Synertec Pty Ltd for the purchase of the Sale Shares
SML	SML Corporation Limited
Synertec	Synertec Pty Ltd
Tenement, the	Mining lease MIN 4921
Vendors, the	Shareholders in Synertec
VWAP	Volume weighted average price
We, us, our	BDO Corporate Finance (QLD) Ltd

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Brisbane, QLD 4000
GPO Box 457, Brisbane QLD 4001
AUSTRALIA

The Shareholders
C/- The Directors
SML Corporation Limited
Clarendon House
2 Church Street
Hamilton HM11 Bermuda

28 April 2017

Dear Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders of SML Corporation Limited ('SML' or 'the Company') in relation to the proposed acquisition ('the Proposed Transaction') of Synertec Pty Ltd ('Synertec').

The consideration to be offered by SML under the Proposed Transaction is:

- 107,142,857 ordinary shares in SML; and
- $5 million in cash.

For ease of reference, and to assist to differentiate between SML prior to the cash and scrip acquisition of Synertec shares and SML post the cash and scrip acquisition of Synertec shares, we refer to the company acquiring Synertec as 'SML' or 'the Company' and we refer to the combined entity post the cash and scrip acquisition as 'the Combined Entity'. Accordingly, all references to the Combined Entity set out in this Report should be taken as references to SML following the Proposed Transaction.

A more detailed description of the Proposed Transaction is set out in Section 3.0 of this Report.

This Report has been prepared to provide information to the non-associated shareholders of SML to assist them to make an informed decision on whether to vote for or against resolutions 1 to 7 (inclusive) that comprise the Proposed Transaction at the Special General Meeting ('the Resolutions'). Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work together with the other information provided to the non-associated shareholders of SML in conjunction with this Report, including the Notice of Special General Meeting and Explanatory Statement prepared by SML and dated on or about 2 May 2017 ('the Notice of Meeting' and 'the Explanatory Statement').

This Report does not address circumstances specific to individual SML shareholders. A SML shareholder's decision to vote for or against the Resolutions that comprise the Proposed Transaction is likely to be influenced by their own particular circumstances including, for example, their taxation considerations and risk profile. SML shareholders should obtain their own professional advice in relation to their own circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

2.0 Summary of Opinion

This section is a summary of our opinion only and cannot substitute for a complete reading of this Report.

2.1 Fairness of the Proposed Transaction

This section provides a summary of our assessment of the fairness of the Proposed Transaction. A more detailed assessment of the fairness of the Proposed Transaction is set out in Section 9.0 of this Report.

To assess whether the Proposed Transaction is 'fair' to the non-associated shareholders of SML we:

- Calculated the value of a SML share immediately prior to the Proposed Transaction on a controlling interest basis using an Asset Based Valuation ('ABV') methodology (refer Section 7.0 and 9.1);
- Determined the fair value to be received by existing non-associated shareholders under the terms of the Proposed Transaction (refer Section 9.2). Under the Proposed Transaction, SML shareholders will receive:
  - Shares in the Combined Entity (each share held in SML will effectively become a share in the Combined Entity following the Proposed Transaction);
  - Bonus Options (one option for every five SML shares held); and
  - Redemption Notes (one note for every SML share held);
- Compared the value of a share in SML, on a controlling interest basis, immediately prior to the Proposed Transaction with the fair value to be received by existing non-associated shareholders under the terms of the Proposed Transaction.

Table 2.1 below summarises our valuation of a share in SML prior to the Proposed Transaction and the fair value to be received by existing non-associated shareholders. We have calculated two cases for the value received as follows (refer to Section 9.2.3 for a more detailed description):

- The base case assumes the sale of the tenement and related PPE ('the Mining Assets') does not complete and hence the redemption notes have no value; and
- The upside case assumes the sale of the Mining Assets completes and hence the redemption notes have value. The value allowed is based on the low to preferred value of the Mining Assets from the technical expert report ('the GRI Report).

Table 2.1: Assessment of Fairness of the Proposed Transaction

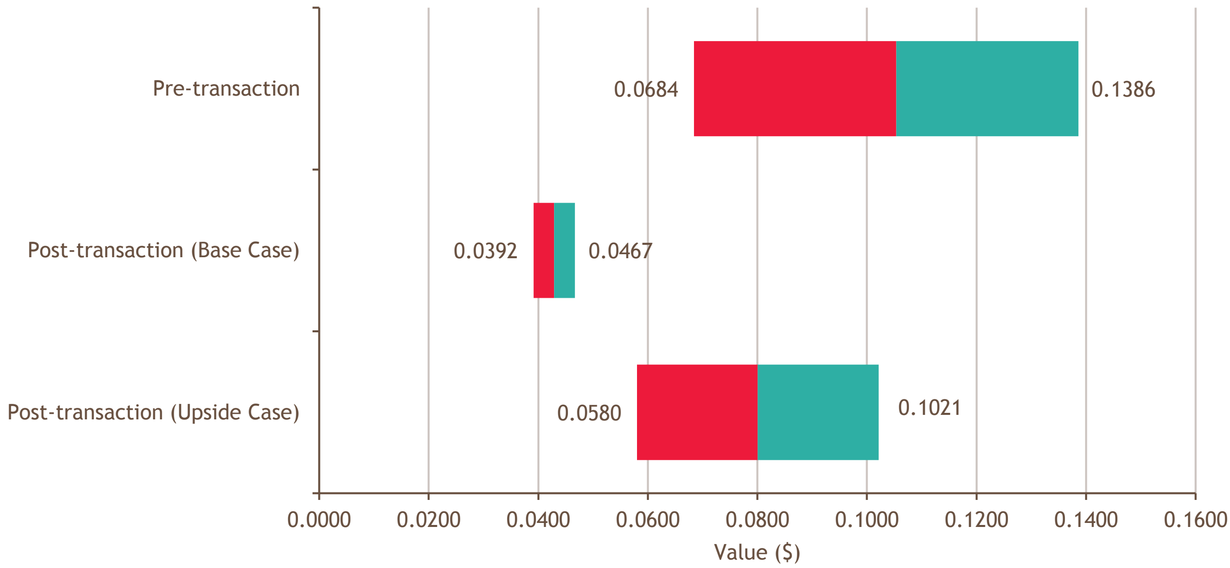
	Low ($)	Mid ($)	High ($)
Value per SML share prior to the Proposed Transaction (controlling interest)[1]	0.0684	0.1054	0.1386
Value per share received under the Proposed Transaction - Base Case	0.0392	0.0429	0.0467
Value per share received under the Proposed Transaction - Upside Case	0.0580	0.0801	0.1021

Source: BDO CFQ analysis

1 *To allow for a like-for-like comparison to be made, we have calculated our pre-transaction value by adopting a number of shares that assumes the 3 for 4 share consolidation has been completed.*

Figure 2.1 illustrates the information set out in Table 2.1 in graphical form.

Figure 2.1: Fairness of the Proposed Transaction



Source: BDO CFQ analysis

After considering the information summarised above and set out in more detail in Section 9.0 of this Report, in our view, the Proposed Transaction is **Not Fair** to the non-associated shareholders of SML as at the date of this Report.

2.2 Reasonableness of the Proposed Transaction

2.2.1 Advantages and disadvantages

Table 2.2 below summarises the advantages and disadvantages of the Proposed Transaction. For a more detailed assessment of the Proposed Transaction, refer to Section 10.0 of this Report.

Table 2.2: Advantages and Disadvantages of the Proposed Transaction

Advantage	Disadvantage
The transaction provides SML with an income producing business	The Proposed Transaction is Not Fair
Larger market capitalisation and potentially higher liquidity on the ASX	Proceeds from the sale of the Mining Assets are only realised if sold within 6 months
Greater diversification of operations	Dilutionary impact on the existing SML shareholders
The value of the Combined Entity is higher than the price of SML shares listed on the ASX	A new shareholder will have significant influence over the Combined Entity
Redemption Notes are provided to existing shareholders only	Potentially reduced chance of receiving a future takeover offer due to controlling shareholder
	There is a change in the nature and scale of SML's business
	Potential for a significant number of Combined Entity shares to be sold on the open market

Source: BDO CFQ analysis

2.2.2 Additional Valuation Consideration Not Included as Part of Fairness Assessment

The analysis set out in the fairness section relies on a pre-transaction value that includes the full valuation range of the Mining Assets. However, the post-transaction value base case makes no allowance for any value from the Mining Assets while the upside case only allows for the low to preferred value and excludes the upside. The primary reason for this difference is that if the Proposed Transaction completes, any value for the Mining Assets will have to be realised 6 months from the Completion Date (refer Section 9.2.3 below for additional discussion).

Despite our analysis in the fairness section, it is our view that there is no certainty that SML will be able to realise a superior offer for the Mining Assets in circumstances where a sales process is run over a longer period of time. For this reason, we repeated our analysis from the fairness section on a like-for-like basis (i.e. where a value is assumed for the Mining Assets which is equal before and after the Proposed Transaction). This analysis, which is set out in Section 10.3, showed significantly more overlap between the pre-transaction value and the post transaction value.

2.2.3 Potential Position of the Non-Associated Shareholders if the Proposed Transaction is Not Approved

If the Proposed Transaction is not approved, the potential circumstances of the non-associated shareholders include:

- There is no guarantee that the SML shareholders will be able to realise a value for their shares in line with our calculated pre-transaction value;
- The Directors have instructed us that SML will continue the process of divesting the Mining Assets, albeit not subject to the six month deadline imposed by a condition to the Proposed Transaction;
- The Directors will seek to identify another investment opportunity; and
- SML shareholders will continue to collectively hold 100% of the issued capital in the Company.

The above factors are discussed in further detail in Section 10.4 of this Report.

2.2.4 Conclusion on Reasonableness of the Proposed Transaction

After considering the advantages, disadvantages and other considerations of the Proposed Transaction summarised above and set out in more detail in Section 10.0 of this Report, in our view the Proposed Transaction is **Reasonable** to the non-associated shareholders of SML as at the date of this Report.

2.3 Expert's Opinion on the Proposed Transaction

In our opinion, in the absence of any other information, the Proposed Transaction is **Not Fair but Reasonable** to the non-associated shareholders as at the date of this Report.

Notwithstanding our view on the Proposed Transaction, we strongly recommend that the non-associated shareholders also have regard to the information set out in the balance of this Report before deciding whether to vote in favour of or against the Proposed Transaction.

2.4 Other Considerations for the Non-associated Shareholders of SML

Before forming a view on whether to vote in favour of or against the Proposed Transaction, we strongly recommend that the non-associated shareholders of SML:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them, including this Report and the Explanatory Statement; and
- Consider their own specific circumstances.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

The decision to vote in favour of or against the Proposed Transaction is a separate decision to the investment decision to hold or divest shares in the Combined Entity in the event the Proposed Transaction is approved. We recommend shareholders consult their own professional advisers in relation to the decision on whether to hold or divest shares in the Combined Entity.

We note that if the Proposed Transaction is not approved, the Directors of SML will seek to identify another investment opportunity. We note that the Directors of SML have investigated a number of opportunities prior to the Proposed Transaction and it is the directors' view that the Proposed Transaction represents the best opportunity for the Company and the non-associated shareholders of SML.

The non-associated shareholders of SML should refer to Section 10.4 of this Report for a more detailed discussion of the position of the non-associated shareholders of SML in the event that the Proposed Transaction is not approved and implemented.

3.0 Description of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 3.1 provides an overview of the Proposed Transaction;
- Section 3.2 sets out the conditions of the Proposed Transaction;
- Section 3.3 sets out the effect of the Proposed Transaction on SML's ownership structure; and
- Section 3.4 discusses the strategic rationale for the Proposed Transaction.

3.1 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction. This section is a summary only.

The Proposed Transaction consists of the essential Resolutions (i.e. resolutions 1 to 7) in the Notice of Meeting. A detailed summary of the resolutions is contained within the Explanatory Statement.

The terms of the Proposed Transaction are set out in the binding share Sale Agreement between SML and the shareholders of Synertec ('the Share Sale Agreement'), and summarised in the Notice of Meeting and Explanatory Statement. Broadly, the Proposed Transaction can be categorised into the following components:

- The issued share capital of SML is consolidated on the basis of four fully paid ordinary shares being consolidated into three fully paid ordinary shares in the capital of SML;
- The 950 fully paid ordinary shares in the capital of Synertec Pty Ltd ('the Sale Shares') are acquired by SML for the payment of $5,000,000 ('the Cash Consideration') and issue of the 107,142,857 new SML shares ('Consideration Shares');
- The issue of 18,750,000 new SML shares at $0.04 under a prospectus ('the Offer') is made and conducted, and the Offer Shares are allotted and issued by SML;
- The issue of new options ('the Bonus Options') to the existing shareholders (excluding the shareholders of Synertec, the holder of the Advisor Shares and the new holders of shares issued under the Offer) ('Record Date Shareholders') to subscribe for new SML shares on the basis of one option for every five SML shares with each option having an exercise price of $0.053 and an exercise period of 3 years. The record date is determined by SML in compliance with ASX requirements;
- The allotment and issue of 13,928,571 new SML shares to the advisers ('the Adviser Shares') by SML;
- The issue of new debt securities ('the Redemption Notes') conferring to the Record Date Shareholders a conditional entitlement to the net sale proceeds. The net sale proceeds is the sales price paid to and received by SML in the event of a sale of the Mining Assets less associated costs ('the Net Sale Proceeds'). One Redemption Note is to be issued for each SML share held as at 5:00pm (Melbourne Time) on the record date with each Redemption Note:
  - Entitling the Record Date Shareholder to receive payment of his entitlement in accordance with the paragraph below subject to Completion occurring and completion of the sale of the Mining Assets occurring within 6 months from the Completion Date; and
  - Providing for the Record Date Shareholder's entitlement to the Net Sale Proceeds to be proportional to the one SML share held by the Record Date Shareholder over the number of all the SML shares issued as at that record date.

The Proposed Transaction will only proceed if all of the Essential Resolutions are passed by the non-associated shareholders of SML at the Special General Meeting. SML shareholders should refer to the Explanatory Statement for more information in relation to the Proposed Transaction.

3.2 Conditions of the Proposed Transaction

Completion of the Proposed Transaction is subject to a number of conditions precedent being met by both the Company and Synertec. The conditions precedent are outlined in the Explanatory Statement and include the following key conditions:

- The shareholders of Synertec ('the Vendors') have conducted their vendor due diligence and have satisfied themselves in relation to matters arising from the vendor due diligence;
- SML has conducted its purchaser due diligence and has satisfied itself in relation to matters arising from the purchaser due diligence;
- The Independent Expert's Report concludes that the acquisition of the Sale Shares by SML from the Vendors on the terms of the Share Sale Agreement is fair and reasonable, or is not fair but reasonable, and in the best interest of SML shareholders;
- The Resolutions are approved by the requisite majorities under the Bermuda Companies Act and the Corporations Act (if applicable), the ASX Listing Rules and SML's constitution;
- SML raising at least $750,000 pursuant to the Offer;
- At the time of Completion, SML or any of its subsidiaries has at least $4,100,000 in cash (excluding any amount raised by the Offer) and before deducting the reasonable costs and expenses incurred by SML in relation to the implementation of the Proposed Transactions;
- As at the day after the closing date of the Offer ('the Calculation Date'), Synertec's net assets value is not less than Synertec's net assets value reported or stated in Synertec's audited accounts as at 31 December 2016;
- As at the Calculation Date, Synertec has at least $1,500,000 in cash (which, for the avoidance of any doubt, will include the amount loaned by Synertec to SML ('the Loan Amount')); and
- As at the Calculation Date, the amount of working capital of Synertec is at least $4,000,000 (which, for the avoidance of any doubt, will include the Loan Amount).

3.3 Effect on Ownership Interests

Tables 3.1 and 3.2 below assist to estimate the change in ownership interests following the Proposed Transaction. For details on the current equity structure of SML refer to Section 5.2 of this Report. In relation to Tables 3.1 and 3.2 below we note the following:

- **Post Transaction - Excluding options**: Assumes the issue of 107,142,857 shares to Synertec shareholders; and
- **Post Transaction - Exercise of options**: Assumes the exercise (at $0.053 per option) of 100% of the 16,175,970 SML options.

Table 3.1: Effects of the Proposed Transaction on Ownership Interests in SML - Number of Shares

	Prior	Post Transaction - Excluding Options	Post Transaction - Exercise of Options
SML Shareholders	80,879,849	80,879,849	97,055,819
Synertec - Kipberg	-	8,345,865	8,345,865
Synertec - NCC	-	98,796,992	98,796,992
Offer Shares	-	18,750,000	18,750,000
Advisers	-	13,928,571	13,928,571
Total	**80,879,849**	**220,701,277**	**236,877,247**

Source: BDO CFQ analysis

Table 3.2: Effects of the Proposed Transaction on Ownership Interests in SML - Percentage Ownership

	Prior	Post - Excluding Options	Post - Exercise of options
SML Shareholders	100.0%	36.6%	41.0%
Synertec - Kipberg	0.0%	3.8%	3.5%
Synertec - NCC	0.0%	44.8%	41.7%
Offer Shares	0.0%	8.5%	7.9%
Advisers	0.0%	6.3%	5.9%
Total	**100.0%**	**100.0%**	**100.0%**

Source: BDO CFQ analysis

3.4 Strategic Rationale for the Proposed Transaction

The Directors of SML have been seeking potential acquisitions since they formed the view that the Company did not have sufficient cash to fund continual exploration of their tenements. They formed this view as:

- In June 2014, their largest shareholder, Northwest Nonferrous Australia Mining Pty Ltd allowed their call options to expire which, if exercised, would have resulted in $16.8 million of extra capital being available to SML; and
- Since the expiry of the call options, the Company has approached various fund management companies and banks for funding and has not been successful.

Since 2014, the Directors have been conserving cash and seeking acquisition opportunities outside of the resources industry as the Directors are of the view that the present market outlook for the resources industry is not rewarding for shareholders. The Directors of SML have considered a number of potential transactions and are of the view that the Potential Transaction offers potential for growth in shareholder value as Synertec has a history of generating positive cash flows from operations.

4.0 Scope of Report and Methodology for Assessment

4.1 Scope of Report

We have been requested to prepare this independent expert's report to provide additional information to the non-associated shareholders of SML to assist them to form a view on whether to vote in favour of or against the Proposed Transaction.

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the ASIC and the listing requirements of the stock exchanges on which a company is listed.

SML is incorporated in Bermuda and not subject to the Corporation's Act. This Report has not been prepared for the purpose of meeting any requirements under the Corporation's Act.

The sole purpose of this Report is to express BDO CFQ's opinion on whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of SML. This Report cannot be used by any other person for any other reason or for any other purpose. We understand that this Report will be distributed to the non-associated shareholders of SML together with the Explanatory Statement.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual SML shareholders. Before deciding whether to vote in favour of or against the Proposed Transaction, individual SML shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs, including their own taxation consequences. SML shareholders should read in full the Notice of Meeting and Explanatory Statement in relation to the Proposed Transaction.

The decision to vote in favour of or against the resolutions that comprise the Proposed Transaction is a matter for individual shareholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. SML shareholders should consult their own professional adviser in relation to their own circumstances and the way in which the Proposed Transaction may impact their own circumstances.

4.2 Methodology for Assessment

Notwithstanding that SML is incorporated in Bermuda and not subject to the Corporation's Act, it is usual to prepare independent expert's reports in relation to ASX listed companies having regard to relevant guidance issued by the Australian Securities and Investments Commission ('ASIC'). Specifically, ASIC have set out specific guidance in RG 111 'Content of Expert Reports' ('RG 111').

RG 111 states that, in the event that a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged interest, the transaction should be analysed as if it was a takeover bid. In such circumstances, references to the 'bidder' and 'target' should be taken to mean the 'allottee' and the 'company' respectively.

When analysing a takeover bid, RG 111 states that an expert is required to give an opinion as to whether the Proposed Transaction is 'fair and reasonable' to the shareholders. The expert's report should explain how the particulars of the proposal were evaluated as well as the results of the examination and evaluation. RG 111 also provides guidance on common valuation methodologies and certain matters which should be considered by an expert when completing a valuation.

Having regard to the ASIC requirements, in our view it is appropriate to assess whether the Proposed Transaction is 'fair and reasonable' by completing the steps set out below.

4.2.1 Step 1 - Assessment of Fairness

To assess whether the Proposed Transaction is 'fair', in our view it is appropriate to:

- Determine the value of a share in SML, on a controlling interest basis, immediately prior to the Proposed Transaction; and
- Compare the value determined above with our valuation of a share in the Combined Entity on a minority interest basis immediately following the Proposed Transaction, along with any other rights provided to existing SML shareholders under the Proposed Transaction.

Under RG 111, the Proposed Transaction will be considered 'fair' to the non-associated shareholders of SML if the value received following the Proposed Transaction is equal to or greater than the value of an SML share prior to the Proposed Transaction.

We have engaged Global Resources and Infrastructure Pty Ltd ('GRI') to provide independent technical advice in relation to the value of the tenement held by SML.

4.2.2 Step 2 - Assessment of Reasonableness

To assess whether the Proposed Transaction is 'reasonable', in our view it is appropriate to examine other significant factors to which the non-associated shareholders of SML may give consideration prior to deciding whether to vote in favour of or against the Proposed Transaction. This evaluation may involve comparing the likely advantages and disadvantages of approving the Proposed Transaction with the position of a SML shareholder if the Proposed Transaction is not approved.

4.2.3 Step 3 - Expert's Opinion

Upon completion of steps 1 and 2 above, it may be possible to conclude whether the Proposed Transaction is 'fair' and/or 'reasonable' to the non-associated shareholders of SML. We note that under RG 111, the Proposed Transaction is considered to be 'reasonable' if it is 'fair'. It may also be possible to conclude that the Proposed Transaction is 'reasonable' if there are sufficient valid reasons for the approval, notwithstanding that the Proposed Transaction may not be 'fair' to the non-associated shareholders of SML.

This Report will conclude by providing our opinion as to whether or not the Proposed Transaction is 'fair and reasonable'. While all relevant issues must be considered prior to forming an overall opinion, we will assess the fairness and reasonableness issues separately for clarity.

In this Report we have not provided any taxation, legal or other advice in relation to the Proposed Transaction. Other advisors have provided advice on those matters to SML in relation to the Proposed Transaction.

In the process of assessing the Proposed Transaction, we have relied on certain economic, market and other conditions prevailing at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

5.0 Overview of SML

5.1 Description of SML

5.1.1 Transformation from Exploration Company

SML is a holding company for a mineral resource exploration group incorporated in Bermuda. The company holds a tenement, MIN4921, covering a total of 246 hectares and was engaged in the exploration of gold and base metals in the East Gippsland region of Victoria, Australia.

The Company was relying on their largest shareholder, Northwest Nonferrous Australia Mining Pty Ltd ('Northwest') to exercise options which would have resulted in $16.8 million in extra capital being provided to SML. Ultimately, in June 2014, the share price was lower than the exercise price and Northwest elected not to exercise the options and the capital was not available.

In the absence of the Northwest funding, the Company approached various fund management companies and banks for funding and has not been successful. In order to conserve cash, in FY2016 SML surrendered 3 of its tenements, exploration licences 3916, 4744 and 4717. An overview of SML's remaining tenement, MIN4921 is set out in Section 5.1.2 below. The remaining tenement was impaired as at 31 December 2016 (refer to Section 5.4).

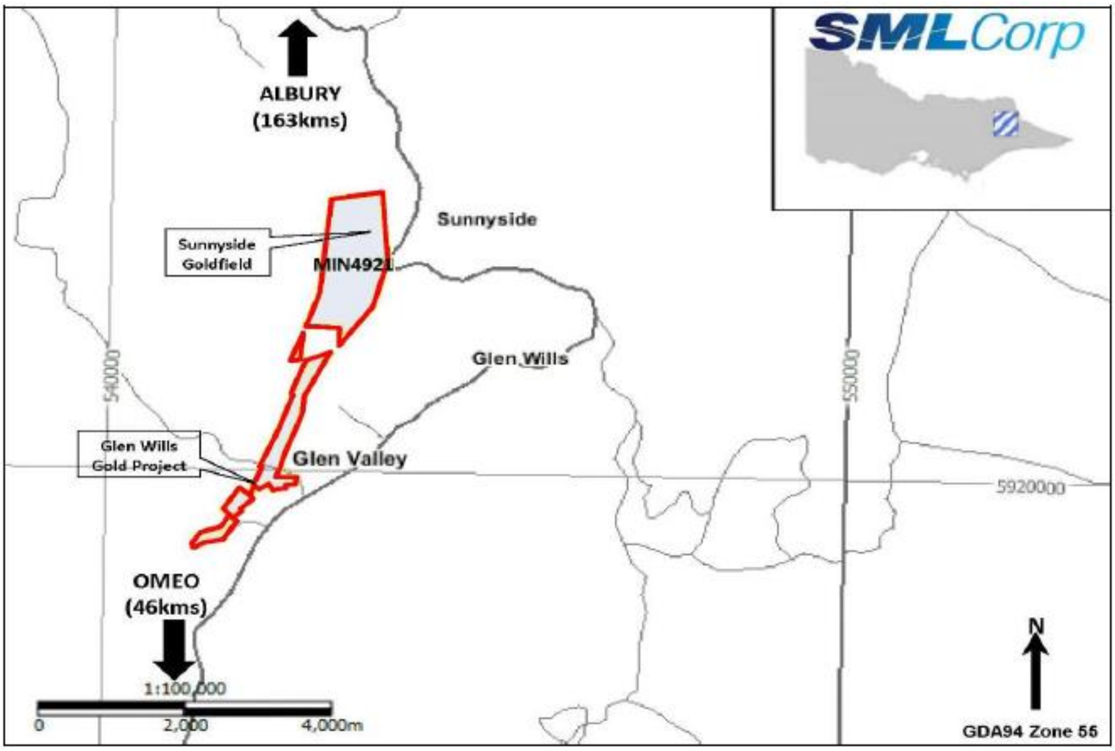
Since 2014, the Directors have been conserving cash and seeking acquisition opportunities outside of the resources industry as the Directors are of the view that the present market outlook for the resources industry is not rewarding for shareholders. This view is reflected in SML's market announcement on 25 February 2016. The announcement stated that the mining sector has been the subject of a substantial downturn especially given the current downturn in, and uncertainties over the Chinese economy. The announcement also stated that according to many economic experts, the outlook for the mining sector is not very promising over the next five years or so and consequently, investment sentiment for mining stocks continues to be generally negative. This announcement also included details on a potential reverse takeover which subsequently did not proceed.

As a result of the decision to focus on alternative acquisition options, as announced in the September 2016 quarterly report, the Company has been engaged in discussions with interested parties with respect to the remaining tenement. The offers received have ranged from a joint venture to out-right acquisition of the primary assets.

5.1.2 Overview of SML's Tenement

SML owns a mining tenement. The location of the tenement is provided in Figure 5.1. Further information on the tenement is provided in Table 5.1.

Figure 5.1: Mining Tenement



Source: SML September 2016 Quarterly Report

Table 5.1: Mining Lease

Tenement	Project	Area	Granted	Expiry
MIN 4921	Glen Wills - Sunnyside Goldfield	246 hectares	18/01/1990	13/05/2019

Source: SML September 2016 Quarterly Report

The Glen Wills Gold Project consists of two historical gold mining centres known as the Glen Wills and the Sunnyside Goldfields. The Glen Wills Gold Project is located approximately 60 kms by road north of the town of Omeo in North East Gippsland. Victoria has had a long history of gold exploration and mining dating back to the 1850s. Glen Wills was one of the major early goldfields in the North-East of Victoria.

SML entered into a farm-in agreement in January 2004 and took control of the project in 2005. Since SML took control of the project, it has remained in the exploration phase. During the December 2015 quarter, the Company submitted a work plan application to the state government to allow for the future possibility of limited mineral processing to occur on site. During the September 2016 quarter, the Company completed a revised work plan which included additional metallurgical test-work, infill surveying, geotechnical appraisal and design work which was requested by the regulators. The work plan was resubmitted in the December 2016 quarter. As at the date of this report, the approval of the work plan is still pending. Refer to GRI's technical expert report dated 6 April 2017 ('the GRI Report') (in Appendix E) for further details on the history of the tenement. The resource statement for the Glen Wills-Sunnyside Mining Tenement is provided in Table 5.2.

Table 5.2: Glen Wills-Sunnyside Resource Statement, June 2013

	Indicated	Inferred	Total
Tonnes	106,600	602,900	709,500
Grade (g/t)	6.0	7.6	7.4
Au (Oz)	20,500	147,500	168,000
Ag (Oz)	0	115,000	115,000

Source: SML 2016 Annual Report

5.2 Equity Structure of SML

SML has 107,839,799 ordinary shares on issue as at 24 April 2017.

5.2.1 Top 10 Shareholders of SML Ordinary Shares

The top 10 shareholders of SML ordinary shares as at 24 April 2017 are set out in Table 5.3 below. Table 5.3 does not consider the impacts of any changes in shareholding arising from the Proposed Transaction.

Table 5.3: Top 10 SML Shareholders as at 24 April 2017

	Shareholder	Number of Shares	Percentage of Total Shares (%)
1	Northwest Nonferrous Australia Mining Pty Ltd	52,500,000	49%
2	HSBC Custody Nominees (Australia) Limited	10,208,519	9%
3	Citicorp Nominees Pty Limited	4,764,531	4%
4	Mr Sik Ern Wong	3,386,400	3%
5	Ms Lee Luang Yeo	3,210,906	3%
6	Mr Goo Tong Ang	3,175,342	3%
7	Mr Ewe Ghee Lim & Miss Charlene Yuling Lim	3,147,374	3%
8	Mr Kiat Poh & Miss Ju-Lynn Poh	2,893,835	3%
9	Mr Trevor Neil Hay	2,143,368	2%
10	Keng Chuen Tham	1,600,000	1%
	Other shareholders	20,809,524	19%
	Total Shares on Issue	**107,839,799**	**100%**

Source: SML holdings spreadsheet as at 24 April 2017

5.3 Trading of SML Shares on the ASX

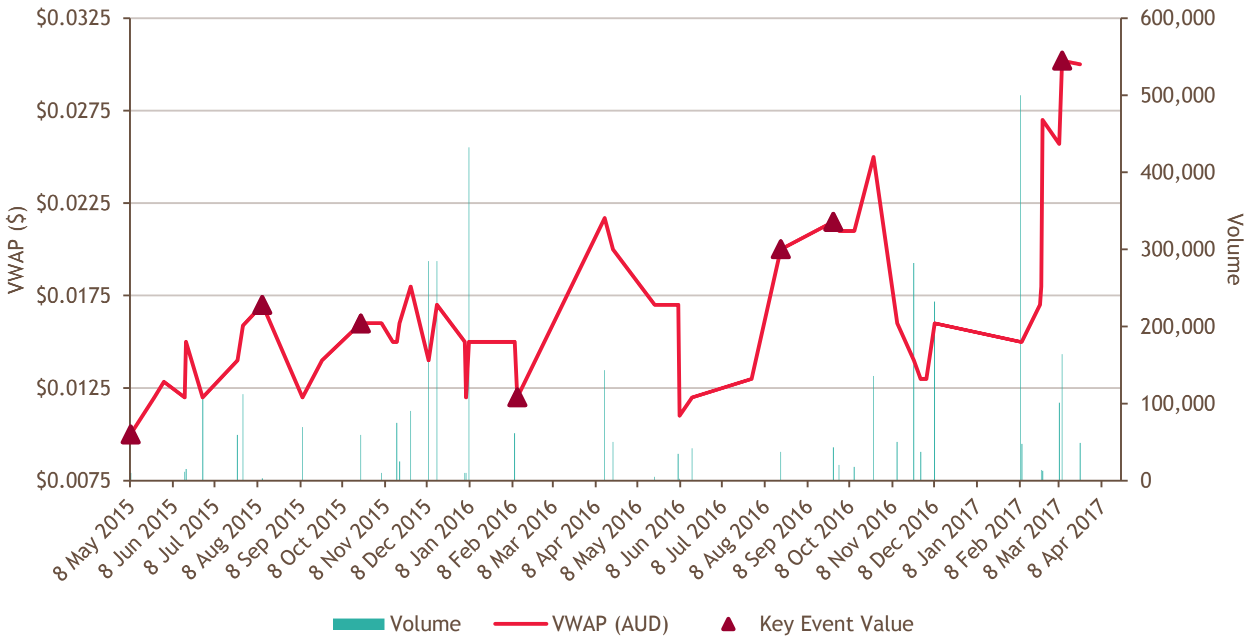
This section sets out our analysis of the share market performance of SML by considering:

- The recent price of SML shares listed on the ASX; and
- The liquidity of SML shares.

5.3.1 SML's Share Price

SML's shares are listed on the ASX. Figure 5.2 below sets out SML's daily volume weighted average price ('VWAP') and volume traded over the period from 22 April 2015 to 21 April 2017.

Figure 5.2: SML's Daily VWAP from 22 April 2015 to 21 April 2017[1]



Source: Capital IQ as at 24 April 2017

1 *No shares were traded from 22 April 2015 to 7 May 2015. This was not as a result of a trading halt.*

Over the period graphed in Figure 5.2, the SML daily VWAP shows a period low of $0.0100 on 8 May 2015 and a period high of $0.0302 on 10 March 2017 (prior to the announcement of the Proposed Transaction, the period high was $0.0270 on 24 February 2017).

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in SML's share price and volume of share trades over the time period analysed. We have provided a summary of selected SML announcements over the period from 22 April 2015 to 21 April 2017 in Table 5.4 below.

Table 5.4: Summary of Selected SML Announcements over the period from 22 April 2015 to 21 April 2017

Date	Announcement
29 April 2015	SML announced drilling results at the Glen Wills Gold Project
29 April 2015	SML announced the resignation of Mr Feng Sun as a Director and Chairman of the Company effective 8 July 2015
11 August 2015	SML reported results for the Full Year Ended 30 June 2015
12 October 2015	SML issued the Annual Report for the Year Ended 30 June 2015
18 February 2016	SML reported results for the Half Year Ended 31 December 2015
25 February 2016	SML Directors' Statement announcing proposed reverse takeover of OSCG

Date	Announcement
19 August 2016	SML issued its Full Year Statutory Accounts for the Year Ended 30 June 2016
1 September 2016	SML announced that it had discontinued its acquisition of OSCG
26 September 2016	SML issued the Annual Report for the Year Ended 30 June 2016
8 March 2017	SML announced a trading halt
10 March 2017	SML announced the proposed acquisition of 100% of the equity interest in Synertec Pty Ltd

Source: ASX Announcements, Capital IQ

In Table 5.5 below we have set out SML's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 9 March 2017, being the day prior to the date SML publicly announced the Proposed Transaction, and 21 April 2017.

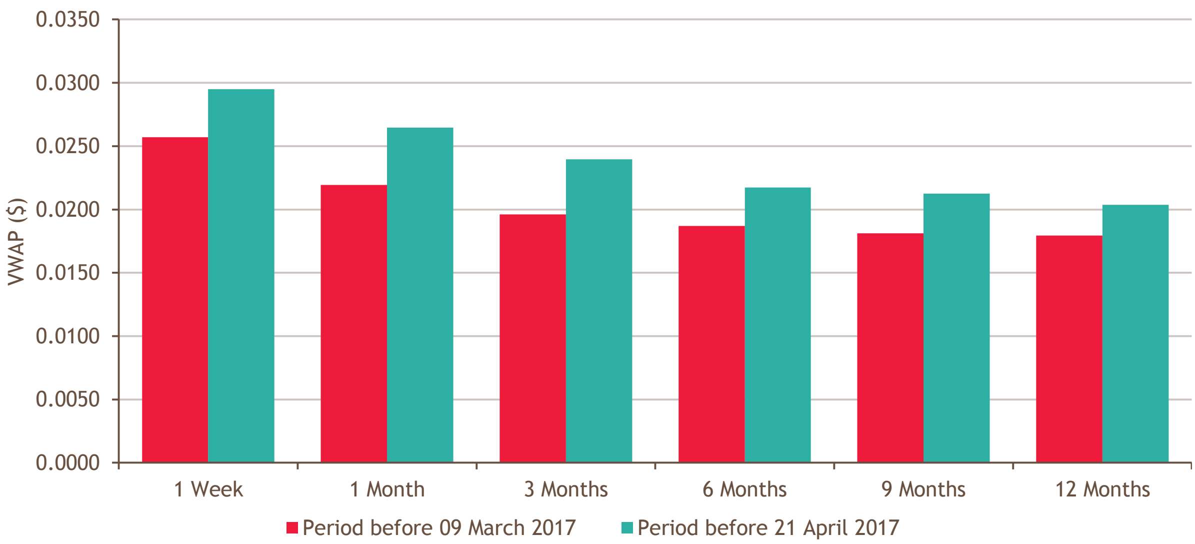
Table 5.5: SML's VWAP prior to 9 March 2017 and 21 April 2017

Period before 9 March 2017	VWAP ($)	Period before 21 April 2017	VWAP ($)
1 Week	0.0257	1 Week	0.0295
1 Month	0.0219	1 Month	0.0265
3 Months	0.0196	3 Months	0.0240
6 Months	0.0187	6 Months	0.0217
9 Months	0.0181	9 Months	0.0213
12 Months	0.0180	12 Months	0.0204

Source: Capital IQ as at 24 April 2017

The information set out in Table 5.5 above is also expressed graphically in Figure 5.3 below.

Figure 5.3: SML VWAP over Specified Periods



Source: Capital IQ as at 24 April 2017

5.3.2 *Liquidity of SML Shares*

Table 5.6 below summarises the monthly liquidity of SML shares from 1 April 2016 to 21 April 2017. Liquidity has been summarised by considering the following:

- Volume of SML trades per month;
- Total value of trades per month;
- Volume of SML trades per month as a percentage of total SML shares on issue at the end of the month; and
- Monthly VWAP.

Table 5.6: Liquidity of SML Shares

Month	Volume	Turnover	Shares Outstanding[(a)]	Volume per Shares Outstanding	Monthly VWAP
April 2017 (to 21st)	94,730	2,720	107,839,800	0.09%	$0.0287
March 2017 (from 10th)	358,110	10,530	107,839,800	0.33%	$0.0294
Total Post Transaction Announcement	**452,840**	**13,250**	**107,839,800**	**0.42%**	**$0.0293**
March 2017 (to 8th)	101,250	2,630	107,839,800	0.09%	$0.0260
February 2017	574,050	8,800	107,839,800	0.53%	$0.0153
January 2017	-	-	-	-	-
December 2016	232,500	3,720	107,839,800	0.22%	$0.0160
November 2016	370,000	5,250	107,839,800	0.34%	$0.0142
October 2016	153,560	3,770	107,839,800	0.14%	$0.0246
September 2016	63,340	1,340	107,839,800	0.06%	$0.0212
August 2016	37,500	750	107,839,800	0.03%	$0.0200
July 2016	1,400	20	107,839,800	0.00%	$0.0143
June 2016	79,190	1,130	107,839,800	0.07%	$0.0143
May 2016	5,000	90	107,839,800	0.00%	$0.0180
April 2016	192,970	3,860	107,839,800	0.18%	$0.0200
Total Pre Transaction Announcement	**1,810,760**	**31,360**	**107,839,800**	**1.68%**	**$0.0173**

Source: Capital IQ as at 24 April 2017

a) Average number of shares outstanding

Having regard to Table 5.6 above we note the following:

- Pre-announcement of the Proposed Transaction: Based on an average number of 107,839,800 SML shares on issue, approximately 1.68% of SML shares on issue were traded over the period from 1 April 2016 to 8 March 2017. We consider that SML exhibited low liquidity over the period prior to the announcement; and
- Post-announcement of the Proposed Transaction: Based on an average number of 107,839,800 SML shares on issue, approximately 0.42% of SML shares on issue were traded over the period from 10 March 2017 to 21 April 2017. We consider that SML exhibited low liquidity over the period post the announcement.

5.4 SML Historical Financial Information

This section of this Report sets out the historical financial information of SML. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in SML’s annual reports which include the full statements of profit or loss, statements of financial position and statements of cash flows.

SML’s accounts were audited by Grant Thornton Audit Pty Ltd. BDO CFQ has not performed any audit or review of any type on the historical financial information of SML. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is misleading.

5.4.1 Profit and Loss

The consolidated statements of profit and loss of SML for the 12 months ended 30 June 2014, 2015 and 2016 and the 6 months ended 31 December 2016 are summarised in Table 5.7 below.

Table 5.7: Summarised SML Statements of Profit and Loss

	12 Months Ended 30-Jun-14 Audited ($)	12 Months Ended 30-Jun-15 Audited ($)	12 Months Ended 30-Jun-16 Audited ($)	6 Months Ended 31-Dec-16 Audited ($)
Revenue	**278,454**	**242,433**	**219,153**	**115,227**
Expenses				
Operating expenses	(706,127)	(598,168)	(632,148)	(354,133)
Exploration expenditure written off	(111,811)	(280,188)	(7,189,546)	(8,101,523)
Property, plant and equipment written off	-	(201,537)	-	(679,750)
Loss before income tax expenses	**(539,484)**	**(837,460)**	**(7,602,541)**	**(9,020,179)**
Income tax expenses	-	-	-	-
Loss after income tax expense for the year attributable to the owners of SML Corporation Limited	**(539,484)**	**(837,460)**	**(7,602,541)**	**(9,020,179)**
Foreign currency translation	(6,598)	4,210	2,411	-
Total comprehensive income for the year attributable to the owners of SML Corporation Limited	**(546,082)**	**(833,250)**	**(7,600,130)**	**(9,020,179)**

Source: SML Annual Report for the financial year ended 30 June 2014, 2015 and 2016 and Statutory Report for the 6 months ended 31 December 2016

Note: Figures for period ended 31 December 2016 are not comparable as they relate to a 6 month rather than a 12 month period.

In relation to the financial performance of SML set out in Table 5.7 above we note the following:

- SML has experienced a loss in total comprehensive income in all periods reported;
- Interest comprises the majority of SML's revenues;
- SML has impaired exploration expenditure in all years shown:
  - In FY2015, $0.3 million was impaired in relation to the reduction of the area of EL 4744;
  - In FY2016, $7.2 million was impaired mainly due to the Company surrendering Exploration Licences 3916, 4744 and 4717 in order to reduce expenditure and maximise shareholder value. All exploration costs incurred in relation to those licences were written off. The Board of Directors also assessed impairment on the remaining exploration and evaluation balance relating to MIN 4921 and identified the areas that were the least prospective and impaired $2.3 million (which is included within the $7.2 million); and
  - In the 6 months to 31 December 2017 ('FY2017 YTD'), $8.1 million was impaired mainly due to writing down MIN 4921 to $6.52 million which is the low end of the valuation prepared by Global Resources and Infrastructure Pty Limited in October 2016 (the valuation range was from $6.52 million to $10.69 million). The valuation was prepared for the purpose of negotiations with potential purchasers.

    In April 2017, GRI prepared the GRI Report for the purposes of this IER. The GRI Report valued MIN 4921 in the range of $1.25 million to $6.93 million. The reduction in the valuation is mainly due to lower gold prices, higher production costs and a higher discount rate. Refer to Section 5 of the GRI Report (in Appendix E) for further details; and
- SML has impaired property, plant and equipment related to certain mining and exploration assets. The impairment is based on an estimate of the asset's recoverable amount. SML has impaired the following:
  - FY2015 - $0.2 million; and
  - FY2017 YTD - $0.7 million.

5.4.2 Financial Position

The consolidated statements of financial position of SML as at 30 June 2014, 2015 and 2016 and the 6 months ended 31 December 2016 are summarised in Table 5.8 below.

Table 5.8: Summarised SML Statements of Financial Position

	As at 30-Jun-14 Audited ($)	As at 30-Jun-15 Audited ($)	As at 30-Jun-16 Audited ($)	As at 31-Dec-16 Audited ($)
Assets				
Current assets				
Cash and cash equivalents	5,566,250	4,932,000	4,558,649	4,343,657
Asset held for sale	-	-	-	6,855,238
Trade and other receivables	34,671	24,551	23,883	28,597
Other	6,065	-	2,704	2,704
Total current assets	**5,606,986**	**4,956,551**	**4,585,236**	**11,230,196**
Non-current assets				
Property, plant and equipment	1,680,721	1,308,054	1,161,274	-
Deferred exploration and evaluation expenditure	21,571,422	21,692,003	14,585,186	-
Total non-current assets	**23,252,143**	**23,000,057**	**15,746,460**	**-**
Total assets	**28,859,129**	**27,956,608**	**20,331,696**	**11,230,196**
Liabilities				
Current liabilities				
Trade and other payables	107,693	38,422	33,640	17,319
Total current liabilities	**107,693**	**38,422**	**33,640**	**17,319**
Non-current liabilities				
Provisions	85,000	85,000	65,000	-
Total non-current liabilities	**85,000**	**85,000**	**65,000**	**-**
Total liabilities	**192,693**	**123,422**	**98,640**	**17,319**
Net assets	**28,666,436**	**27,833,186**	**20,233,056**	**11,212,877**
Equity				
Contributed equity	108,051	108,051	108,051	108,051
Reserves	62,948,442	62,948,442	62,948,442	62,948,442
Accumulated losses	(34,390,057)	(35,223,307)	(42,823,437)	(51,843,616)
Total equity	**28,666,436**	**27,833,186**	**20,233,056**	**11,212,877**

Source: SML Annual Report for the financial year ended 30 June 2014, 2015 and 2016 and Statutory Report for the 6 months ended 31 December 2016

In relation to the financial position of SML set out in Table 5.8 above we note the following:

- The cash balance decreased by $0.6 million from FY2014 to FY2015 and $0.4 million from FY2015 to FY2016;
- The majority of the $0.4 million decrease in property, plant and equipment from FY2014 to FY2015 was due to impairment;
- Deferred exploration and evaluation expenditure decreased by $7.1 million from FY2015 to FY2016 mainly due to the Company surrendering Exploration Licences 3916, 4744 and 4717 in order to reduce expenditure and maximise shareholder value. All exploration costs incurred in relation to those licences were written off;
- The provision of $0.085 million in FY2014 and FY2015 and $0.065 million in FY2016 relates to the rehabilitation of the Glen Wills and Sunnyside project site at the end of commercial production; and
- In FY2017 YTD, property, plant and equipment and deferred exploration and evaluation expenditure were written down to their fair value less estimated costs to sell and transferred to assets held for sale.

5.4.3 Cash Flows

The consolidated statement of cash flows of SML for the 12 month periods ended 30 June 2014, 2015 and 2016 and the 6 month period ended 31 December 2016 are summarised in Table 5.9 below.

Table 5.9: Summarised SML Statements of Cash Flow

	12 Months Ended 30-Jun-14 Audited ($)	12 Months Ended 30-Jun-15 Audited ($)	12 Months Ended 30-Jun-16 Audited ($)	6 Months Ended 31-Dec-16 Audited ($)
Cash flows related to operating activities				
Payments to suppliers (inclusive of GST)	(537,603)	(480,124)	(492,187)	(275,823)
Interest received	211,301	170,136	114,162	35,212
Other revenue	67,153	72,297	104,992	65,943
Net cash from/(used in) operating activities	**(259,149)**	**(237,691)**	**(273,033)**	**(174,668)**
Cash flows from investing activities				
Payments for property, plant and equipment	(548)	-	-	-
Payments for exploration and evaluation	(933,546)	(400,769)	(102,729)	(36,337)
Net cash from/(used in) investing activities	**(934,094)**	**(400,769)**	**(102,729)**	**(36,337)**
Cash flows from financing activities				
Proceeds from issue of shares	212	-	-	-
Net cash from/(used in) financing activities	**212**	**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**(1,193,031)**	**(638,460)**	**(375,762)**	**(211,005)**
Effects of exchange fluctuations on cash held	(6,598)	4,210	2,411	(3,987)
Cash and cash equivalents at the beginning of the financial year	**6,765,879**	**5,566,250**	**4,932,000**	**4,558,649**
Cash and cash equivalents at the end of the financial year	**5,566,250**	**4,932,000**	**4,558,649**	**4,343,657**

Source: SML Annual Report for the financial year ended 30 June 2014, 2015 and 2016 and Statutory Report for the 6 months ended 31 December 2016

In relation to the cash flows of SML set out in Table 5.9 above we note the following:

- SML has experienced a decrease in cash in all three years shown;
- Cash is mainly used for payments for exploration and evaluation activities and payments to suppliers; and
- Payments for exploration and evaluation decreased by $0.5 million from FY2014 to FY2015 and by $0.3 million from FY2015 to FY2016 to conserve cash and seek acquisition opportunities outside of the resources industry.

6.0 Overview of Synertec

6.1 Description of Synertec[1]

Synertec is a multi-disciplined engineering consulting firm, delivering specialist engineering and compliance services across complex, high risk and highly regulated industries. Services provided by Synertec include: detailed engineering, fabrication/construction services, project management, site commissioning and service level agreements. Synertec has offices in Melbourne, Sydney, Singapore and Malaysia.

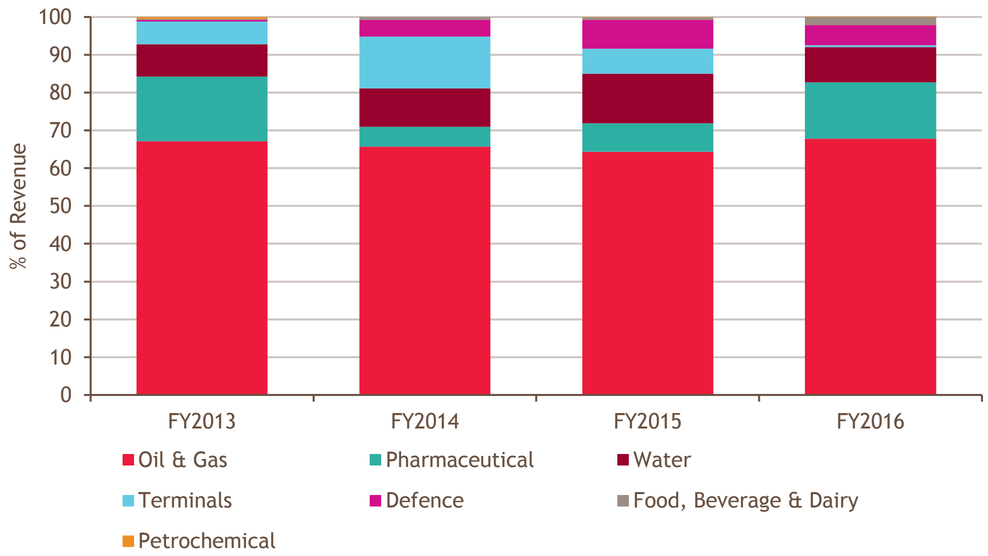
6.1.1 Industries that Synertec Provides Services To

Synertec services customers in the following industries:

- Pharmaceutical: The business of Synertec was founded in 1996 with an exclusive focus on process control and automation services for the pharmaceutical sector;
- Oil and Gas: Synertec commenced providing services to the oil and gas industry in 2009. Synertec provides engineering services and commissioning teams for a variety of applications;
- Water: Synertec commenced providing services to the water industry in 2008. Synertec personnel have a range of skills and expertise including water engineering, project and construction management and maintenance of operational facilities;
- Defence: Synertec commenced providing services to the Department of Defence in 2009. Synertec has been engaged to provide engineering design and construction management to a range of bulk fuel and process installations within Australia. Synertec is a member of the Australian Defence Fuel Supply Chain Technical Expertise Panel for bulk fuel facilities as an engineering consultant which pre-qualifies Synertec for defence projects and wider government infrastructure initiatives;
- Petrochemical: Synertec commenced providing services to the petrochemical industry in 2009;
- Terminal Facilities: Synertec provides clients with design and project management for complex operational facilities; and
- Food, Beverage and Dairy: Synertec has recently expanded its services to the food, beverage and dairy industries.

Figure 6.1 sets out Synertec's revenue by industry from FY2013 to FY2016.

Figure 6.1: Revenue by industry



Source: Synertec IM June 2016, Synertec Management

[1] Information in Section 6.1 has been sourced from the Synertec Information Memorandum (June 2016)

Figure 6.1 shows that revenue from oil and gas make up the majority of Synertec's revenue ranging from between 64% to 68% over the period FY2013 to FY2016. Synertec has been engaged on projects/by customers including:

- Oil and Gas:
  - Queensland Curtis LNG: Synertec was engaged by Bechtel (the principal contractor engaged by QGC) to deliver analyser systems for the LNG processing facility on Curtis Island;
  - Gorgon LNG: Synertec was first engaged by Chevron to deliver a scoping study to identify improvements in the custody transfer technology. Following the scoping study, Synertec was engaged by the Kellogg JV (contracted by Chevron to Engineer, Procure and Construction Manage the project) to design and fabricate a new custody transfer system for the project; and
  - Wheatstone LNG: Synertec was engaged by Bechtel (the principal contractor engaged by Chevron) to design and construct the load out system for Wheatstone LNG. As at the date of this report, the design and construct project is complete and commissioning contract is commencing;
- Pharmaceutical:
  - CSL and bioCSL: The business of Synertec has been working with CSL for the last 20 years. Synertec's primary services to CSL have been automation projects and compliance and validation consulting;
  - Ego Pharmaceuticals: Synertec has been working with Ego Pharmaceuticals on a major facility expansion project in Melbourne over the past year. Synertec has also been providing compliance and validation services to Ego Pharmaceuticals for over six years; and
  - Australian Red Cross Blood Service ('the Red Cross'): Synertec was engaged by the Red Cross to ensure validation and compliance to Therapeutic Goods Administration ('TGA') regulations across three major sites. The projects were completed over the course of multiple years and resulted in successful TGA compliance;
- Water:
  - Melbourne Water: Synertec was first engaged by Melbourne Water in 2009 on a 3+1+1 year engagement to maintain and upgrade the automation systems to their eastern treatment plant. After successfully completing the first contact, Synertec was re-awarded the contract in 2014 on a 3+2+2 year basis.6.1.2

6.1.2 Revenue Types

Synertec earns two main types of revenue:

- One-off revenue from the delivery of projects (projects also include one-off maintenance contracts); and
- Ongoing revenue from the provision of long-term maintenance and services activities provided under Service Level Agreements ('SLA').

Synertec has been aiming to grow revenue from the provision of services. The provision of services under long-term contracts has made up 13%, 21%, 21% and 12% of revenue in FY2014, FY2015, FY2016 and FY2017 YTD respectively (refer to Section 6.5). Synertec also provides services to repeat customers under one-off contracts, however revenue under this arrangement is less certain compared to revenue derived under the long-term contracts.

6.2 Synertec's LNG Custody Transfer Technology

6.2.1 The Current Situation and the Reason Synertec Developed Its Technology

The quality parameters of LNG loaded onto freighters needs to be measured to ensure it meets required specifications. In the current LNG custody transfer process, chemical properties such as the heating value and impurities of the loaded LNG are determined by manual analysis methods performed by laboratory operators. The analysis is undertaken approximately two to three days after loading.

Certain manual processes within the analysis methodology introduces the potential for variation in analysis techniques that affect accuracy and reproducibility to the point where the cargo may not meet required specifications. In this scenario, it is likely that dispute resolution procedures are initiated causing delays or potentially causing the LNG to be rejected by the buyer.

The current LNG transfer processes are labour intensive, subject to laboratory operator variations and can only be completed after the LNG has been loaded. The current process can result in discrepancies which may result in disputes and large monetary losses.

6.2.2 Description of Synertec's LNG Custody Transfer Technology

Synertec believes it has ownership of and the ability to license the intellectual property and capabilities of the LNG Custody Transfer Technology that enables real-time analysis and sampling of LNG as it is loaded onto freighters. The technology helps LNG buyers and sellers meet their contractual requirements to measure quality parameters of LNG as it is transferred from one party to another.

Synertec's LNG Custody Transfer Technology complies with the international standards applicable to fiscal custody transfers and on-line analysis of LNG. The core of Synertec's system, the flow-metering load out control system has been certified by the National Measurement Institute in the Netherlands. The value of the cargo is determined by the quality and heating capacity data provided by Synertec's system combined with volumetric data from other sources.

Synertec believes that there is a strong opportunity to leverage the Gorgon and Wheatstone sales of the LNG Custody Transfer Technology to market this technology to the significant and expanding LNG sector worldwide. Synertec believes the potential market includes more than 200 LNG liquefaction and regasification terminals around the world that are either on-stream, under construction, planned or proposed/under study.

6.3 Corporate Structure of Synertec

Synertec Pty Ltd does not have any subsidiaries.

6.4 Equity Structure of Synertec

As at 25 April 2017, Synertec had 950 shares on issue.

6.4.1 Shareholders of Synertec Ordinary Shares

The shareholders of Synertec ordinary shares as at 25 April 2017 are set out in Table 6.1 below.

Table 6.1: Synertec's Shareholders as at 25 April 2017

	Shareholder	Number of Shares	Percentage of Total Shares (%)
1	Samantha and Michael Carroll (held via New Concept Corporation Limited)	438	46.1%
2	Kerry and Gassan Abdallah (held via New Concept Corporation Limited)	438	46.1%
3	Edward and Diana Perkins (held via Kipberg Pty Ltd)	74	7.8%
	Total Shares on Issue	**950**	**100.00%**

Source: Synertec Management

6.5 Synertec Historical Financial Information

This section of this Report sets out the summarised historical financial information of Synertec.

Synertec's FY2014, FY2015 and FY2016 and 6 months to 31 December 2016 financials were audited by KPMG Australia. As Synertec's FY2013 financials were not audited, KPMG Australia performed opening balance audit procedures at 1 July 2013 to enable them to form an opinion on FY2014.

BDO CFQ has not performed any audit or review of any type on the historical financial information of Synertec. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is misleading.

6.5.1 Profit and Loss

The consolidated statement of profit and loss of Synertec for the 12 months ended 30 June 2014, 2015 and 2016 and the 6 months ended 31 December 2016 are summarised in Table 6.2 below.

Table 6.2: Summarised Synertec Statements of Profit and Loss

	12 Months Ended 30-Jun-14 Audited ($)	12 Months Ended 30-Jun-15 Audited ($)	12 Months Ended 30-Jun-16 Audited ($)	6 Months Ended 31-Dec-16 Audited ($)
Revenue				
Revenue	12,780,817	11,584,206	17,021,437	9,056,455
Other income	3,258,245	2,357,550	1,180,786	-
Profit on disposal of motor vehicles	-	-	5,978	4,713
Expenses				
Materials and services expense	(9,486,614)	(6,804,225)	(9,367,898)	(4,216,045)
Employee benefits expense	(2,639,757)	(3,241,758)	(3,963,856)	(2,561,475)
Superannuation expense	(222,411)	(280,413)	(337,276)	(203,021)
Depreciation and amortisation expense	(60,514)	(65,420)	(71,568)	(46,116)
Occupancy expenses	(139,193)	(181,200)	(172,655)	(80,952)
Car and travelling expenses	(159,353)	(157,552)	(140,166)	(115,309)
Telecommunication costs	(67,136)	(79,780)	(117,307)	(70,731)
Legal and professional fees	(213,169)	(212,273)	(257,212)	(292,293)
Loss on disposal of motor vehicles	(13,107)	-	-	-
Other expenses	(183,298)	(200,290)	(226,213)	(99,354)
Results from operating activities	**2,854,510**	**2,718,845**	**3,554,050**	**1,375,872**
Finance income	110,046	196,644	37,251	16,178
Finance costs	(165,580)	(143,589)	(76,260)	(52,949)
Net finance costs/(income)	**(55,534)**	**53,055**	**(39,009)**	**(36,771)**
Profit before tax	**2,798,976**	**2,771,900**	**3,515,041**	**1,339,101**
Income tax expense	(2,006,866)	(1,677,282)	(2,680,818)	(408,121)
Profit from operations	**792,110**	**1,094,618**	**834,223**	**930,980**

Source: Synertec's 2014, 2015, 2016 Annual Reports and 2017 Half Year Report

Note: Figures for period ended 31 December 2016 are not comparable as they relate to a 6 month rather than a 12 month period.

In relation to the financial performance of Synertec set out in Table 6.2 above we note the following:

- Revenue increased from $11.6 million in FY2015 to $17.0 million in FY2016 mainly due to increased revenues from the Gorgon LNG project and commencement of the Wheatstone LNG project;
- Other income mainly relates to research and development tax credits provided by the government;
- Revenue consists of fixed price projects (one-off revenue) and the rendering of services (ongoing revenue). Fixed price projects make up the majority of revenue (between 79% and 88% of revenue from FY2014 to FY2017 YTD). Rendering of services accounted for 13%, 21%, 21% and 12% of revenue in FY2014, FY2015, FY2016 and FY2017 YTD respectively;
- Income tax expense is higher than 30% of profit before tax in FY2014 to FY2016 mainly due to non-deductible research and development expenditure for taxation purposes. However, the research and development tax credits provided by the government (which is equivalent to 45% of the non-deductible research and development expenditure incurred by the company) is exempt from taxation.

  For completeness, we note the research and development tax credits are treated as refundable tax offsets which provide a dollar for dollar reduction in tax payable. In FY2014 and FY2015, the net effect of the tax offset resulted in a tax refund of $1.2 million and $0.7 million respectively (refer to current tax assets in Table 6.3). Synertec was also entitled to a research and development tax offset in FY2016. However we note this did not result in a refund due to the feedstock adjustment which was triggered by the completion of the Wheatstone LNG project[3]

[3] A feedstock adjustment is an amount that must be included in assessable income when a company obtains an R&D tax offset for their feedstock expenditure incurred on R&D activities if those activities produce either: marketable products or products the company applies to its own use. The feedback adjustment applies to expenditure on: goods or materials (feedstock inputs) that are transformed or processed during R&D activities in producing tangible products; and energy that is input directly into that transformation or processing (feedstock outputs).

6.5.2 *Financial Position*

The consolidated statements of financial position of Synertec as at 30 June 2014, 2015 and 2016 and 31 December 2016 are summarised in Table 6.3 below.

Table 6.3: Summarised Synertec Statements of Financial Position

	As at 30-Jun-14 Audited ($)	As at 30-Jun-15 Audited ($)	As at 30-Jun-16 Audited ($)	As at 31-Dec-16 Audited ($)
Current Assets				
Cash and cash equivalents	12,892	668,656	5,028,289	5,737,845
Trade and other receivables	1,172,545	1,461,215	1,689,804	1,425,922
Other assets	896,837	1,326,021	756,326	1,462,902
Work in progress	2,503,945	3,393,904	2,504,559	999,595
Current tax assets	1,167,339	700,994	-	-
Total current assets	**5,753,558**	**7,550,790**	**9,978,978**	**9,626,264**
Non-Current Assets				
Deferred tax assets	386,583	357,427	157,781	193,943
Other Assets	983,584	647,215	781,477	831,477
Property, plant and equipment	204,242	210,594	352,572	364,560
Total non-current assets	**1,574,409**	**1,215,236**	**1,291,830**	**1,389,980**
Total assets	**7,327,967**	**8,766,026**	**11,270,808**	**11,016,244**
Current Liabilities				
Bank Overdraft	1,140,200	550,281	-	-
Trade and other payables	1,576,675	2,264,292	3,173,819	1,890,681
Loans and borrowings	17,058	18,274	30,014	38,028
Employee benefits	309,572	286,226	377,185	442,779
Other liabilities	1,183	200,000	-	-
Deferred income	270,886	342,779	474,021	51,223
Current tax liability	-	-	1,300,386	1,744,670
Total current liabilities	**3,315,574**	**3,661,852**	**5,355,425**	**4,167,381**
Non-Current Liabilities				
Loans and borrowings	65,805	47,529	17,515	-
Employee benefits	31,561	47,000	54,000	74,015
Total non-current liabilities	**97,366**	**94,529**	**71,515**	**74,015**
Total liabilities	**3,412,940**	**3,756,381**	**5,426,940**	**4,241,396**
Net assets	**3,915,027**	**5,009,645**	**5,843,868**	**6,774,848**
Equity				
Share capital	950	950	950	950
Other equity contribution	132,904	132,904	132,904	132,904
Retained earnings	3,781,173	4,875,791	5,710,014	6,640,994
Total equity	**3,915,027**	**5,009,645**	**5,843,868**	**6,774,848**

Source: Synertec's 2014, 2015, 2016 Annual Reports and 2017 Half Year Report

In relation to the financial position of Synertec set out in Table 6.3 above, we note the following:

- Work in progress represents the sum of aggregate costs incurred under open contracts and recognised profits (net of recognised losses). Work in progress decreased from $2.5 million as at 30 June 2016 to $1.0 million as at 31 December 2016 due to the completion and receipt of payments for some large gas projects including the Wheatstone LNG project. These projects have longer payment terms compared to Synertec's other projects;

- In FY2014 and FY2015, other assets mainly related to contingent consideration receivable and Export Finance and Insurance Corporation ('EFIC') deposits. The contingent consideration was related to the sale of Synertec Asia in FY2013 (the cash payments were received in FY2013, FY2014, FY2015 and FY2016). The EFIC deposits relate to Synertec's contingent liabilities to Bechtel which are covered by two bonds provided by EFIC. The EFIC deposits are used to secure the bonds;

- In FY2016, other assets mainly consisted of EFIC deposits, an ANZ term deposit, loans to directors and amounts due from related parties;

- In FY2017, other assets mainly consisted of loans to directors, EFIC deposits and ANZ term deposits;

- Other liabilities of $0.2 million in FY2015 were due to a short term loan from Margaret Carroll, a related party which was repaid within 12 months on commercial interest rates;

- Trade and other payables increased by $0.7 million from FY2014 to FY2015 and $0.9 million from FY2015 to FY2016 mainly due to increases in fixed price project accruals. Trade and other payables decreased by $1.3 million from FY2016 to FY2017 YTD mainly due to a decrease in fixed price project accruals;

- The increase in property, plant and equipment in FY2016 relates primarily to acquisitions of computers;

- Current tax assets/liabilities are the tax amounts to be refunded/paid the following year; and

- The cash balance was $5.0 million and $5.7 million at 30 June 2016 and 31 December 2016 respectively. Synertec management have advised that the cash is above the level required for working capital.

6.5.3 Cash Flows

The consolidated statements of cash flows of Synertec for the 12 months ended 30 June 2014, 2015 and 2016 and 6 months ended 31 December 2016 are summarised in Table 6.4 below.

Table 6.4: Summarised Synertec Statements of Cash Flows

	12 Months Ended 30-Jun-2014 Audited ($)	12 Months Ended 30-Jun-2015 Audited ($)	12 Months Ended 30-Jun-2016 Audited ($)	6 Months Ended 31-Dec-2016 Audited ($)
Cash flows from / (used in) operating activities				
Cash receipts from customers	11,554,760	11,647,431	19,515,584	11,320,239
Cash paid to suppliers and employees	(14,271,748)	(11,766,096)	(15,210,517)	(9,797,564)
Cash generated from operations	(2,716,988)	(118,665)	4,305,067	1,522,675
Interest paid	(165,580)	(143,590)	(76,260)	(31,190)
Interest received	9,459	6,483	5,858	4,500
Income taxes refunded	339,910	1,164,230	700,994	-
Net cash from / (used in) operating activities	**(2,533,199)**	**908,458**	**4,935,659**	**1,495,985**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	19,172	-	14,818	23,635
Sale/(Purchase) of financial assets	(706,671)	(114,362)	431,476	-
Proceeds from/(Paying off) exiting term deposit	1,116,632	(892)	(321,408)	(50,000)
Proceeds from disposal of investment	384,169	401,427	485,978	-
Acquisition of property, plant and equipment	(6,950)	(71,772)	(222,386)	(77,026)
Net cash from investing activities	**806,352**	**214,401**	**388,478**	**(103,391)**
Cash flows (used in)/from financing activities				
Loans provided to directors/related parties	(57,014)	(58,933)	(195,949)	(673,537)
Proceeds from a related party loan receivable	-	198,817	(200,000)	-
Payment of finance lease liabilities	(80,842)	(17,060)	(18,274)	(9,501)
Net cash flows from / (used in) financing activities	**(137,856)**	**122,824**	**(414,223)**	**(683,038)**
Net increase / (decrease) in cash and cash equivalents	**(1,864,703)**	**1,245,683**	**4,909,914**	**709,556**
Cash and cash equivalents at 1 July	737,395	(1,127,308)	118,375	5,028,289

	12 Months Ended 30-Jun-2014 Audited ($)	12 Months Ended 30-Jun-2015 Audited ($)	12 Months Ended 30-Jun-2016 Audited ($)	6 Months Ended 31-Dec-2016 Audited ($)
Cash and cash equivalents at 30 June	**(1,127,308)**	**118,375**	**5,028,289**	**5,737,845**

Source: Synertec's 2014, 2015, 2016 Annual Reports and 2017 Half Year Report

In relation to the statement of cash flows of Synertec set out in Table 6.4 above, we note the following:

- Cash and cash equivalents in the statement of cash flows is equal to the net of cash and cash equivalents and the bank overdraft in the statement of financial position;
- In FY2014, cash generated from operations was negative $2.7 million which is lower than profit from operations of $0.8 million. The main adjustments from profit from operations to cash generated from operations are research and development tax credits (negative $3.3 million), tax expense (positive $2.0 million), change in work in progress (negative $2.0 million) and change in deferred income liability (negative $1.1 million);
- In FY2015, cash generated from operations was $0.9 million which is lower than profit from operations of $1.1 million. The main adjustments from profit from operations to cash generated from operations are research and development tax credits (negative $2.3 million), tax expense (positive $1.7 million), change in work in progress (negative $0.9 million) and income taxes refunded (positive $1.2 million);
- In FY2016, cash generated from operations was $4.9 million which is higher than profit from operations of $0.8 million. The main adjustments from profit from operations to cash generated from operations are research and development tax credits (negative $1.2 million), tax expense (positive $2.7 million), change in work in progress (positive $0.9 million), change in trade and other payables (positive $0.9 million) and income taxes refunded (positive $0.7 million);
- The related party loan receivable in FY2015 relates to a short term loan from Margaret Carroll which was repaid in FY2016;
- Related parties are the owners of Synertec and include entities under the directorship of Gassan Abdallah; and
- Income tax refunded is related to R&D expenditure incurred by Synertec. Refer to Section 6.5.1 for further discussion.

7.0 Value of SML on a Controlling Interest Basis Prior to the Proposed Transaction

This section sets out our valuation of SML shares prior to the Proposed Transaction and is structured as follows:

- Section 7.1 sets out our view of the most appropriate methodology to adopt to value each SML share;
- Section 7.2 sets out our calculation of the value of each SML share using the asset based valuation ('ABV') methodology; and
- Section 7.3 sets out our comparison of the value of each SML share using the ABV methodology with share trading data.

7.1 Valuation Approach

This section sets out our view of an appropriate valuation approach for SML prior to the Proposed Transaction. The valuation methodologies referred to below are discussed in more detail in Appendix B.

In our view, it is appropriate to have regard to an asset based valuation methodology for the purposes of valuing SML shares in this Report. The assets and liabilities of SML can be identified and it is possible to determine the fair value of these identifiable assets and liabilities with a reasonable degree of accuracy.

Earnings based valuation methodologies (e.g. DCF and CME) are not appropriate in the circumstances as the Directors do not expect to continue with exploration activities on the tenement.

While it is generally possible to complete a market based valuation of a company when there is a readily observable market for the trading of the company's shares, in our view the observable market prices for SML are less relevant for assisting to determine a value for SML shares as a result of the relatively low level of liquidity SML shares on the ASX (refer to Section 5.3.2 for further information). It is our view that it is more appropriate to rely on an ABV and compare the values derived under the ABV with the share trading history of SML prior to the announcement of the transaction.

7.2 Asset Based Valuation of SML prior to the Proposed Transaction

This section sets out our ABV valuation of SML and is set out as follows:

- Section 7.2.1 summarises the fair market valuation of mining lease MIN 4921 ('the Tenement') and property, plant and equipment:
  - The fair market value of the Tenement is based on the GRI Report; and
  - The fair market value of the property, plant and equipment is determined by taking into consideration the carrying values recorded in SML's audited statement of financial position as at 31 December 2016;

  The Tenement and property, plant and equipment are together referred to as 'the Mining Assets'.
- Section 7.2.2 considers the value of the other assets and liabilities currently held by SML;
- Section 7.2.3 sets out the value we have calculated for SML using an ABV methodology; and
- Section 7.2.4 sets out the value of each SML share using an ABV methodology.

7.2.1 The Mining Assets

The Tenement

We have engaged the services of GRI to assist with a valuation of the Tenement held by SML. GRI is a management consulting company that specialises in providing its services to the resources and infrastructure industries including valuation assignments and, in our opinion, are suitably qualified to complete a valuation of the Tenement.

The GRI valuation has been completed on a fair value basis, which provides the "estimate of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms-length transaction, wherein each party had acted knowledgeably, prudently and without compulsion" as provided in the GRI Report dated 6 April 2017.

We are of the view that it is appropriate for us to refer to the GRI Report when determining an appropriate value for the Tenement. We have made reasonable enquires of GRI and are satisfied that the valuations in the GRI Report are suitable for use in this Report. However, we do not take responsibility for the work of GRI. The GRI Report is attached as Appendix E of this Report.

We have summarised the valuations which are outlined in the GRI Report in this section of this Report. We note that this is a summary only and does not substitute for a complete reading of the GRI Report. Our summary does not include all of the information that may be of interest to non-associated shareholders. The GRI Report is attached to this Report in Appendix E. We recommend that non-associated shareholders read the GRI Report in full.

Table 7.1 below sets out a summary of the values determined by GRI for the Tenement.

Table 7.1: Summary of Values Calculated by GRI

Item	Valuation Method	Low Value ($m)	Preferred Value ($m)	High Value ($m)
MIN 4921	DCF	1.25	4.24	6.93

Source: GRI Report

GRI has adopted a DCF approach as their primary valuation basis for the Tenement. They have cross-checked their valuation using a market based comparable transactions approach.

In broad terms, we note the following in relation to GRI's valuation of the Tenement:

- GRI has assumed a 7 year production schedule from 2018 to 2024;
- GRI's low value for the Tenement of $1.25 million assumes a long term gold price of US$1,150/ounce and silver price of US$17/ounce;
- GRI's preferred value for the Tenement of $4.24 million assumes a long term gold price of US$1,228.75/ounce and silver price of US$17.84/ounce;
- GRI's high value of $6.93 million assumes a long term gold price of US$1,300/ounce and silver price of US$18/ounce; and
- The cross-check (using the market based comparable transaction approach) results in a low, preferred and high value of $2.26 million, $4.71 million and $7.71 million.

We note that there may be risks associated with commencing production in 2018. If production is deferred by 1 year and is assumed to commence in 2019, adopting the same assumptions, we note the preferred value would decrease to $3.8 million based on our calculations.

Non-associated shareholders should refer to section 5 of the GRI Report (provided in Appendix E) for further information on the valuation of the Tenement and the valuation methodologies adopted by GRI.

Property, Plant and Equipment

Property, plant and equipment ('PPE') held by SML is related to the mining tenement. The two main categories of PPE are:

- Plant and equipment which includes the electric drill rig and crush plant. Plant and equipment was recorded at $160,533 in the audited statement of financial position as at 31 December 2016; and

- Mining and exploration assets which includes the concrete batch plant and mill shed. Mining and exploration assets were recorded at $239,705 in the audited statement of financial position as at 31 December 2016.

Depreciation expenses are recognised against PPE yearly. We note the board of directors assessed impairment of PPE as at 31 December 2016 and recognised an impairment loss of $679,750 on certain mining and exploration assets based on an estimated of the asset's recoverable value.

Based on the above, we consider it appropriate to adopt a value of $400,238 for PPE (i.e. the written down value of the PPE).

The Mining Assets

Table 7.2 summarises the value of the Mining Assets.

Table 7.2: Value of the Mining Assets

Asset	Low ($)	Mid ($)	High ($)
Tenement	1,248,085	4,237,152	6,924,967
PPE	400,238	400,238	400,238
Value of Mining Asset	**1,648,323**	**4,637,390**	**7,325,205**

Source: GRI Report, SML Statutory Report for the 6 months ended 31 December 2016 and BDO CFQ Analysis

Table 7.2 shows that we estimate the value of the Mining Asset between $1.6 million and $7.3 million.

7.2.2 Other Assets and Liabilities

We have been provided with SML's management accounts as at 31 March 2017. To determine an appropriate value for SML's other assets and liabilities, we have considered the carrying values recorded in SML's management accounts as at 31 March 2017 and have made enquiries of the directors and management of SML.

Based on the results of our enquiry, we are aware of no reason why book value would not be a proxy for fair market value.

Based on our discussions, we are aware of certain transaction costs which will be incurred regardless of if the Transaction is approved. These have been estimated at $235,054 as at 31 March 2017.

Table 7.3 sets out our view of the appropriate values to adopt for SML's other assets and liabilities for the purposes of this Report.

Table 7.3: Value of SML's Other Assets and Liabilities

	($)
Assets	
Cash and cash equivalents	4,108,225
Trade and other receivables	39,758
Other	2,704
Total Assets	4,150,687
Liabilities	
Trade and other payables	(30,936)
Unavoidable Transaction Costs	(235,054)
Total Liabilities	(265,990)
Net Surplus	**3,884,697**

Source: SML management account at 31 March 2017, SML transaction cost spreadsheet

Table 7.3 shows that we estimate the net surplus of SML's other assets and liabilities to equal approximately $3.9 million.

7.2.3 Asset Based Valuation of SML

Having regard to the above, Table 7.4 sets out our estimate of the value of SML using an ABV methodology.

Table 7.4: ABV of SML

	Reference	Low ($)	Mid ($)	High ($)
Value adopted for the Mining Assets	Section 7.2.1	1,648,323	4,637,390	7,325,205
Value adopted for the other assets and liabilities	Section 7.2.2	3,884,697	3,884,697	3,884,697
Equity value of SML		**5,533,020**	**8,522,087**	**11,209,902**

Source: BDO CFQ analysis

Table 7.4 shows that we estimate the value of SML between $5.5 million and $11.2 million using an ABV methodology. For completeness, we note the ABV methodology provides the value of SML on a controlling interest basis.

7.2.4 Value of a share in SML prior to the Proposed Transaction

Table 7.5 below sets out the value of an SML share on a controlling interest basis prior to the Proposed Transaction, calculated using the ABV methodology.

Table 7.5: Value of a share in SML

	Low ($)	Mid ($)	High ($)
Equity value of SML	5,533,020	8,522,087	11,209,902
Number of shares on issue, post consolidation[1]	80,879,849	80,879,849	80,879,849
Value per SML share on a controlling interest basis	**$0.0684**	**$0.1054**	**$0.1386**

Source: BDO CFQ analysis

1 *To simplify the pre and post transaction analysis set out in this Report, we have adjusted the share numbers pre-transaction for the Consolidation. We would not expect the Consolidation to impact on our valuation materially. On a pro-rata basis, a post consolidation value of $0.0684 to $0.1386 implies a pre consolidate value of $0.0513 to $0.1039.*

With reference to Table 7.5 above, we calculate the value of an SML share prior to the Proposed Transaction in the range of approximately $0.0684 to $0.1386 on a controlling interest basis using an ABV methodology. This range is used for the purpose of our assessment of the Proposed Transaction.

7.3 Comparison of ABV of SML to Share Trading Data

Prior to the announcement of the transaction on 10 March 2017, SML shares were trading from $0.0180 (12 month VWAP to 9 March 2017) to $0.0257 (1 week to 9 March 2017) (refer to Section 5.3). This is lower than the low end of our ABV of $0.0513 on a pre-consolidated basis. We note that as at 31 December 2016, SML's net assets excluding the Mining Assets were $4,357,639. This implies net assets per share were $0.0404 which is higher than the trading price of SML shares.

There are many reasons that may explain the difference between the value of an SML share calculated using an ABV methodology and the share trading data including:

- Share prices from market trading typically do not reflect the market value for control of a company. Studies indicate that premiums for control generally fall within the range of 20% to 40% which imply a minority discount, relative to a controlling value, of 17% to 29% (refer to Appendix C). However, in the current circumstances of SML, it is possible than any minority discount inherent in the SML share price is exacerbated by a minority shareholders inability to unilaterally force the break-up the Company to extract the value inherent in the underlying assets (e.g. by selling the Mining Assets and distributing the cash to shareholders), particularly as the value that can be extracted by bringing the Mining Assets to production is highly uncertain;
- The market for SML shares exhibits very low levels of liquidity relative to other companies. As set out in Section 5.3 above, only 1.68% of total SML shares on issue were traded in the most recent 12 month period prior to the announcement of the Proposed Transaction. Share price data is less likely to be reflective of fair market value in circumstances where the market is illiquid; and

- The SML share price may be factoring in increased levels of uncertainty in relation to the path forward for SML as a result of matters including the following:
  - the inability of SML to obtain funding since their largest shareholder elected not to exercise options which would have resulted in $16.8 million in extra capital being provided to SML; and
  - uncertainty in relation to any transaction SML is planning, noting that previous transaction announced on 25 February 2016 was terminated on 1 September 2016.

Having regard to the above, in our view it is appropriate to adopt the value calculated using the ABV methodology for the purpose of assessing the Proposed Transaction.

8.0 Value of the Combined Entity Following the Proposed Transaction

This section sets out our valuation of a share in the Combined Entity following the Proposed Transaction and is structured as follows:

- Section 8.1 sets out our view of the most appropriate valuation approach to adopt when determining the value of the Combined Entity;
- Section 8.2 sets out our valuation of the Combined Entity immediately following the Proposed Transaction on a CME basis;
- Section 8.3 sets out our valuation of the Combined Entity immediately following the Proposed Transaction on a MBV basis; and
- Section 8.4 concludes on the value that we are adopting for the Combined Entity for the purposes of the analysis set out in this Report.

8.1 Valuation Approach

This section sets out our view of an appropriate valuation approach for the Combined Entity immediately following the Proposed Transaction. The valuation methodologies referred to below are discussed in more detail in Appendix B.

8.1.1 CME Valuation Methodology

In our view, the CME methodology is the most appropriate methodology to apply in order to calculate the value of shares in the Combined Entity immediately following the Proposed Transaction, assuming that the Proposed Transaction is approved and implemented. Reasons for this include:

- It is possible to estimate a maintainable earnings figure for the Combined Entity which is appropriate for assessing the Proposed Transaction in this Report;
- A broad range of comparative information is available on the engineering consulting industry from which to consider and select a multiple; and
- Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value. For completeness we note that SML's tenements will not be included as a surplus asset adjustment for the Combined Entity, given that this value has been carved out into the Redemption Notes.

8.1.2 MBV Valuation Methodology

In our view, it is also relevant to consider an MBV methodology. Shares in the Combined Entity are to be offered to the public through the prospectus and SML shares have traded in the period following the announcement of the Proposed Transaction.

8.1.3 Other Valuation Methodologies

In relation to the DCF and ABV valuation methodologies we note the following:

- The DCF methodology relies on projections which predict the future cash flows of a company. We have not been provided with detailed cash flow projections over a suitable period of time for use in a DCF valuation and do not have access to sufficient information that would enable us to prepare future cash flow projections with the appropriate level of certainty or accuracy at the current time; and
- The ABV methodology calculates the value of an entity based on the fair value of its net identifiable assets. Generally, the ABV methodology is applicable in some circumstances where neither a DCF nor CME valuation is appropriate. An ABV may also be used in conjunction with other methodologies to calculate an entity value.

We are of the view that it is more appropriate to adopt valuation methodologies other than the DCF and ABV for the purpose of valuing the Combined Entity in this Report.

8.2 CME Valuation of the Combined Entity

This section sets out our CME valuation of the Combined Entity and is set out as follows:

- Section 8.2.1 sets out our estimate of the normalised maintainable earnings of the Combined Entity;
- Section 8.2.2 sets out our analysis of an appropriate multiple to apply to the maintainable earnings of the Combined Entity;
- Section 8.2.3 considers the value of the surplus assets and liabilities currently held by the Combined Entity;
- Section 8.2.4 sets out the value we have calculated for the Combined Entity on a Controlling Interest Basis;
- Section 8.2.5 sets out the value we have calculated for the Combined Entity on a Minority Interest Basis;
- Section 8.2.6 sets out the inputs used to value the Bonus Options; and
- Section 8.2.7 sets out the value we have calculated per share for the Combined Entity on a Minority Interest Basis.

8.2.1 Maintainable Earnings

We have selected earnings before interest, tax, depreciation and amortisation ('EBITDA') as the appropriate measure of normalised earnings for the Combined Entity. We have adopted EBITDA for reasons which include the following:

- EBITDA removes the impact of depreciation and amortisation (non-cash items) on the earnings of a company, which makes the company more comparable to companies with different depreciation policies or with different capital investment timing;
- EBITDA removes the impact of interest bearing debt on the earnings of a company, which makes the company more comparable to companies with different capital structures (or levels of debt); and
- EBITDA removes the impact of income taxes on the earnings of a company, which makes the company more comparable to companies with different tax statuses.

Normalised Historical Earnings

Table 8.1 sets out our calculation of the normalised EBITDA of the Combined Entity.

Table 8.1: Consolidated Normalised Earnings of the Combined Entity

	12 Months Ended 30-Jun-14 ($)	12 Months Ended 30-Jun-15 ($)	12 Months Ended 30-Jun-16 ($)	6 Months Ended 31-Dec-16 ($)
Profit before tax	**2,798,976**	**2,771,900**	**3,515,041**	**1,339,101**
+/(-) Net finance expense/income	55,534	(53,055)	39,009	36,771
+ Depreciation and amortisation expense	60,514	65,420	71,568	46,116
EBITDA	**2,915,024**	**2,784,265**	**3,625,618**	**1,421,988**
+/(-) Loss/(Profit) on disposal of motor vehicles	13,107	-	(5,987)	(4,713)
+ ERP Implementation costs	89,763	-	-	-
+ Transaction related costs	-	-	91,649	277,830
+/(-) Reallocation of R&D claim fees	-	-	(85,984)	85,984
- Research and development tax credits	(3,258,245)	(2,346,011)	(1,180,786)	-
- Additional overheads as an ASX listed entity	(400,000)	(400,000)	(400,000)	(200,000)
Normalised EBITDA	**(640,351)**	**38,254**	**2,044,510**	**1,581,089**
Revenue	12,780,817	11,584,206	17,021,437	9,056,455
Normalised EBITDA Margin (%)	*-5%*	*0%*	*12%*	*17%*

Source: Synertec's 2014, 2015, 2016 Annual Reports and 2017 Half Year Report and BDO CFQ analysis

In relation to the normalisation adjustments set out in Table 8.1 above we note the following:

- ERP Implementation Costs: Relates to a one off investment (which was expensed) made by Synertec to implement a new ERP system;
- Transaction Related Costs: Costs incurred by Synertec relating to the Proposed Transaction;
- Reallocation of R&D claim fees: R&D claim fees related to FY2016 which were expensed in FY2017;
- Research and Development Tax Credits: Tax credits provided by the government which are unlikely to be maintainable. We note that no research and development tax credits have been accrued in FY2017 YTD. Most of the research and development tax credits were for the development of the LNG Custody Transfer Technology. Synertec's directors have advised that the development of the LNG Custody Transfer Technology is complete and Synertec do not foresee future research and development claims related to this technology; and
- Additional overheads as an ASX listed entity: Synertec does not currently have overheads associated with being a company listed on the ASX. We have allowed an additional amount to reflect additional costs associated with being a listed company including additional directors, annual and half year audits, annual notice of meetings, ASX listing and registry costs.

Adopted Maintainable Earnings

In our opinion it is appropriate to adopt a maintainable earnings figure of $2.0 million. In forming this view, we have considered the following:

- We have been provided with Synertec's pipeline as at 12 April 2017. We understand from discussion with Synertec management that this represents a strong pipeline relative to previous years. We have also been provided with Synertec's historical success rate for winning tenders. We have discussed Synertec's pipeline with SML management and have been instructed that they also believe the pipeline to be strong based on their due diligence;
- Synertec has long term contracts for the provision of maintenance that represents approximately $1.6 million per annum;
- Synertec has recently finished two large projects and the maintainable earnings figure adopted is supported by minimal tenders in hand; and
- Synertec has prepared updated actual and forecast management accounts as at 21 April 2017 which have been provided to us. Neither Synertec nor the Combined Entity have released a publicly available forecast for the 12 months ended 30 June 2017.

When calculating the maintainable earnings of the Combined Entity, it is important to have regard to the earnings adopted for assessing the multiples derived from the identified broadly comparable trading and transaction data. In this regard, we note:

- Historical and forward looking enterprise value ('EV') to EBITDA trading multiples have been referred to for the broadly comparable listed engineering services companies; and
- Historical EV to EBITDA and EV to EBIT transaction multiples have been referred to for the broadly comparable engineering services companies as forecasts are generally not available.

The earnings reported in any one year by engineering services companies considered broadly comparable to the Combined Entity are often not representative of the earnings that may be generated in 'normal' or operating conditions. For this reason, it is often appropriate to have regard to both historical and forecast earnings. This approach lessens the impact of any one event and allows for a more representative level of a company's earnings to be determined.

The maintainable earnings figure we have adopted takes into consideration both the historical and forecast earnings of the Combined Entity. Specifically, we have placed emphasis on the FY16 historical earnings, the FY17 forecast earnings and Synertec's pipeline as at 12 April 2017 which we consider to be relevant as at the date of this Report.

8.2.2 *Earnings Multiple*

To select an appropriate capitalisation multiple, we have considered:

- EBITDA trading multiples for listed engineering services companies considered broadly comparable to the Combined Entity (refer to Appendix D.1):
- EBITDA transaction multiples for engineering services companies considered broadly comparable to the Combined Entity (refer to Appendix D.2); and
- Company specific factors relevant to the Combined Entity.

A summary of the comparable trading and transaction multiples analysis we have completed to determine an appropriate capitalisation multiple for the Combined Entity is set out in the following sections of this Report. For completeness, we note that we have focused on EV to EBITDA multiples in this Report. The enterprise value of an entity is generally calculated as the equity value of the company plus interest bearing debt, net of cash.

Trading Multiples Analysis

It is useful to analyse the trading multiples of comparable listed companies to assist with determining an appropriate capitalisation multiple for the Combined Entity. In this Report, we have specifically considered historical and forecast EBITDA trading multiples for a range of listed engineering services companies considered broadly comparable to the Combined Entity.

A detailed analysis of the EBITDA trading multiples observed for listed engineering services companies considered broadly comparable to the Combined Entity is set out in Appendix D.1. A summary of this analysis is set out in Table 8.2.

Table 8.2: Mean and Median Historical and Forecast EBITDA Multiples Observed for Comparable Engineering Services Companies

	EV/EBITDA Multiple (Historical)	EV/EBITDA Multiple (Forecast)
Median	8.6	8.7
Mean	9.8	8.7

Source: BDO CFQ analysis and Capital IQ as at 24 April 2017

While providing useful information, we note the results of our trading multiples analysis should be considered with an appropriate amount of caution. Although the listed engineering services companies referred to for our analysis are broadly comparable to the Combined Entity, differences exist between the Combined Entity and each of the comparable companies. In particular we note that:

- The comparable companies are significantly larger in size compared to the Combined Entity;
- The engineering services provided by each of the comparable companies is often different to those provided by the Combined Entity;
- The geographic regions in which the comparable companies operate are often different (and more diverse) compared to those of the Combined Entity; and
- The industries that the customers of the comparable companies operate in are often different (and more diverse) to those of the Combined Entity.

Comparable Transaction Evidence

To determine an appropriate capitalisation multiple, we have also analysed sale transactions of engineering services companies considered broadly comparable to the Combined Entity.

Generally, a transaction price provides evidence of earnings multiples that may be appropriate to use for valuation purposes. The acquisition price also generally represents the market value of a controlling interest in the company being analysed and therefore usually incorporates a premium for control. Each sales transaction is the product of a combination of factors which may or may not be specific to a transaction, including:

- Economic factors;

- General investment and share market conditions;
- Strategic importance to the acquirer;
- Synergy benefits specific to the acquirer; and
- The number of potential buyers.

An analysis of selected transactions involving engineering services companies considered broadly comparable to the Combined Entity is set out in Appendix D.2. A summary of this analysis is set out in Table 8.3.

Table 8.3: Mean and Median EBITDA and EBIT Multiples Observed for Comparable Transactions

	EV/EBITDA Multiple (Historical)	EV/EBIT Multiple (Historical)
Median	4.7	8.2
Mean	5.4	8.9

Source: BDO CFQ analysis and Capital IQ as at 24 April 2017

Selected Multiple

In selecting an appropriate multiple to adopt for the Combined Entity, we have also considered a range of company specific factors, including the:

- Historical performance of Synertec, including the quality and reliability of Synertec's earnings;
- Similarity of Synertec to comparable companies having regard to metrics such as size, diversity of operations and financial metrics;
- Extent and nature of competition in the industry;
- Current and future growth opportunities for the Combined Entity; and
- Investment and business risks impacting on the Combined Entity.

Using the comparable trading and transaction multiples research as a guide, together with our own assessment of the Combined Entity's maintainable performance, risk and growth prospects, we consider it appropriate to apply an EBITDA multiple of 4.0x to 5.0x to the maintainable earnings of the Combined Entity on a controlling interest basis.

8.2.3 Surplus Assets and Liabilities (inclusive of Cash and Interest Bearing Liabilities)

To calculate an appropriate value for the Combined Entity, it is necessary to adjust the enterprise value calculated by the CME valuation methodology for the value of surplus assets and liabilities.

Synertec

To determine an appropriate value for Synertec's surplus assets and liabilities, we have considered the values set out in Synertec's management accounts as at 31 March 2017 and have made enquiries of the directors and management of Synertec in relation to any material adjustments required to reflect the fair market value of each item.

Table 8.4 summarises our view, having regard to the enquiries of the directors and management of Synertec, of an appropriate value to adopt for Synertec's surplus assets and liabilities for the purpose of this Report.

Table 8.4: Value of Synertec's Surplus Assets and Liabilities

Surplus Assets and Liabilities	($)
Cash and cash equivalents	2,789,510
ANZ term deposits	409,777
EFIC deposits	431,477
Current tax liability	(265,773)
Loan and borrowings	(33,278)
Net value of surplus assets and liabilities	**3,331,713**

Source: Synertec's Management Accounts as at 31 March 2017 and BDO CFQ analysis

Regarding Table 8.4 above, we note that the EFIC deposit relates to performance guarantees provided by Synertec to Bechtel. If there are defects in the work or the contracts are not completed, Bechtel has recourse to two bonds (APLNG and QCLNG) which are secured by the EFIC deposit. We have been advised that as at the date of this Report, the QCLNG bond has expired and Synertec has delivered the APLNG contract and the APLNG bond expires in July 2017. Based on the above and our discussions with Synertec management who estimate that the likelihood of a breach is minimal, we have included the EFIC deposit as a surplus asset.

We note that as a condition precedent to the Proposed Transaction, Synertec is unable to declare, pay or distribute any dividend, bonus or other extraordinary share of its profits or assets or return any capital to its members from the date of the Share Sale Agreement to Completion.

Table 8.4 shows that we estimate the net value of Synertec's surplus asset and liabilities to equal a surplus of approximately $3.3 million.

SML

As part of the Proposed Transaction, Redemption Notes (i.e. new debt securities) will be issued to Record Date Shareholders (i.e. existing shareholders) conferring a conditional entitlement of the Net Sale Proceeds from the sale of the Mining Assets.

Based on the above, the Mining Assets will be excluded from the value of the Combined Entity and included in the value of the Redemption Notes. In our view, for the purposes of the analysis set out in this Report, it is appropriate to treat the net value of SML's remaining assets and liabilities of approximately $3.9 million (refer to Section 7.2.2) as surplus.

Adjustments as a Result of the Proposed Transaction

In addition to the assets and liabilities of Synertec and SML, we have considered the following adjustments as a result of the Proposed Transaction in determining a value for the surplus assets and liabilities:

- The capital to be raised by SML as part of the prospectus of $750,000;
- Decrease in cash in relation to transaction costs totalling $140,450 that have not yet been accrued in relation to the Proposed Transaction in addition to the unavoidable transaction costs including the cost of the prospectus; and
- Decrease in cash by $5.0 million in relation to the cash consideration paid to acquire 100% of the fully paid ordinary shares in the capital of Synertec.

Combined Entity

Table 8.5 below summarises our view of an appropriate value to adopt for the surplus assets and liabilities of the Combined Entity having regard to the information set out above.

Table 8.5: Value of the Combined Entity's Surplus Assets and Liabilities

	($)
SML surplus assets and liabilities	3,884,697
Synertec surplus assets and liabilities	3,331,713
Adjustments	
Capital raising	750,000
Transaction costs	(140,450)

	($)
Cash consideration to Synertec shareholders	(5,000,000)
Total Adjustments	**(4,390,450)**
Combined Entity surplus assets and liabilities	**2,825,960**

Source: BDO CFQ analysis

Table 8.5 shows that we estimate the net value of the Combined Entity's surplus assets and liabilities to equal a surplus of approximately $2.8 million.

8.2.4 Value of the Combined Entity on a Controlling Interest Basis

Table 8.6 sets out a summary of the value we have calculated for the Combined Entity using a CME valuation methodology.

Table 8.6: CME Valuation of the Combined Entity

	Reference	Low ($)	Mid ($)	High ($)
Normalised maintainable earnings	Section 8.2.1	2,000,000	2,000,000	2,000,000
Capitalisation multiple	Section 8.2.2	4.0x	4.5x	5.0x
Enterprise value of the Combined Entity		**8,000,000**	**9,000,000**	**10,000,000**
Net value of surplus assets and liabilities	Section 8.2.3	2,825,960	2,825,960	2,825,960
Equity value of the Combined Entity		**10,825,960**	**11,825,960**	**12,825,960**

Source: BDO CFQ analysis

Table 8.6 shows that we estimate the total value of the equity in the Combined Entity to be within the range of $10.8 million to $12.8 million on a controlling interest basis using a CME valuation methodology.

8.2.5 Value of the Combined Entity on a Minority Interest Basis

The value of the Combined Entity determined above has been calculated on a controlling interest basis. For the purpose of assessing the Proposed Transaction, in our view it is appropriate to calculate the value of the Combined Entity on a minority interest basis by applying a suitable minority discount, which may be calculated as the inverse of a control premium. A minority interest in a company is generally regarded as being less valuable than a controlling interest as control of a company may provide the owner with the following:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting financial policies.

Control premiums may be considered as the excess of the offered price for a target company over the price prior to the offer. While observed control premiums from transaction to transaction vary, empirical research suggests that observed control premiums are typically in the range of 20% to 40% of the pre-bid trading price.

For the purpose of analysing the Proposed Transaction in our view it is appropriate to adopt a minority discount of 23.1%, which has been calculated as the inverse of a control premium of 30% representing the mid-point of the range summarised in the empirical research (refer Appendix C for additional discussion). Table 8.7 below summarises our valuation of the Combined Entity following the Proposed Transaction on a minority interest basis.

Table 8.7: Equity Value of the Combined Entity on a Minority Interest Basis

	Low ($)	Mid ($)	High ($)
Equity value - controlling interest	**10,825,960**	**11,825,960**	**12,825,960**
Minority discount	23.1%	23.1%	23.1%
Equity value - minority interest	**8,325,163**	**9,094,163**	**9,863,163**

Source: BDO CFQ analysis

With reference to Table 8.7 above, we have calculated the equity value of the Combined Entity following the Proposed Transaction to be in the range of approximately $8.3 million to $9.9 million on a minority interest basis.

8.2.6 Value of Options in the Combined Entity

As part of the Proposed Transaction, the Bonus Options are proposed to be issued to Record Date Shareholders (i.e. existing shareholders) to subscribe for new SML shares on the basis of one option for every five SML shares with each option having an exercise price of $0.053 and an exercise period of 3 years.

As at the date of this report, existing shareholders owned 80,879,849 shares in SML on a post consolidation basis. This would entitle existing shareholders to 16,175,970 options.

As options represent a claim on the equity of the relevant company by the holder, it is necessary to adjust the value of the equity to allow for the options.

The valuation methodology that we have adopted to value the options for the purpose of this Report is the Black-Scholes formula. The inputs that we have adopted are summarised in Table 8.8 below.

Table 8.8: Inputs Adopted for the Black-Scholes Formula

	Bonus Options
Exercise price	$0.053
Time to maturity	3 years
Interest rate	1.95%
Volatility	60%
Dividend rate	0%

Source: BDO CFQ Analysis

The share price adopted is the final valuation share price on a minority interest basis which results in circularity as this value relies on the value of the options. We have used an iterative process to overcome this circularity.

Adopting the assumptions from Table 8.8 and our valuation of a share in the Combined Entity following the Proposed Transaction, we calculate a value per bonus option in the range of $0.0113 to $0.0155.

8.2.7 Value of a Combined Entity Share Following the Proposed Transaction

Table 8.9 summarises our per share valuation of the Combined Entity following the Proposed Transaction on a minority interest basis. The number of shares assumed for the Combined Entity immediately following the Proposed Transaction is 220,701,277 (refer Table 3.1 above).

Table 8.9: Equity Value per Combined Entity Share on a Minority Interest Basis

	Low ($)	Mid ($)	High ($)
Equity value - minority interest	8,325,163	9,094,163	9,863,163
Less value of bonus options	(183,488)	(216,201)	(250,479)
Value of ordinary shares	**8,141,676**	**8,877,962**	**9,612,685**
Shares outstanding	220,701,277	220,701,277	220,701,277
Equity value per share - minority interest	**$0.0369**	**$0.0402**	**$0.0436**

Source: BDO CFQ analysis

With reference to Table 8.9, we have calculated the value of a Combined Entity share following the Proposed Transaction to be in the range of approximately $0.0369 to $0.0436 on a minority interest basis.

8.3 MBV Valuation of the Combined Entity

To form a view on a market based valuation of the Combined Entity we have had regard to information including the following:

- The Prospectus is for 18,750,000 new SML shares at $0.04 per share. The shares to be issued will represent approximately 8.5% of the shares on issue immediately following completion of the Proposed Transaction;
- Raisings through a Prospectus represent a minority interest in the Combined Entity; and

- Shares of SML have been trading at a VWAP of $0.0293 post the announcement of the Proposed Transaction and 0.42% of SML shares on issue have been traded as at 21 April 2017 (refer to Section 5.3). This implies a post-consolidation VWAP of $0.0391 (assuming a three for four consolidation). It is our view that the share trading data may not be representative of the value of the Combined Entity due to the low level of liquidity exhibited and the short time frame of trading data available. Further, those trading in the shares of SML may consider that there is a risk that the Proposed Transaction may not be approved or may not complete for other reasons.

Having regard to the information set out above, in our view it is appropriate to adopt a value of $0.04 for a share in the Combined Entity on a minority interest basis for our market based valuation.

8.4 Value of a Combined Entity Share Following the Proposed Transaction

In our view, the most relevant measure of share value for the non-associated shareholders of SML is the price that they may be able to sell their shares in the Combined Entity in the near-term. Any decision to hold shares in the Combined Entity for a longer period of time is a separate investment decision to be made having regard to each shareholders' individual circumstances and view on the long term prospects of the Combined Entity.

Having regard to the above, in our view, for the purposes of the analysis set out in this Report it is appropriate to adopt a value for the Combined Entity in the range of $0.0369 to $0.0436 per share with a mid-point of $0.0402 per share following the Proposed Transaction on a minority interest basis which has been determined with reference to our CME. We note the market based valuation of $0.04 lies within this range.

For completeness, we note the above range has been determined excluding any costs the Combined Entity may incur regarding the maintenance and disposal of the Mining Assets in circumstances where the Mining Assets are unable to be sold within six months of the completion of the Proposed Transaction (refer Section 9.2.3 below for further information on these maintenance and disposal costs). In contrast, we note the MBV implicitly assumes these costs are included on a probability adjusted basis (as a purchaser of a share in the Combined Entity is aware that the Combined Entity may be required to incur these costs). We note the costs associated with the maintenance and disposal of the Mining Assets are not considered to be material.

9.0 Fairness of the Proposed Transaction

To assess the fairness of the Proposed Transaction, we have:

- Determined the value of a share in SML, on a controlling interest basis, immediately prior to the Proposed Transaction;
- Determine the fair value to be provided to existing non-associated shareholders under the terms of the Proposed Transaction; and
- Compared the value of a share in SML, on a controlling interest basis, immediately prior to the Proposed Transaction with the fair value to be provided to existing non-associated shareholders under the terms of the Proposed Transaction.

Under RG 111, the Proposed Transaction will be considered 'fair' to the non-associated shareholders of SML if the fair value offered to non-associated shareholders under the terms of the Proposed Transaction is equal to or greater than the value of an SML share prior to the Proposed Transaction.

9.1 Value of an SML Share Prior to the Proposed Transaction

For the purpose of assessing the fairness of the Proposed Transaction, we calculated the value of an SML share to be within the range of $0.0684 to $0.1386 on a controlling interest basis immediately prior to the Proposed Transaction on a post consolidation basis (refer to Section 7.0 of this Report for our valuation of SML).

9.2 Value Provided to Non-Associated Shareholders

As set out in Section 3.1, the value offered to non-associated shareholders under the terms of the Proposed Transaction comprises (on a post consolidation basis):

- Shares in the Combined Entity (each share held in SML will effectively become a share in the Combined Entity following the Proposed Transaction);
- Bonus Options (one option for every five SML shares); and
- Redemption Notes (one note for every SML share).

We have discussed each of these components below.

9.2.1 Value of a Combined Entity Share

For the purpose of assessing the fairness of the Proposed Transaction, we calculated a value for the Combined Entity in the range of $0.0369 to $0.0436 per share on a minority interest basis following the Proposed Transaction (refer to Section 8.0 of this Report for our valuation of the Combined Entity).

9.2.2 Bonus Options

Table 9.1 below sets out the value we have allocated per SML share as a result of the entitlement to the Bonus Options. As outlined in Section 3.1, existing shareholders are entitled to one Bonus Option for every five SML shares they hold.

Table 9.1: Value of bonus option per share

	Low ($)	Mid ($)	High ($)
Value of a bonus option (refer Section 8.2.6)	**0.0113**	**0.0134**	**0.0155**
Number of shares per bonus option	5	5	5
Bonus option value per share	**$0.0023**	**$0.0027**	**$0.0031**

Source: BDO CFQ analysis

9.2.3 Redemption Notes

As part of the Proposed Transaction, existing shareholders will be issued Redemption Notes (one Redemption Note for each SML share held) which confers an entitlement to the Net Sale Proceeds from the sale of the Mining Assets if completion of the sale of the Mining Assets occurs within 6 months from the Completion Date.

Based on the Share Sale Agreement, if the sale of the Mining Assets does not complete within 6 months from the Completion Date, the Tenement will be relinquished. While SML's mining lease with the government for the Tenement does not expire until 13 March 2019, we are instructed by SML Management that the 6 month deadline is based on negotiations between SML and Synertec.

We have valued the Redemption Notes having regard to two scenarios as follows:

- Base Scenario: This scenario assumes that SML is unsuccessful in the sale of the Mining Assets and, as a result, the tenement is relinquished back to the government. We have adopted this scenario as our base case on the basis that there is uncertainty in relation to SML's ability to realise value for the Mining Assets arising from, amongst other matters, the following:
  - a maximum time limit for the Mining Assets to be sold (i.e. six months);
  - we are instructed that SML will only accept cash consideration for the assets; and
  - there is a number of challenges associated with approvals for the tenements that reduce the desirability of the tenements to potential purchasers (for example, refer to Section 5.2.3 and Section 6 of the GRI Report); and
- Upside Scenario: This scenario assumes that SML is able to successfully complete a sale of the assets within the relevant timeframe. We consider it appropriate to adopt a value of $1.6 million to $4.6 million less associated costs for the Mining Assets. This represents the low to mid value of the Mining Assets prior to the Proposed Transaction (refer to Table 7.2) and, in our view, is appropriate given the uncertainties (as discussed under the Base Scenario above) associated with SML's ability to realise value for the Tenement. With reference to Table 9.2 below, if the sale of the Tenement completes, we have calculated the value per Redemption Note in the range of approximately $0.0189 to $0.0555.

Table 9.2: Value per Redemption Note - Upside Scenario (Sale Completes)

	Low ($)	Mid ($)	High ($)
Mining Assets (refer to Section 7.2.1)	1,648,323	3,142,856	4,637,390
Associated Costs[1]	(121,247)	(136,192)	(151,138)
Net Sales Proceeds	**1,527,076**	**3,006,664**	**4,486,252**
Shares outstanding (existing shareholders)	80,879,849	80,879,849	80,879,849
Value per Redemption Note	**$0.0189**	**$0.0372**	**$0.0555**

Source: BDO CFQ analysis

1 *The associated costs include sales, holding and registry costs. Based on our enquiries, costs have been estimated at $104,764 plus 1% of the gross proceeds from the Mining Assets.*

9.2.4 Summary of the Value Provided to Existing Non Associated Shareholders under the Proposed Transaction

Table 9.3 below sets out a summary of the calculated value provided to existing non associated shareholders under the Proposed Transaction.

Table 9.3: Summary of the Value Provided to Existing Non Associated Shareholders

	Section	Low ($)	Mid ($)	High ($)	Low ($)	Mid ($)	High ($)
		Base Scenario			Upside Scenario		
Value of a Combined Entity Share	9.2.1	0.0369	0.0402	0.0436	0.0369	0.0402	0.0436
Value of Bonus Option per share	9.2.2	0.0023	0.0027	0.0031	0.0023	0.0027	0.0031
Redemption Note	9.2.3	0.0000	0.0000	0.0000	0.0189	0.0372	0.0555
Total value of the consideration		**$0.0392**	**$0.0429**	**$0.0467**	**$0.0580**	**$0.0801**	**$0.1021**

Source: BDO CFQ analysis

With regards to Table 9.3 above, we have adopted a total value to be provided to non-associated shareholders under the two scenarios as follows:

- Base Scenario of $0.0392 to $0.0467;
- Upside Scenario of $0.0580 to $0.1021.

9.3 Assessment of the Fairness of the Proposed Transaction to the Non-Associated Shareholders

Table 9.4 sets out our assessment of the fairness of the Proposed Transaction.

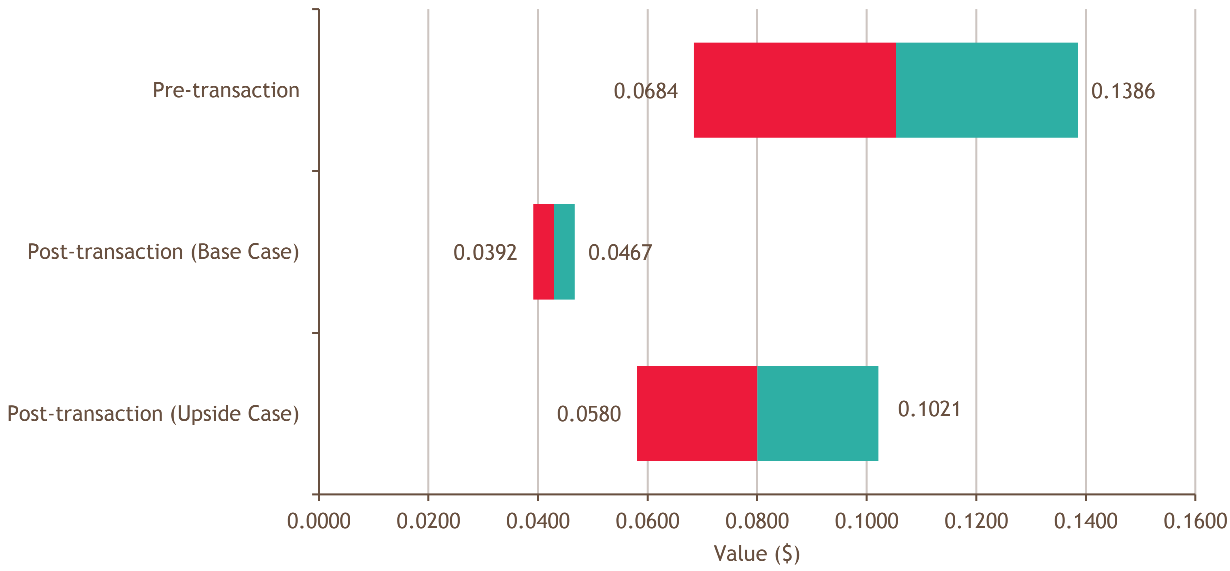
Table 9.4: Fairness of the Proposed Transaction

	Section	Low ($)	Mid ($)	High ($)
Value of SML prior to the Proposed Transaction (controlling interest)	7.0	0.0684	0.1054	0.1386
Value of the consideration - Base Scenario	9.2	0.0392	0.0429	0.0467
Value of the consideration - Upside Scenario	9.2	0.0580	0.0801	0.1021

Source: BDO CFQ analysis

Figure 9.1 illustrates the information set out in Table 9.4 in graphical form.

Figure 9.1: Fairness of the Proposed Transaction



Source: BDO CFQ analysis

Having regard to the information set out in Table 9.4 and Figure 9.1 above, we note the following:

- Our pre-transaction valuation range is on a controlling basis and includes the full valuation range for the Tenement. For completeness, we note that the Company has formed the view that it no longer wishes to progress the exploration of the Tenement and will now relinquish or sell the assets. There is no guarantee they will be able to realise a value for the assets that aligns with our valuation;
- The range calculated for the value to be received by non-associated shareholders under the Proposed Transaction under our Base Case scenario is less than our valuation range of an SML share prior to the Proposed Transaction; and
- The range calculated for the value to be received by non-associated shareholders under the Proposed Transaction under our Upside Case scenario results in overlap with the pre-transaction value. Further, we note that our valuation range under the Upside Case scenario does not consider value for the Tenement greater than the preferred value.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that the Proposed Transaction is **Not Fair** to the non-associated shareholders of SML as at the date of this Report.

10.0 Reasonableness of the Proposed Transaction

This section of this Report is set out as follows:

- Section 10.1 outlines the advantages of the Proposed Transaction to the non-associated shareholders of SML;
- Section 10.2 outlines the disadvantages of the Proposed Transaction to the non-associated shareholders of SML;
- Section 10.3 outlines additional valuation considerations to those set out in the fairness section;
- Section 10.4 considers the position of the non-associated shareholders of SML in the event that the Proposed Transaction is not approved; and
- Section 10.5 provides our assessment of the reasonableness of the Proposed Transaction.

10.1 Advantages of the Proposed Transaction

Table 10.1 below outlines the potential advantages to the non-associated shareholders of SML in the event that the Proposed Transaction is approved and implemented.

Table 10.1: Advantages of the Proposed Transaction

Advantage	Explanation
The transaction provides SML with an income producing business	The Tenement is currently not income producing and the work plan is yet to be approved by the regulators. There is no certainty that the Tenement will become a producing mine in the future. The directors of SML have investigated a number of opportunities which have been available to the Company and are of the view that the Proposed Transaction represents the best opportunity for SML to generate income. Synertec is a profit generating business (as shown in Table 6.2 above) and has grown EBITDA from $2.9 million in FY2014 to $3.6 million in FY2016 (refer Table 8.1 above).
Larger market capitalisation and potentially higher liquidity on the ASX	Based on the price at which SML shares traded on the ASX prior to the announcement of the Proposed Transaction, SML had a market capitalisation in the range of approximately $1.08million to $2.91 million (from 25 April 2015 to 8 March 2017). If the Proposed Transaction is approved and implemented, the Combined Entity will likely have a market capitalisation much greater than its current capitalisation. For example, assuming a share price of $0.04 (based on the Offer price) the market capitalisation would be approximately $8.83 million. The market capitalisation if the Proposed Transaction is completed cannot be known in advance, however, this likely larger market capitalisation than SML prior to the Proposed Transaction may lead to greater market awareness and higher liquidity in the Combined Entity's shares relative to SML.
Greater diversification of operations	SML currently owns one gold tenement in Victoria. Its revenues are exposed to developments in gold and Victorian government policies, including those related to the environment. Synertec provides engineering consulting services to a variety of industries around Australia including oil and gas; and pharmaceuticals. The diversification may mean it is less impacted by a downturn in one industry and/or one region.
The value we have calculated of the Combined Entity is higher than the price of SML shares listed on the ASX	SML shares were trading between $0.0142 and $0.0246 from April 2016 to February 2017 (based on monthly VWAP), albeit on low volumes given limited liquidity in SML shares (refer Section 5.3 for additional discussion). We calculated the value to be received by non-associated shareholders for the base case of $0.0369 to $0.0436 which is higher than the price of SML shares trading on the ASX prior to the announcement of the transaction.

Advantage	Explanation
Redemption Notes are provided to existing shareholders only	The Redemptions Notes are only provided to existing shareholders (i.e. excluding the shareholders of Synertec, the holder of the Adviser Shares and the new holders of shares issued under the Offer). This provides the existing shareholders with a potential upside of $0.0189 to $0.0555 (based on our upside case) relative to the base case.

Source: BDO CFQ analysis

10.2 Disadvantages of the Proposed Transaction

Table 10.2 below outlines the potential disadvantages to the non-associated shareholders of SML in the event that the Proposed Transaction is approved and implemented.

Table 10.2: Disadvantages of the Proposed Transaction

Disadvantage	Explanation
The Proposed Transaction is not fair	As set out in Section 9.0, in our view the Proposed Transaction is not fair to SML shareholders as at the date of this Report.
Proceeds from the sale of the Mining Assets are only realised if sold within 6 months	As part of the Proposed Transaction, existing shareholders will only be entitled to the Net Sale Proceeds from the sale of the Mining Assets if it is completed within 6 months from the Completion Date (refer to Section 3.1 for more detail on the Proposed Transaction). We note the mining lease for the Tenement does not expire until 13 March 2019. The 6 month deadline from the Completion Date may make it more difficult to realise a value in line with the preferred value. The deadline may also reduce the likelihood that the sale is completed.
Dilutionary impact on the existing SML shareholders	SML shareholders currently hold 100% of the issued share capital in SML. If the Proposed Transaction is approved and implemented, existing SML shareholders will hold approximately 36.6% of the Combined Entity. While we note that existing SML shareholders will effectively hold shares in a different corporation with different prospects to SML, SML shareholders may be of the view that it is preferable to collectively hold 100% of the shares in SML.
A new shareholder will have significant influence over the Combined Entity	When shareholders are required to approve an issue that relates to a company there are generally two types of approval levels. These are ordinary resolutions and special resolutions. An ordinary resolution requires more than 50% of shares to be voted in favour to approve a matter and a special resolution requires at least 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved and implemented, SML will issue approximately 99 million shares to NCC, which represents an interest of approximately 44.8% of the total shares outstanding in the Combined Entity. NCC will have significant influence over the Combined Entity and may be able to influence the outcomes of resolutions sought at meetings of the Combined Entity, including the ability to block special resolutions.
Potentially reduced chance of receiving a future takeover offer due to controlling shareholder	As noted directly above, if the Proposed Transaction is approved and implemented, NCC will hold approximately 44.8% of the shares outstanding in the Combined Entity. The opportunity for SML shareholders to realise a premium for control from any future transaction may be reduced as, in order for any future transaction to progress, NCC would be required to vote in favour.
There is a change in the nature and scale of SML's business	SML was previously incorporated as a gold exploration company. If the Proposed Transaction is approved and implemented, the Combined Entity will operate in the engineering consulting industry. The Proposed Transaction results in a change to the nature and scale of the activities of SML which may not be consistent with existing SML shareholders' investment objectives.

Disadvantage	Explanation
Potential for a significant number of Combined Entity shares to be sold on the open market	If the Proposed Transaction is approved, NCC and Kipberg will be issued 107,142,857 new SML shares. There is no binding restriction on NCC and Kipberg selling the new SML shares they are entitled to receive on the open market. If the Proposed Transaction is approved, NCC and Kipberg may elect to sell some of the new SML shares it has received on the open market. This may place downward pressure on the share trading price of SML if the increased supply of SML shares sufficiently outweighs the demand for SML shares.

Source: BDO CFQ analysis

10.3 Additional Value Considerations

The analysis set out in the fairness section relies on a pre-transaction value that includes the full valuation range of the Mining Assets. However, the post-transaction value base case makes no allowance for any value from the Mining Assets while the upside case only allows for the low to preferred value and excludes the potential upside. The primary reason for this difference is that if the Proposed Transaction completes, any value for the Mining Assets will have to be realised 6 months from Completion Date (refer to Section 9.2.3 above for additional discussion).

If the transaction does not complete, SML will not be subject to the six month deadline from Completion Date to complete the divestment of the Mining Assets (we note the mining lease for the Tenement does not expire until 13 March 2019). The sales process commenced on 4 January 2017 and the current feedback from TFO Nominees Pty Ltd (appointed to sell asset) is the timeframe required for sales completion and the requirement for payment of 100% cash upfront has made the sales process challenging. Notwithstanding that the longer timeline may lead to a higher sale price and increase the likelihood for a successful sales completion, we also note the following:

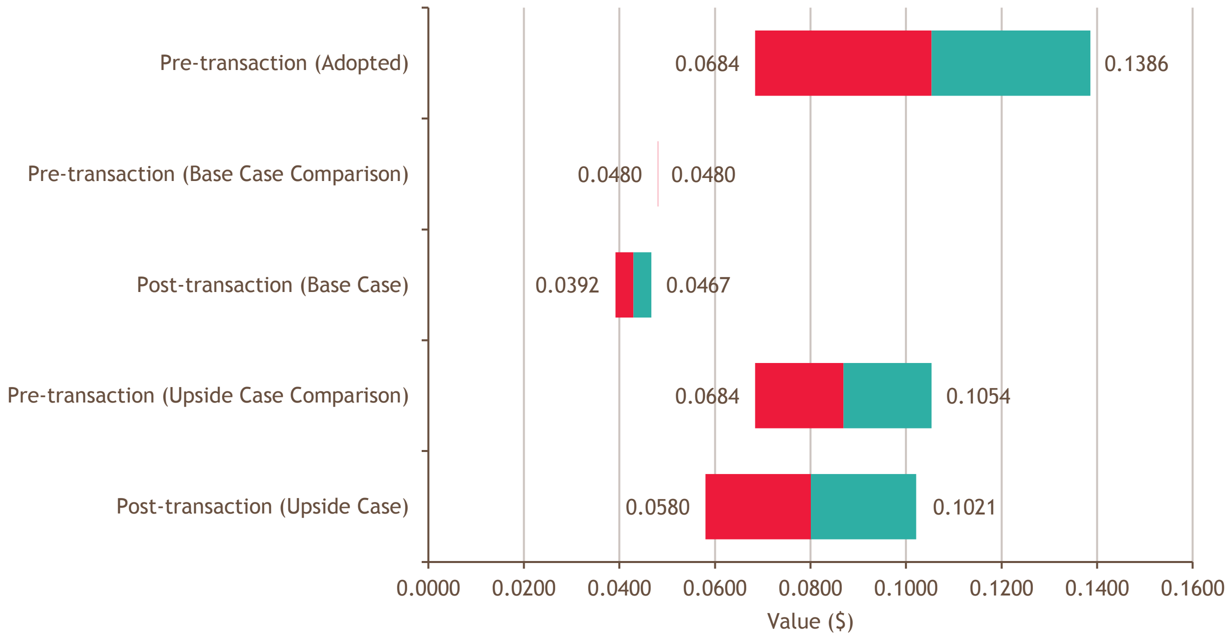
- Assuming a completion date of 4 November 2017, the total period available to sell the asset is approximately 10 months;
- The biggest concern communicated by potential buyers is the requirement for a cash payment without a mine plan approval; and
- Potential buyers have proposed a range of alternative payment mechanism to the requirement of 100% cash upfront which are contingent upon successful development of the mine including royalties and equity consideration. Given the location of the assets and the political risks in Victoria related to the resources industry (refer to section 5.2.3 and section 6 of the GRI Report), there is no guarantee that SML will be able to realise a value for the Mining Assets greater than the low end of the GRI Report (or that any value at all will be able to be realised).

Given the above, we have repeated Figure 9.1 above (summarising our fairness assessment) and included two extra value scenarios as follows:

- Pre-transaction (base case comparison): This value calculation excludes the value of the Mining Assets and has been included to give shareholders an indication of the net asset value in circumstances where the Company is unable to realise a material value for the Mining Assets. This may occur, for example, if:
  - The Tenement is unable to be sold for an amount that exceeds the costs of operating the Company to that point in time; or
  - If the Tenement is sold for non-cash consideration which can be subject to significant uncertainty in the ability to realise cash in the future; and
- Pre-transaction (upside case comparison): This value calculation excludes the mid to high value range and aligns with the upside scenario we have adopted to assess fairness. We have included this scenario on the basis that, given market feedback to date from the sales agent, even in circumstances where more time was available to sell the Tenement, there is no guarantee that a superior offer would eventuate that would enable shareholders to realise cash in the short term.

Figure 10.1 below sets out the alternative comparison outlined above.

Figure 10.1: Assessment Assuming Pre-Transaction Values Comparable to Values Adopted Post Transaction



Source: BDO CFQ analysis

Having regard to Figure 10.1 above, we note the following:

- For the Base Case, there is a smaller difference between the pre-transaction and post-transaction value ranges (in comparison to the difference in the fairness assessment presented in Figure 9.1); and
- For the Upside Case, there is significantly more overlap between the pre-transaction and post-transaction value ranges.

Users of this Report should also note that the above values assume a going concern. In circumstances where the Directors form a view that a liquidation of the Company is preferable to completing an alternative transaction (or the Directors are unable to identify an alternative transaction), the cash available to distribute to shareholders may be materially lower than the three pre-transaction value ranges set out in Figure 10.1 above.

10.4 Position of the Non-Associated Shareholders of SML if the Proposed Transaction Does Not Proceed

Table 10.3 below summarises the possible impacts on the non-associated shareholders of SML in the event that the Proposed Transaction is not approved. We note that the Proposed Transaction may not proceed for a number of reasons including, but not limited to, SML and Synertec not satisfying the conditions precedent to the Proposed Transaction which are set out in Section 3.2 of this Report.

Table 10.3: Position of the Non-Associated Shareholders of SML if the Proposed Transaction Does Not Proceed

Position	Potential Impact on the non-associated shareholders of SML
There is no guarantee that the SML shareholders will be able to realise a value for their shares in line with our calculated pre-transaction value	Prior to the announcement of the Proposed Transaction, approximately 1.68% of SML shares on issue were traded over the 12 month period. If the Proposed Transaction does not proceed, there is no indication that the liquidity of SML shares will increase. To realise a value in line with our calculated ABV pre-transaction value, either the price of SML shares would need to increase significantly (SML shares were trading at between $0.0142 and $0.0246 from April 2016 to February 2017 (based on monthly VWAP) or SML would need to complete a transaction with another potential opportunity. We calculated a pre-transaction, pre-consolidation value of $0.0513 to $0.1039 per share[4]. There is no certainty that either of the above will occur.

[4] This corresponds to a pre-transaction, post-consolidation value of $0.0684 to $0.1386

Position	Potential Impact on the non-associated shareholders of SML
SML will continue the process of divesting the Mining Assets	If the Proposed Transaction is not approved, SML will not be subject to the six month deadline from Completion Date to complete the divestment of the Mining Assets. We note the mining lease for the Tenement does not expire until 13 March 2019. The longer timeline may lead to a higher sale price and increase the likelihood for a successful sales completion (although there is no guarantee that it will).
The Directors will seek to identify another investment opportunity	The Directors' priority has been to complete an acquisition that will bring optimal value to SML shareholders. The Directors have investigated a number of opportunities which have been available to the Company and are of the view that the Proposed Transaction represents the best opportunity to realise long-term growth in value for the Company's shareholders. If the Proposed Transaction is not approved, the Directors will seek to identify an alternative transaction. There is significant uncertainty as to when, or if, an alternative transaction could be concluded, what form it would take and whether it would be more favourable than the Proposed Transaction. The Company would also incur further transaction costs (which may be significant) in order to complete a new transaction.
SML shareholders will continue to hold shares in SML	If the Proposed Transaction is not approved, SML shareholders will continue to collectively hold 100% of the issued capital in the Company. SML shareholders will be entitled to share in any potential upside or downside risks associated with the future operations of SML. SML shareholders will receive any benefits or losses which may arise from the Company's future operations and endeavours.

Source: BDO CFQ analysis

10.5 Reasonableness of the Proposed Transaction

In our opinion, after considering all of the issues set out in this Report, it is our view that in the absence of any other information, the Proposed Transaction is **Reasonable** to the non-associated shareholders of SML as at the date of this Report.

11.0 Sources of Information

This Report has been prepared using information obtained from the following sources:

- SML annual report for the year ended 30 June 2014;
- SML annual report for the year ended 30 June 2015;
- SML annual report for the year ended 30 June 2016;
- SML half year report for the half year ended 31 December 2016;
- SML management account as at 31 March 2017 (extract);
- SML ASX announcements;
- SML holdings spreadsheet as at 24 April 2017;
- Synertec annual report for the year ended 30 June 2014;
- Synertec annual report for the year ended 30 June 2015;
- Synertec annual report for the year ended 30 June 2016;
- Synertec half year report for the half year ended 31 December 2016;
- Synertec management account as at 31 March 2017;
- SML company website (www.smlcorporation.com);
- Synertec company website (www.synertec.com.au);
- Synertec forecast and sales pipeline FY2017, FY2018;
- Synertec Information Memorandum;
- Synertec tax returns for the financial years FY2013, FY2014, FY2015 and FY2016;
- GRI Report;
- Capital IQ;
- Various transaction documents including the Notice of Special General Meeting and Explanatory Statement prepared by SML and the Share Sale Agreement;
- Various other research publications and publicly available data as sourced throughout this Report including IBISWorld; and
- Various discussions and other correspondence with SML and Synertec directors, management and their advisers.

12.0 Representations, Indemnities and Warranties

SML has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

12.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, SML agrees to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. SML will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

SML agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by SML (including but not limited to the Directors and advisers of SML) as part of this engagement.

12.2 Representations & Warranties

SML recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by SML, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

SML management represent and warrant to BDO Persons that all information and documents furnished by SML (either directly or through its advisors) in connection or for use in the preparation of this Report will not, at the time so furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein.

SML has acknowledged that the Company's engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

13.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this Report with the assistance of staff members. Mr Whittaker and Mr Birkett are directors of BDO CFQ and have extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the directors of SML to provide the non-associated shareholders of SML with information to assist them to decide whether to vote in favour of or against the Proposed Transaction. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Proposed Transaction, it is strongly recommended that SML shareholders obtain their own taxation advice, tailored to their own particular circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at the date of this Report.

BDO Corporate Finance (QLD) Ltd

Mark Whittaker **Director**	**Scott Birkett** **Director**

Appendix A: Industry Overview

As discussed in section 6.0 of this report, Synertec is a multi-disciplined engineering consulting firm, delivering specialist engineering and compliance services across complex, high risk and highly regulated industries with its operations mainly in Australia. This appendix provides an overview of the engineering consulting industry in Australia.

The information presented in this section has been compiled from a range of publicly available sources and is not intended to be a comprehensive analysis. We recommend that SML's shareholders refer to the original source of the information referred to in this section, and any other information they believe appropriate, for a more comprehensive analysis. This section should be referred to as a broad guide only.

A.1 Engineering Consulting Industry in Australia[5]

A.1.1 Overview

The engineering consulting industry primarily provides services to construction and engineering infrastructure projects, environment projects and industrial processes and equipment. The activities involved typically include the provision of advice, feasibility studies, plans and design, technical services during project construction phases and the inspection and evaluation of construction and engineering projects.

Industry revenue is expected to fall at an annualised rate of 1.5% over the 5 years to 2016-2017 to $45.2 billion. Since the start of the period, commodity prices have declined, and new investments in the mining industry have decreased. During this period, capital expenditure by the public sector also decreased.

Industry profitability has decreased over the past five years due to increasing competition among the major industry players. As a result of this competition, globalisation and consolidation has increased over the period. Firms have endeavoured to maintain profitability by adding capabilities and expertise, increasing client bases and introducing cost-cutting initiatives.

A.1.2 Key External Drivers

Table A.1 below summarises several demand drivers for engineering consulting.

Table A.1: Key External Drivers

Driver	Explanation
Private non-residential construction capital expenditure	Major source of demand for engineering consulting services, including project design, and assessment and advice during the construction process.
Actual capital expenditure on mining	Engineering consulting firms advise mine developers across a variety of areas relating to the construction and expansion of mining facilities.
Capital expenditure by the public sector	The public sector funds the majority of infrastructure and defence projects.
Demand from manufacturing	Industry consulting services are required for the design, environmental assessment, installation and operational management of industrial capacity, processes and products.
Private capital expenditure on machinery and equipment	Industry firms provide consulting services for the design, installation and maintenance of machinery and equipment including production lines, telecommunication facilities, power generation plants, and oil and gas refining and distribution facilities

Source: IBISWorld

A.1.3 Industry Outlook

IBISWorld expects the industry outlook to improve over the next five years. Demand is expected to increase from the public sector as the government aims to stimulate the economy by tendering large infrastructure projects. Larger, integrated consulting firms are expected to benefit more than small companies as they are able to better provide the full range of services.

[5] Information in this section has been sourced from IBISWorld Industry Report M6923 Engineering Consulting in Australia

Demand from mining is significantly influenced by commodity prices, especially the price of iron ore and coal. Companies that have delayed investments in new or expansion projects are anticipated to review their prospective investments due to expectations of increasing commodity prices. The world price of coal is forecast to increase over the next five years.

Appendix B: Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in RG 111 regarding content of expert reports. The methodologies include those mentioned directly below.

B.1 Discounted Future Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

B.2 Capitalisation of Future Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the rate is an alternative way of stating the expected return on an asset, allowing for a risk premium over the risk free rate.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered when relevant comparable information is available.

B.3 Asset Based Valuations ('ABV')

Asset based valuations ('ABV') are used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

B.4 Market Based Valuations ('MBV')

Market based valuations ('MBV') relate to the valuation of an entity having regard to the value which securities in the entity have recently been purchased at. This approach is particularly relevant to:

- Entities where the shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time; and/or
- Entities where it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

Appendix C: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Level of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to SML for the purposes of this Report, we have considered information which includes:

- Control premiums implied in merger and acquisition transactions of engineering services companies in Australia, which indicate median control premiums in the range of 41% to 43%;
- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Proposed Transaction within the context of this Report. For the purposes of the calculations set out in this Report we have adopted a control premium of 30%, being the mid-point of the control premium range that we consider is appropriate based on our research.

Appendix D: Comparable Trading Companies and Transaction Analysis

D.1 Trading Multiples

It is useful to analyse the current trading multiples of exchange listed comparable companies to assist with the determination of an appropriate capitalisation multiple. Generally speaking, comparable trading multiples need to be treated with caution as not all companies operating in comparable industries can be readily compared to the Combined Entity. With this as a caveat, the usual step in applying a multiples based valuation methodology is to construct a multiple from market information. The multiple is then adjusted for specific company differentiators.

We have conducted research into current trading multiples of comparable listed companies that operate in the engineering services industry.

Table D.1 sets out information on broadly comparable listed engineering services companies that may be considered broadly comparable to the Combined Entity.

Table D.1: Current Trading Multiples of Broadly Comparable Engineering Services Companies

Company Name	Enterprise Value ($'m)	Latest Revenue ($'m)	Latest EBITDA ($'m)	EV/EBITDA Multiple (Historical)	EV/EBITDA Multiple (Forecast)
AJ Lucas Group Limited	241	125	8	29.1	-
CIMIC Group Limited	11,249	10,854	917	12.3	8.7
Downer EDI Limited	3,272	6,850	560	5.8	6.6
GR Engineering Services Limited	205	256	24	8.6	8.7
Lycopodium Limited	46	124	7	6.9	-
Monadelphous Group Limited	910	1,369	113	8.1	9.3
Neptune Marine Services Limited	41	118	4	10.2	-
RCR Tomlinson Limited	452	891	33	13.8	7.5
Southern Cross Electrical Engineering Limited	48	208	12	3.9	-
WorleyParsons Limited	3,808	7,775	209	18.3	11.3
Maximum	11,249	10,854	917	29.1	11.3
Minimum	41	118	4	3.9	6.6
Average	**2,027**	**2,857**	**189**	**9.8[(a)]**	**8.7**
Median	**347**	**573**	**28**	**8.6[(a)]**	**8.7**

Source: BDO CFQ analysis and Capital IQ as at 24 April 2017

a) Excludes AJ Lucas Group Limited

The trading multiples set out above should be considered with caution as the multiples include a number of outliers. Although the companies listed in Table D.1 above have been selected as they are regarded to be broadly comparable to the Combined Entity, differences exist between the Combined Entity and each of the comparable companies. In particular, we note that:

- The companies in Table D.1 are significantly larger in size compared to the Combined Entity;
- The engineering services provided by each of the companies in Table D.1 is often different to those of the Combined Entity;
- The geographic regions in which each of the companies in Table D.1 operate are often different (and more diverse) compared to those of the Combined Entity; and
- The industries that the customers of the comparable companies in Table D.1 operate in are often different to those of the Combined Entity.

A description of each of the broadly comparable companies identified in the trading multiples analysis set out in Table D.1 above is set out in Table D.2 below.

Table D.2: Descriptions of the Broadly Comparable Engineering Services companies Identified in the Trading Multiples Analysis

Company	Description
AJ Lucas Group Limited	AJ Lucas Group Limited operates as a diversified infrastructure, engineering and construction, and mining services company in Australia and Europe. The company operates in three segments: Drilling, Engineering and Construction, and Oil and Gas. The Drilling segment offers drilling services to the coal and coal seam gas industries for the degasification of coal mines and the recovery and commercialization of coal seam gas and associated services. The Engineering and Construction segment installs pipelines using its horizontal directional drilling facilities. The Oil and Gas segment engages in the exploration and commercialization of unconventional and conventional hydrocarbons in Europe and Australia. It serves energy, water and wastewater, resources, and property sectors. The company was incorporated in 1990 and is headquartered in North Sydney, Australia. AJ Lucas Group Limited is a subsidiary of Kerogen Investments No. 1 (hk) Limited.
CIMIC Group Limited	CIMIC Group Limited provides construction, mining, engineering, concessions, and operation and maintenance services to the infrastructure, resources, and property markets in the Asia Pacific, the Middle East, Sub-Saharan Africa, and South America. The company operates through Construction, Engineering, Contract Mining, Habtoor Leighton Group, Public Private Partnerships, and Commercial & Residential segments. It constructs roads, rails, tunnels, airports, buildings, and social infrastructure projects, as well as water, energy, and resources facilities; oil and gas structures; and renewable energy infrastructure projects, such as utility-scale wind, geothermal energy, and waste-to-power installations. The company was formerly known as Leighton Holdings Limited and changed its name to CIMIC Group Limited in April 2015. The company was founded in 1949 and is headquartered in St Leonards, Australia. CIMIC Group Limited is a subsidiary of HOCHTIEF Australia Holdings Limited.
Downer EDI Limited	Downer EDI Limited provides various services to customers in the transportation, mining, energy and industrial engineering, utilities, communications, and facilities markets in Australia and internationally. The company's EC&M segment designs, engineers, constructs, and maintains greenfield and brownfield projects, such as feasibility studies; engineering design; civil works; structural, mechanical, and piping; electrical and instrumentation; mineral process equipment design and manufacture; commissioning; operations maintenance; shutdowns, turnarounds, and outages; strategic asset management; and decommissioning. Its Mining segment provides asset management, blasting, crushing, exploration drilling, mine closure and site rehabilitation, mobile plant maintenance, open cut mining, tire management, and underground mining services; manufactures and supplies explosives; undertakes civil projects; and trains and develops ATSI employees. The company is headquartered in North Ryde, Australia.
GR Engineering Services Limited	GR Engineering Services Limited provides process engineering design and construction services to the mining and mineral processing industries in Australia and internationally. The company operates through Mineral Processing, and Oil and Gas segments. Its services cover various aspects of the projects from the initial evaluation and study phase through to design, construction, commissioning, and operational support. GR Engineering Services Limited was founded in 1986 and is based in Belmont, Australia.
Lycopodium Limited	Lycopodium Limited provides engineering consultancy services in Australia and internationally. The company offers feasibility studies, value engineering, project development, and implementation services to mineral, process, and infrastructure industries. In addition, the company offers asset management services, such as asset information management, maintenance and integrity management, spare parts management, risk management, and performance assessment and improvement to petrochemicals, oil and gas, mining, minerals, marine, infrastructure, and manufacturing sectors. Lycopodium Limited was founded in 1992 and is based in East Perth, Australia.
Monadelphous Group Limited	Monadelphous Group Limited, an engineering group, provides construction, maintenance, and industrial services to the resources, energy, and infrastructure sectors in Australia. It operates through Engineering Construction; and Maintenance and Industrial Services divisions. The company offers large-scale multidisciplinary project management and construction services, including construction management and execution; civil and electrical construction packages; turnkey design and construction; structural steel, tankage, mechanical works, and process equipment and piping fabrication and installation; fabrication and procurement; modularization and off-site pre-assembly; plant commissioning; demolition and remediation works; and offshore construction services of plant and infrastructure. It also provides multidisciplinary maintenance and improvement solutions, such as structural, mechanical, piping, electrical and instrumentation, and civil maintenance services, as well as minor capital works, shutdowns, and operations and facilities management services. Monadelphous Group Limited was founded in 1972 and is headquartered in Victoria Park, Australia.

Company	Description
Neptune Marine Services Limited	Neptune Marine Services Limited provides integrated inspection, repair, and maintenance solutions to the oil and gas, marine, and renewable energy industries primarily in Australia, Asia, the Middle East, and the United Kingdom. It operates in two divisions, Offshore Services and Engineering Services. The Offshore Services division provides a range of specialized services, including commercial diving; inspection, repair, and maintenance support; difficult and confined area access via rope access, tension netting, and modular platforms; remotely operated vehicles; subsea pipeline/cable stabilization and protection; hydro graphic surveying, positioning, and geophysical support; and project management services. The Engineering Services division offers various services, such as subsea and pipeline engineering, fabrication, assembly and testing, refurbishment, installation, maintenance, NEPSYS dry underwater welding technology, and project management services. The company was founded in 2003 and is headquartered in Perth, Australia. Neptune Marine Services Limited is a subsidiary of MTQ Corporation Limited.
RCR Tomlinson Limited	RCR Tomlinson Limited, a multi-disciplinary engineering and infrastructure company, together with its subsidiaries, provides integrated engineering solutions to the resources, energy, mining, and infrastructure sectors in Australia and internationally. The company operates through three segments: RCR Infrastructure, RCR Resources, and RCR Energy. The RCR Infrastructure segment provides electrical and instrumentation services; railway signalling and overhead wiring systems; power generation, transmission, distribution system, and generator maintenance services; process control instrumentation services; fire and data communications systems; water treatment solutions; installation and maintenance of mechanical engineering, as well as heating, ventilation, and air conditioning systems; and facilities management services. The RCR Resources segment provides engineering, construction, maintenance, and shutdown services; turnkey material handling solutions from design and manufacture; specialist shutdown and heat treatment services to off-site repairs; and heavy engineering equipment maintenance services. The RCR Energy segment offers integrated solutions for power generation and thermal energy plants, components, and systems; servicing and maintenance services; proprietary heat recovery steam generators; and laser cutting services. RCR Tomlinson Limited is headquartered in Perth, Australia.
Southern Cross Electrical Engineering Limited	Southern Cross Electrical Engineering Limited provides specialized electrical, control, and instrumentation installation and testing services for the resources, infrastructure, and heavy industrial sectors in Australia, South America, and the Caribbean. It operates through three divisions: SCEE Construction, SCEE Infrastructure, and SCEE Services. The SCEE Construction division installs and commissions greenfield and brownfield projects in remote environments. The SCEE Infrastructure division provides various electrical infrastructure works, including high voltage, underground and overhead powerlines, substations, switchyards, and site-wide distribution and reticulation systems. The SCEE Services division offers planned and unplanned reactive maintenance to various operational brownfield facilities. It serves the customers in the mining, and oil and gas sectors. Southern Cross Electrical Engineering Limited was founded in 1978 and is based in Naval Base, Australia.
WorleyParsons Limited	WorleyParsons Limited provides professional services to the resources, energy, and industrial sectors in Australia and internationally. The company provides engineering design and project delivery services, including providing maintenance, reliability support services, and advisory services. It operates through Hydrocarbons; Minerals, Metals & Chemicals; and Infrastructure segments. The company offers engineering and project management services to the floating production systems, heavy oil and oil sands, offshore topsides, offshore pipelines and subsea systems, onshore pipelines and receiving terminals, onshore oil and gas production facilities, sulphur recovery plants, arctic and cold climate, and unconventional oil and gas facilities, as well as for petrochemicals, refining, and LNG sectors. WorleyParsons Limited was founded in 1971 and is based in North Sydney, Australia.

Source: Capital IQ

D.2 Transaction Multiples

The price achieved in a sales transaction generally provides reliable evidence of earnings multiples for a valuation as it represents the market value of a controlling interest (including a control premium) in the asset being acquired. We note however that each sales transaction is a product of a combination of factors which may or may not be specific to the transaction, including:

- Economic factors;
- Regulatory framework;
- General investment and share market conditions;
- Synergy benefits specific to the acquirer; and

- The number of potential buyers.

We have conducted research into transactions involving listed companies that operate in the engineering services industry using numerous research publications to which we subscribe. Our research has revealed that the information needs to be considered with caution for reasons which include the following:

- The transactions often involve engineering services companies that are much larger than the Combined Entity;
- The transactions involve engineering services companies that are not directly comparable to the Combined Entity; and
- The financial information available on each of the transactions is limited.

To assist us in determining the most appropriate capitalisation multiple to apply to the maintainable earnings of the Combined Entity, it is useful to analyse recent sales transactions involving companies operating in the engineering services industry.

Table D.3 below sets out information on recent transactions involving engineering services companies that may be considered broadly comparable to the Combined Entity.

Table D.3: Broadly Comparable Engineering Services Company Transaction Multiples

Target	Acquirer	Announced Date	Percent Acquired (%)	Implied EV (AUD million)	Implied EV to EBITDA Multiple (Historical)	Implied EV to EBIT Multiple (Historical)
SMEC Holdings Limited	Surbana Jurong Private Limited	11-May-16	100%	423.5	11.2	12.4
J & P Richardson Industries Pty Ltd.	VINCI Energies S.A.	08-Feb-16	100%	79.1	4.0	4.4
Sedgman Limited	CIMIC Group Investments Pty Limited	13-Jan-16	63%	133.6	5.6	8.7
Broadspectrum Limited	Ferrovial Services Australia Pty Ltd	07-Dec-15	100%	1,323.9	4.7	6.8
Coffey International Limited	Tetra Tech, Inc.	14-Oct-15	100%	173.0	8.2	13.5
Rob Carr Pty. Ltd.	Seymour Whyte Limited	18-Feb-14	100%	41.1	4.4	N/A
Production Solutions	GR Engineering Services Limited	13-Dec-13	100%	5.8	2.4	N/A
Mancala Holdings Pty Ltd	Sapphire Corporation Limited	09-Oct-13	100%	15.0	5.4	N/A
Eastcoast Development Engineering Pty Ltd	Decmil Group Limited	25-Feb-13	100%	29.3	2.3	N/A
Pacer Corporation Pty Ltd.	Resource Development Group Ltd	24-Feb-12	100%	3.5	N/A	7.7
Maximum				**1,323.9**	**11.2**	**13.5**
Minimum				**3.5**	**2.3**	**4.4**
Average				**222.8**	**5.4**	**8.9**
Median				**60.1**	**4.7**	**8.2**

Source: BDO CFQ Analysis, Merger Market and Capital IQ as at 24 April 2017

The above analysis indicates that engineering services companies which may be considered broadly comparable to the Combined Entity transact at a median multiple of 4.7x historical EBITDA and 8.2x historical EBIT.

A summary description of the transactions listed in Table D.3 above is set out in Table D.4 below.

Table D.4: Transaction Descriptions

Target	Transaction Description
SMEC Holdings Limited	Surbana International Consultants Pte Ltd signed a scheme implementation agreement to acquire SMEC Holdings Limited for approximately AUD 390 million, by scheme of arrangement, on May 9, 2016. The acquisition was completed on August 1, 2016. SMEC Holdings Limited provides consultancy services in Australia, New Zealand, the Asia Pacific, South Asia Middle East, Africa, and the Americas. The company offers project services, such as conceptualization, feasibility, planning, designing, construction, commissioning, operation, and maintenance services. It serves transport; water; environment; built environment; energy; resources and industry; and education, governance, and government advisory sectors. The company was founded in 1949 and is based in South Brisbane, Australia.

Target	Transaction Description
J & P Richardson Industries Pty Ltd.	VINCI Energies S.A. acquired J & P Richardson Industries Pty Ltd. from a family for €69 million (AUD 98.4 million) on February 8, 2016. J & P Richardson Industries Pty Ltd. engages in the electrical and mechanical contracting activities in Australia. It offers electrical installation, maintenance, and breakdown services; engineering and design services for industrial, commercial, and mining clients; data and communication services; and design, layout, and construction services for power transmission and distribution industry. The company was founded in 1958 and is headquartered in Brisbane, Australia.
Sedgman Limited	CIMIC Group Investments Pty Limited made an offer to acquire remaining 63% stake in Sedgman Limited (ASX:SDM) from Commonwealth Bank of Australia (ASX:CBA), Russell Kempnich and others for approximately AUD 150 million in cash on January 13, 2016. The acquisition was completed on March 11, 2016. Sedgman Limited provides mineral processing and associated infrastructure solutions to the resources industry in Australia, Canada, Chile, Mozambique, and internationally. The company operates in two segments, Projects and Operations. The Projects segment is involved in the project assessment, development, and definition activities; and design, procurement, construction, and commissioning of coal handling and preparation plants, minerals processing plants, and other related equipment. This segment provides services across process, mechanical, civil, structural, and electrical and controls sectors. The Operations segment owns and operates coal handling and preparation plants, and ore crushing and screening plants. The company is headquartered in Milton, Australia.
Broadspectrum Limited	Ferrovial Services Australia Pty Ltd made a tender offer to acquire Broadspectrum Limited (ASX:BRS) from Allan Gray Investment Management, Invesco Australia Limited, Dimensional Fund Advisors, State Street Australia Limited and others for approximately AUD 690 million in cash on December 7, 2015. Ferrovial Services Australia Pty Ltd completed the acquisition of 93.60% stake in Broadspectrum Limited (ASX:BRS) for approximately AUD 770 million on May 20, 2016. Ferrovial Services Australia Pty Ltd completed compulsory acquisition of the remaining shares on June 27, 2016. Broadspectrum Pty Ltd, together with its subsidiaries, provides operations and maintenance, asset management, and project management services. It operates through Australia and New Zealand Infrastructure; Australia and New Zealand Defence, Social and Property; Australia and New Zealand Resources and Industrial; and Americas segments. The company offers a range of consulting, and advisory and specialist technical services to the property and infrastructure industries across project management, urban planning, real estate, and independent assurance. Further, it delivers engineering, construction, and maintenance services to mining and mineral processing companies; operates as a roustabout and pipeline company serving the oil and gas industry; and provides environmental management services, such as horticultural management, environmental management plans, bushfire risk reduction, and weed and pest animal services. The company is based in North Sydney, Australia.
Coffey International Limited	Tetra Tech Inc. (NasdaqGS:TTEK) entered into a bid implementation agreement to acquire Coffey International Limited (ASX:COF) from Ellerston Capital Pty Limited, Forager Funds Management Pty Ltd., Celeste Funds Management Limited, Health Employees Superannuation Trust Australia and other shareholders for approximately AUD 110 million in cash on October 14, 2015. The acquisition was completed on January 15, 2016. Coffey International Limited provides consulting services in the geoservices, international development, and project management areas worldwide. The company offers geotechnical engineering, deep foundation, drilling, earthquake engineering, geo-technology and virtual reality, geophysics, ground improvement, ground interpretation, groundwater management, numerical modelling, pavement, slope engineering, and expert witness reports and evidence services, as well as services related to retention systems, temporary works, underground spaces, and water retention dams. The company was founded in 1959 and is headquartered in Chatswood, Australia.
Rob Carr Pty Ltd	Seymour Whyte Limited acquired Rob Carr Pty. Ltd. from Robert Patrick Carr and others for AUD 41.1 million in cash and stock on 25 February 2014 ($27.5 million in cash and issued 9.6 million shares in Seymour Whyte). Rob Carr Pty. Ltd. provides civil construction services in Australia. It provides sewer construction services, including the construction of deep shafts, concrete caissons, concrete manholes, and valve chambers, as well as minor open trenching works, mechanical fitting installation, and multiple live connection works; tunnel construction services; and pipeline construction services. The company was founded in 1989 and is based in Welshpool, Australia with additional offices in Minto and Yatala, Australia.
Production Solutions	GR Engineering Services Limited acquired Production Solutions from Oceaneering International, Inc. for AUD 5.8 million on 23 April 2014. Production Solutions Pty Ltd provides engineering services, maintenance, and well management services to the oil and gas sector. The company is based in Australia.
Mancala Holdings Pty Ltd	Sapphire Corporation Limited acquired Mancala Holdings Pty Ltd from Martin Kyne, Francis William Lannen and Timothy Edwin Akerman for AUD 15 million in stock on 7 January 2014. Mancala Holdings Pty Ltd. provides design, engineering, construction, excavation, and mining services to the mineral and civil construction industries in Australia. Mancala Holdings Pty Ltd. was founded in 1990 and is based in Glen Waverley, Australia.

Target	Transaction Description
Eastcoast Development Engineering Pty Ltd	Decmil Group Limited acquired Eastcoast Development Engineering Pty Ltd on 18 April 2013. Eastcoast Development Engineering Pty Ltd. offers engineering, manufacturing, construction, and maintenance services in Australia and the Pacific Rim. Eastcoast Development Engineering Pty Ltd. was incorporated in 2000 and is based in Murarrie, Australia. As of April 18, 2013, Eastcoast Development Engineering Pty Ltd operates as a subsidiary of Decmil Group Limited.
Pacer Corporation Pty Ltd	Resource Development Group Limited acquired Pacer Corporation Pty Ltd from Lightshare Investments Pty Ltd, Jon Wright, Timesfive Pty Ltd, Tobin Powell, and Jodie Teasdale for AUD 3.5 million in stock on 5 March 2012. Pacer Corporation Pty Ltd., doing business as Pacer Engineers, provides engineering services to resource and infrastructure industries in Australia. It specializes in project management, engineering design, and construction areas. The company was founded in 2001 and is based in Bunbury, Australia.

Source: Capital IQ

Appendix E: GRI Report

INDEPENDENT VALUATION OF SML CORPORATION LIMITED's

MINING LEASE MIN 4921, EAST GIPPSLAND, VICTORIA

Prepared For

BDO CORPORATE FINANCE (QLD) LTD

By

GLOBAL RESOURCES & INFRASTRUCTURE PTY LTD

This report has been prepared at the request of BDO Corporate Finance (QLD) Ltd. The report's purpose is to provide information relating to the independent valuation determined by Global Resources & Infrastructure Pty Ltd of the current tenement, comprising one Mining Lease, located in northeast Victoria, Australia that is held by SML Corporation Limited.

BDO Corporate Finance (QLD) Ltd has been engaged by SML Corporation Limited's directors to prepare an Independent Expert's Report for inclusion in the Notice of Meeting of the Company in relation to the proposed acquisition of an engineering firm. To facilitate BDO Corporate Finance (QLD) Ltd.'s preparation of its Independent Expert's Report, it has requested Global Resources & Infrastructure Pty Ltd to provide a valuation of the mining assets as at the valuation date.

This report, prepared by Global Resources & Infrastructure Pty Ltd, has estimated the valuation range for these minerals assets, which has been based on information supplied by management, directors and staff of, and consultants to, SML Corporation Limited and from consultants' reports based on technical investigations into the various tenements as well as publicly available information and reviews of other projects of these types in Victoria and elsewhere.

The report has been completed in accordance with the terms and conditions described herein and set forth in our agreement with BDO Corporate Finance (QLD) Ltd.

6 April 2017

CONTENTS

1. INTRODUCTION

OVERVIEW

Incorporated in Bermuda, SML Corporation Limited ("SML" or "the Company"), is a holding company for a mineral resource exploration group currently exploring for gold, silver and base metals in East Gippsland, Victoria, Australia.

SML wholly owns Synergy Metals Limited ("Synergy Metals") a company incorporated in Australia.

Synergy Metals and its subsidiaries, the Synergy Metals Group, holds one mining lease located in eastern Victoria, Australia. The mining lease, MIN 4921, covers an area of 246 hectares and includes the historically significant gold mines and old workings at Glen Wills and Sunnyside, which produced more than 235,000 ounces of gold between 1888 and the 1960's, at grades of more than 15 g/t.

Analyses of exploration drilling results undertaken in June 2013 for the Glen Wills and Sunnyside Goldfields, estimated that JORC (2012) compliant indicated and inferred resources totalled 168,000 ounces of gold and 115,000 ounces of silver (see Table 4).

The Directors of SML have engaged BDO Corporate Finance (QLD) Ltd ("BDO") to prepare an Independent Expert's Report ("IER") for inclusion in the Notice of Meeting of the Company in relation to a proposed acquisition of an engineering consulting firm ("the Proposed Transaction"). BDO is required to provide an opinion on the fairness and reasonableness of the transaction. A part of the IER requires BDO to determine the value of SML pre-transaction and post-transaction, which includes the need for a technical expert to provide a valuation of the mining tenement ("the Asset").

BDO has engaged Global Resources & Infrastructure Pty Ltd ("GRI") to prepare an Independent Valuation Report ("IVR") of the Mining Lease, MIN 4921, in order to inform them of the potential value of this asset. GRI's IVR has been prepared in accordance with The Valmin Code 2015 Edition – Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, which requires the Independent Valuer to adhere to the fundamental principles of Competence, Materiality and Transparency.

PURPOSE OF THE REPORT

BDO has engaged GRI, to undertake an independent assessment and valuation of MIN 4921 held by SML and to provide to them the following:

- An IVR on the Fair Market Value of the Asset and a statement as to what defines Fair Market Value;
- A statement of compliance in the IVR that GRI's work and report is prepared in accordance with the relevant codes;
- Information on all key assumptions underpinning GRI's assessment and our consent to allow BDO to refer to and rely on the IVR to assist them to determine the value of the asset and to allow the IVR to be appended to the IER for which will become a public document.

2. SUMMARY AND VALUATION

EXECUTIVE SUMMARY

- SML owns a 100% interest in mining lease, MIN 4921, which is located in East Gippsland, Victoria and contains the historic Glen Wills and Sunnyside Goldfields, which produced more than 235,000 ounces of gold from 1888 through to the 1960s at grades in excess of 15 g/t of gold.
- Glen Wills was one of the major early goldfields in Victoria with known deposits worked to relatively shallow levels via adits and numerous shafts. The mineralisation consists of narrow, sulphide rich shear zones that are hosted within the Mt Wills Granite and the surrounding metasediments of the Omeo Metamorphic complex.
- Most the exploration activities carried out to date have been targeted at the areas associated with the historic workings, which are located on a mineralised fault that runs more than 5km through the Glen Wills and Sunnyside areas. Activities undertaken by SML have confirmed the continuity of the mineralisation and the good ground conditions. The historic site also includes a stamp battery and a tailings facility. Historic workings focused on high grade mineralisation with average recovered grades of 22.9g/t.
- The region has been shown to host many minerals including gold, silver, tin, copper, zinc, lead, tungsten and molybdenum.
- Analysis of exploration results in the tenements to date generates combined indicated and inferred totals of 168,000 ounces of gold and 115,000 ounces of silver.
- The estimated value of the mining lease (MIN 4921) currently owned by SML (which has been calculated using the DCF/NPV method and adjusted using a Market factor) as at 4 March 2017, the date of valuation, is in the range <u>$1.25 million to $6.93 million with a preferred value of $4.24 million</u>. These results were crosschecked using the market based Comparable Transactions method. The results using this method correspond closely with those of the DCF/NPV method. We are satisfied that the values obtained accurately reflect the intrinsic value of MIN 4921 in the current market.

2.2 VALUATION SUMMARY

Table 1: Market Valuation of MIN 4921 at 12% Discount Rate, as at valuation date of 4 March 2017.

Item	Interest	Valuation Method	Value		
			Low	Preferred	High
MIN 4921 Glen Wills – Sunnyside Goldfield	100%	DCF/NPV	**$1.25 million**	**$4.24 million**	**$6.93 million**

3. METHODOLOGY AND APPROACH

3.1 INTRODUCTION

SML holds one mining lease (MIN 4921), which is in East Gippsland, Victoria, Australia.

SML is considering the acquisition of an engineering consulting form and has engaged BDO to provide an IER on the proposed transaction. BDO has in turn engaged GRI to provide an independent valuation of the tenement to provide itself with an independent assessment and valuation that will assist them to determine the value of the Assets and provide their opinion on the fairness and reasonableness of the transaction.

GRI's estimation of the value range of the tenement has been undertaken in compliance with the requirements of the Valmin Code (2015) of the Australasian Institute of Mining and Metallurgy ("The AusIMM") and Australian Institute of Geoscientists ("AIG").

For the purposes of this report, GRI has relied to some extent on technical information determined by GEOS Mining, a technical mining consulting company retained by SML. SML undertook and completed further drilling during 2013 and completed the compilation and resource modelling. An updated JORC (2012) compliant mineral resource statement for Glen Wills Goldfield Project was released in June 2013.

Exploration undertaken by the Company since the June 2013 resource statement was released noted that while the drilling had increased the known extents of the mineralisation it had not been at a sufficient density to enable an upgrade to the 2013 Mineral Resources Statement to be undertaken.

Mr. Murray Hutton (GEOS Mining Pty Ltd) who is a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting Exploration Results, Minerals Resources and Ore reserves reviewed and compiled the June 2013 up-dated Mineral Resources for Glen Wills and Sunnyside and Mr. Peter de Vries, a Consultant Geologist with G.E.M.S. Pty Ltd, who is also a Competent Person, reviewed and compiled the Mineral resources for Glen Wills Tailings in accordance with JORC 2004. The Minerals Resources referred to for MIN 4921 have been obtained from the SML Corporation Limited's 2016 Annual Report. Consent to publish these figures in the 2016 Annual Report was provided by both Murray Hutton and Peter de Vries.

3.2 PROJECT VALUATION METHODS

3.2.1 SUMMARY

As is the case in all valuation exercises, there may be one or more valuation methods that might be applied to a particular asset. With MIN 4921 we determined that as there has been a JORC (2004) compliant resource estimated that the project could be defined as an advanced exploration or even an early stage development program. We reviewed the level of work that had been undertaken by SML on the mining lease and after reviewing the commonly used valuation methods for mineral assets defined as exploratory or early stage development in nature decided that the most appropriate method to be considered in attempting to value the mining lease was the Net Present Value of Future Cash Flows method. While normally the use of this method requires JORC compliant resources identified and a Pre-Feasibility Study to have been completed, GRI believed that sufficient data was available to consider this method to determine value.

While we considered that the DCF/NPV method would provide a reasonable valuation result we determined that we should also consider other exploration stage valuation methods to provide a cross-check on the values obtained. We reviewed three other valuation methods; the Comparable Transactions method, Joint Venture method, and Exploration Expenditure Multiples method.

3.2.2 NET PRESENT VALUE OF FUTURE CASH FLOWS METHOD - (DCF/NPV)

The Net Present Value method is based on the premise that the value of a business is the net present value of its future discounted cash flows. In the mining business, this method requires assessment of:

- mineral reserves and resources;
- the appropriate mining and processing methods to exploit and market those reserves; and
- analyses of future production, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves.

This technique is particularly appropriate for a minerals investment with defined reserves and resources and is the most common approach to valuation in the minerals industry. GRI determined that this method was appropriate for deriving a valuation for the Mining Lease (MIN4921) as it requires that as a minimum, inferred resources estimated in accordance with the JORC Code (2004) or (2012) must be identified for such a calculation to be made. MIN 4921 has been estimated to contain JORC (2004) compliant indicated and inferred resources and had some follow up drilling undertaken prior to the reassessment of contained resources in 2013. We are aware that a Scoping Study was completed in 2009 and that a significant amount of work has been undertaken recently and that a programmed budget for follow up work has been developed but we do not expect mine development and gold production will occur within the near future. We have used the old scoping study and up-graded the input costs to reflect our understanding of recent costs associated with the gold mining industry. We have used this method to estimate values for the tenement.

3.2.3 COMPARABLE TRANSACTIONS METHOD – (CT)

Comparable transactions relate to the values of reasonably recent transactions for other properties that are judged to be similar and/or in the same region as the property in question. As such transactions are often of a joint-venture nature, it is necessary to discount the apparent value for time and for the probability of the earning expenditure being completed or adjust them for other payments such as royalties to be triggered by successful exploration.

GRI evaluated several transactions for minerals properties in Australia that contained elements similar to MIN 4921, including those involving: similar minerals assemblages, property sizes, maturity of exploration activities, location with respect to infrastructure, etc., to determine whether they were comparable. Based on the information obtained from these transactions GRI determined that there was sufficient information available to value the Asset using this method.

3.2.4 JOINT VENTURE TERMS - (JVT)

The terms of a joint venture agreement or proposed agreement indicate the value placed on a permit by a (usually) knowledgeable incoming partner who is prepared to invest in the property to earn an interest. This method must take into consideration the full details of the agreement, particularly the terms under which the incoming partner can withdraw. GRI has not used this method to estimate a value for MIN 4921.

3.2.5 EXPLORATION EXPENDITURE MULTIPLES METHOD - (EEM)

GRI reviewed the available information with the view to use the "Exploration Expenditure Multiples" method to estimate the realisable (market) value of the project. This method is commonly used to assess value for "grass-roots" or immature exploration assets where no JORC classifiable resource has been identified. With this method, the total historical costs of acquiring and exploring the permit up to the present, plus committed and approved future exploration expenditure, is taken as the base. To this is applied an "Exploration Effectiveness Multiplier", a measure of the usefulness of the expenditure to the development of future exploration programmes and the effective equity interest.

The result is adjusted by applying a "Prospectivity Enhancement Multiplier" (PEM) representing the valuer's opinion of the company's potential success (or otherwise) in upgrading the prospectivity of the permit. This factor would normally lie in the range of 0 to 3, with zero representing a write-off, and a value greater than one applying where exploration had successfully upgraded the permit. The selection of the appropriate enhancement factor is subjective and dependent on the valuer's experience and judgement. Even though the area of the tenement has been worked over several decades we were unable to determine most past exploration expenditures with any expectation of accuracy. We determined that there was insufficient information on past exploration expenditures available for us to determine a realistic value using this method.

3.3 MATERIAL ISSUES

Unless otherwise noted, the units used in this report are contained in Table 2.

Table 2: Units used in this report

Area – Kms^2	Grams per metric tonne - g/t
Currency – Australian Dollars	Tons – metric tonnes
Dates – DD/MM/YYYY	Metric tonne – t
Distance – Meters	Percent - %

3.4 OTHER MATTERS

This report has been prepared in accordance with the requirements of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists' VALMIN Code, 2015.

3.5 COMPETENT PERSON

The exploration history and mineralogical information presented in this report has been extracted from reports prepared by various geologists who have undertaken assignments on MIN 4921. Mr Peter de Vries, a geologist and Competent Person, was responsible for preparing the 2013 JORC resource estimate for the Glen Wills Tailings and Mr Murray Hutton, also a Competent Person prepared the Mineral Resource estimate for Glen Wills and Sunnyside. These resource estimates were prepared in compliance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' 2004 Edition (JORC).

The valuations contained in this report have been prepared by Ian Buckingham, who is employed by GRI, is a qualified geologist and has sufficient experience, which is relevant to his ability to provide a value estimation for the assets being considered, to qualify as a Specialist as defined in the 2015 Edition of the 'Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code).

4 MINING LEASE (MIN 4921)

4.1 INTRODUCTION

SML holds mining lease MIN 4921, which is in East Gippsland, Victoria, Australia, covering a total of 246 hectares. MIN 4921 includes the historically significant gold mines and old workings at Glen Wills and Sunnyside, which produced more than 235,000 ounces of gold from 1888 through to the 1960s at grades greater than 15 g/t.

The region has historically hosted many minerals including gold, silver, tin, copper, zinc, lead, tungsten and molybdenum.

4.2 PROJECT DESCRIPTION, STATUS AND LOCATION

MIN 4921 is in north-eastern Victoria, approximately 250 km northeast of Melbourne in the East Gippsland District. Table 3 provides detailed information regarding MIN 4921.

Table 3: Mining Lease (MIN 4921)

Tenement	Project	Granted	Expiry	Area	Interest	Holder
MIN 4921	Glen Wills - Sunnyside	18/01/1990	13/05/2019	246 hectares	100%	Mt. Wills Gold Mines Pty Limited

MIN4921 was granted on 18 January 1990 to Mt. Wills Gold Mines NL with an expiry date of 13 May 2012. Mt. Wills Gold Mines NL converted to a proprietary company on 23 July 2009. A renewal application for the tenement was lodged on 12 May 2010 under the name Mt. Wills Gold Mines Pty Limited. An approval letter dated 19 July 2012 was received which, extended the lease for a further two years expiring on 13 May 2014. Another renewal was lodged on 26 March 2014 and an approval letter dated 29 April 2014 for a further five years expiring on 13 May 2019 was received. Further extensions may be granted dependent on work and expenditures completed.

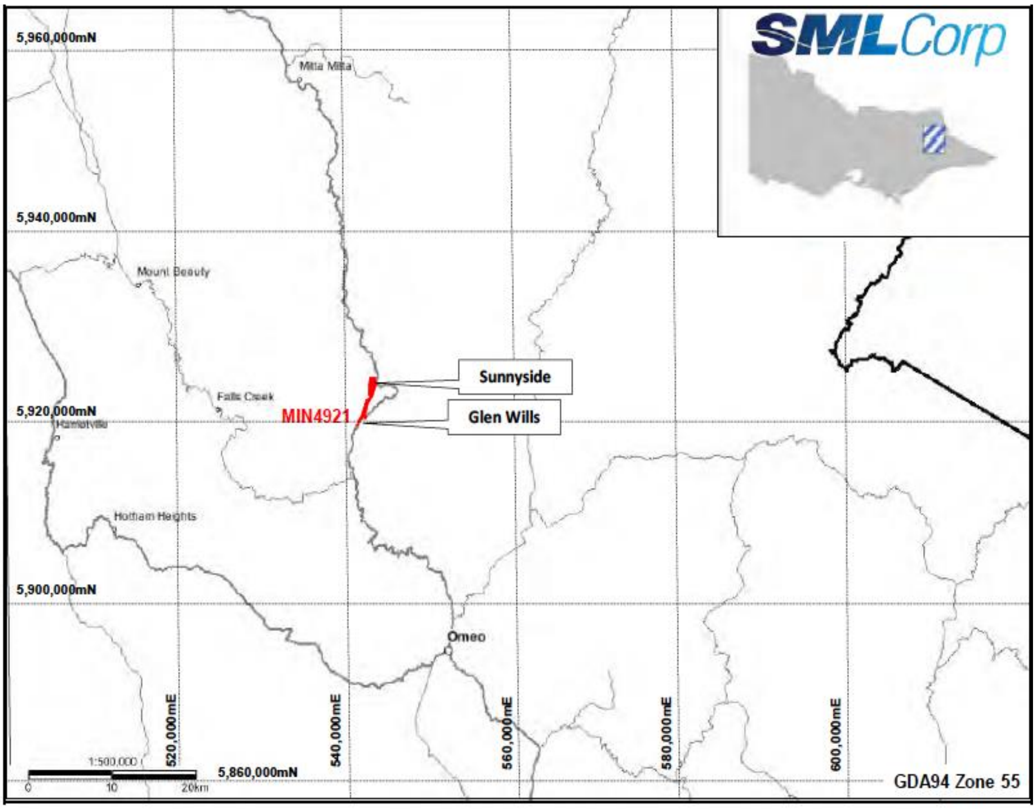


Figure 1: Tenement location map

4.3 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE

The area is characterised by very steep relief with heavily timbered mountain slopes and a thick understory of blackberry, bramble and bracken. Glen Wills Creek flows southwestwards into Big River, which in turn, is a tributary of the Mitta Mitta River. In the northern part of the tenement, drainage is to the north. Vehicle access is restricted to forestry tracks requiring 4WD. Fieldwork is confined to the summer months because of heavy snowfalls and bad weather.

The Alpine National Park is located on the western side of Big River and the southwestern corner of MIN4921 is approximately 300m from the park boundary.

4.4 EXPLORATION HISTORY

Glen Wills was one of the major early goldfields in north-eastern Victoria, which includes the Mt Elliot, Dart, Harrietville, Bright, Wandiligong, Freeburgh, Beechworth and Bethanga Goldfields. The Mt Wills Goldfield produced some 209,000 ounces of gold between 1891 and 1952 and about 158 tonnes of tin concentrates from the Sunnyside area between 1890 and 1914. Known deposits have been worked to relatively shallow levels via adits and numerous shafts.

The mineralisation consists of narrow, sulphide rich shears that are hosted within the Mt Wills Granite and the metasediments of the Omeo Metamorphic complex. Two dominant strike directions appear to be gold mineralised: a north trend and northeast trend. Late stage movement on east-west faults and some northeast faults cause up to a recorded 70m dextral offset. The dominant dextral offset gives rise to a stepwise zigzag morphology to the reef structure. Geological mapping and structural interpretation of historic mapping and reports has highlighted the importance of intersecting late stage faults in the localisation of dilation and hence economic mineralisation. The geological model appears to be predictive and has bolstered confidence in the persistence of the Maude and Yellow Girl structures both along strike and with depth (de Vries, 2004).

Modern exploration of the Glen Wills Goldfield commenced in 1974 with mine rehabilitation and underground bulk sampling at the Maude and Yellow Girl mines by Aurora Minerals NL. Aurora estimated total resources (non-JORC compliant) at 272,000 tonnes averaging 11.3 g/t Au.

4.5 REGIONAL GEOLOGY

Mining lease MIN4921 is in the Omeo structural zone of the Lachlan Fold Belt in eastern Victoria. The mining lease is underlain by metamorphosed Lower Ordovician Pinnak Sandstone and its higher grade metamorphic equivalents in the Omeo Metamorphic Complex. This sequence was deformed during the Benambran Orogeny and intruded by the Mt Wills Granite, an S-type pluton and then at a later stage by intrusives of I-type character.

The Merrimac Creek Project is in the extreme northern portion of the Glen Wills goldfield. The Omeo zone (containing the Omeo Metamorphic Complex) extends north from Cassilis into N.S.W. It is dominated by a basement of deformed Ordovician turbidites intruded by numerous granite plutons. Many of the sedimentary rocks have been metamorphosed to schist, gneiss and migmatite and were severely deformed and intruded by S-Type granites during the Benambran Orogeny in the Early Silurian Period. Further, though less intense, deformation took place in the Late Silurian (Bindian), Middle Devonian (Tabberabberan) and Early Carboniferous (Kanimblan). The Tabberabberan event is thought to have resulted in the development of cleavage, kink folds and brittle deformation in the rocks and probably caused reactivation of pre-existing faults.

The early Silurian aged Mt. Wills Granite Complex, which intrudes the phyllites, schists and hornfels of the Omeo Metamorphic Complex, has undergone pneumotolysis forming feldspar, tourmaline and sulphides. Intrusions commonly carry tourmaline and cassiterite and are abundant in the country rocks. Gold bearing quartz reefs associated with the intrusions represent the final phase of igneous activity.

The Glen Wills - Sunnyside lines of workings occur on the eastern margin of the Mt Wills Granite with a major northerly trending structural feature, the Dunstan Fault, cutting through the Granite.

4.6 PROJECT GEOLOGY

Most the exploration activities carried out to date have been targeted at the areas associated with the historic workings. The historic workings are located on a mineralised fault, which runs more than 5km through the Glen Wills and Sunnyside areas. Historically, access to the mineralised zone was through adits and recent visual inspections have confirmed the continuity of the mineralisation and the good ground conditions. The historic site also includes a stamp battery and a tailings facility. The mineralised fault dips at 60-80 degrees and historic stopes were generally 1m to 7m wide. Historic workings focused on high grade mineralisation with average recovered grades of 22.9g/t.

De Vries (2004) developed a pre-drill model from earlier data, which indicates that the most significant structures related to mineralisation distribution are: (i) N-S Lode Structures, (ii) NE Trending Faults, (iii) E–W Trending Faults and (iv) Verticals.

The main N-S Lode structures appear to be very strike and dip persistent and may occur as a sericite, chlorite and/or pyrite altered zone, sometimes as only a channel of less than 500mm with little or no defined sulphide "Lode". However, anomalous gold grades appear to be associated with the structure and associated elevated arsenic. As such the continuity of the N–S Lodes has been established both along strike and down dip from the mineralisation historically defined within the old workings. The intersection of the other fault sets acts to redistribute the N–S Lode structures and appears to influence the dilation experienced at the intersection points (hence the distribution of historic stopes).

The NE trending faults appear to be associated with low grade gold (<3.88 g/t Au to date), which may be accounted for by late stage fluids penetrating broad zones of sheared material with little dilation or the reactivation of portions of high grade "Lode Structures" along the major shears as fault bound inclusions.

The E–W trending faults are noted for their significant displacement and their lack of anomalous gold assay data may indicate a late structural history with no overlap of mineralising fluids. Therefore, these structures post-date mineralisation and only redistribute the already mineralised system.

The "Verticals" have been noted throughout the pre-drill geological model and appeared to correspond with bounding or controlling structures to economic mineralisation.

4.7 EXPLORATION TARGETS

Alluvial gravels along Lightning and Merrimac Creeks, located to the north of the Sunnyside gold field, have been mined historically for gold. Although numerous shallow prospecting pits and a few adits were driven into the ridges above Merrimac Creek, there is no recorded production and the bedrock source of alluvial gold in Merrimac and Lightning Creeks remains uncertain. The nine prospective areas identified by Mount Wills Gold Limited are worthy of follow up exploration, they include: Merrimac, Vienna, Wombat Creek, East Mt Wills, and Anaconda/Penders Flat.

MIN4921 covers the high-grade Maude and Yellow Girl group of mines in the south and the United Brothers and Gentle Annie groups at Sunnyside in the north, along with many peripheral mines adjacent to and along strike from these centres of production.

Historically, geographical isolation and treatment costs dictated only ore of very high grade was treated. Therefore, potential exists for significant remaining ore of similar grade below the limits of the old workings and extensions along strike. The need for very high grade ore is likely to have resulted in poor testing of the reef selvages within the altered sediments and the granite. Disseminated gold targets are therefore potential targets and with the degree of shearing and alteration noted in underground exposures, this appears a geologically sound concept.

SML has designed an exploration programme to initially test for the high-grade strike and depth extensions to known areas of mineralisation along the Maude and Yellow Girl line and north into the Sunnyside group of historic workings. The potential for large tonnage moderate grade mineralisation exists within the Mt Wills Granite and in the adjacent schistose sediments at its contact. The interplay between the dominant NNE fault sets and the brittle Granite host appears to have resulted in the development of large bodies of quartz stockwork within the granite. This target will require further investigation.

4.8 Resource Statement

In June 2013 SML announced an increase in the Glen Wills and Sunnyside resource. The new Indicated Mineral Resources was 20,500 ounces of gold with Inferred Mineral Resource for Glen Wills and Sunnyside increased to 147,500 ounces of contained gold for a total resource of 168,000 ounces of contained gold. An Inferred Mineral Resource of 115,000 ounces of contained silver was announced for Glen Wills. Modeling shows that the Glen Wills Line is still open at depth and to the north and that the Sunnyside Central Line is still open at depth and to the south.

Table 4: Resource Statement 2014- Glen Wills and Sunnyside Goldfields at June 2013.

Resource Category	Indicated	Inferred	Total
Tonnes	106,600	602,900	709,500
Grade	6.0	7.6	7.4
Oz Au	20,500	147,500	168,000
Oz Ag	0	115,000	115,000

The geological information contained within this report and relating to the Glen Wills and Sunnyside Mineral Resources has been extracted from the SML Corporation Limited 2016 Annual Report. The Information was compiled by Mr Murray Hutton, a consulting geologist with GEOS Mining Pty Ltd and for the Glen Wills Tailings the Mineral Resources were compiled by Mr. Peter de Vries, a consulting geologist, with G.E.M.S. Pty Ltd. Both geologists are members of the Australasian Institute of Mining and Metallurgy and are Competent Person's as defined by the 2012 JORC Code, having more than five years-experience which is relevant to the style of mineralisation and type of deposit described in this report, and to the activity for which they have accepted responsibility. Both Mr. Hutton and Mr. de Vries consented to the publishing of the information in the SML Corporation Limited 2016 Annual Report in the form and context in which it appears and SML Corporation Limited has provided this information to GRI for use in this report.

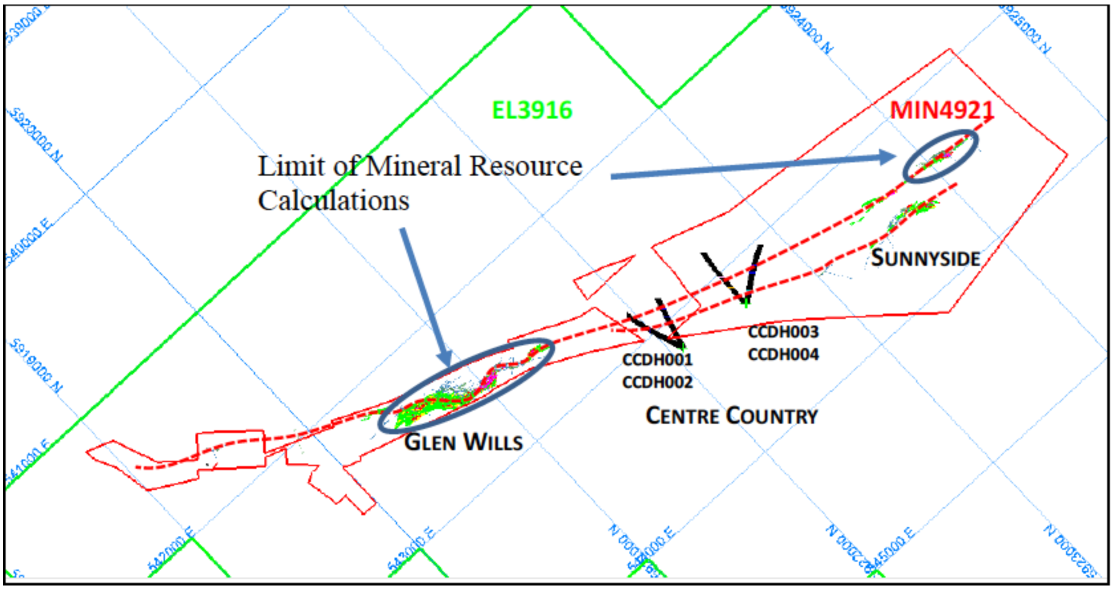


Figure 2: Resource Block Models (2012) showing defined mineralisation, previous drilling and projections of potential mineralised extensions.

In April 2007, Coffey Mining Pty Ltd established a gold exploration target of 78,000 ounces for the Glen Wills (Maude South) block. The drilling program completed in January 2009 identified an inferred mineral resource of 86,000 ounces which exceeded the target by 10%. The inclusion of the Glen Wills tailings (Maude Battery) as part of Synergy's Inferred Minerals Resource follows a quality assurance review of the extensive work undertaken in 1990 and the company's geological team being satisfied that the quality of that work and the controls in place at that time qualify under the 2004 version of the JORC Code. That previous work included the establishment of a grid at 20m x 10m intervals on the surface of the Maude Battery tailings area and the use of a manual augur to drill more than 120 holes. Samples taken and assayed at that time resulted in an Inferred Mineral Resource for the Maude Battery tailings area of 112,000 tonnes at a grade of 2.6 g/t for 9,350 ounces of contained gold.

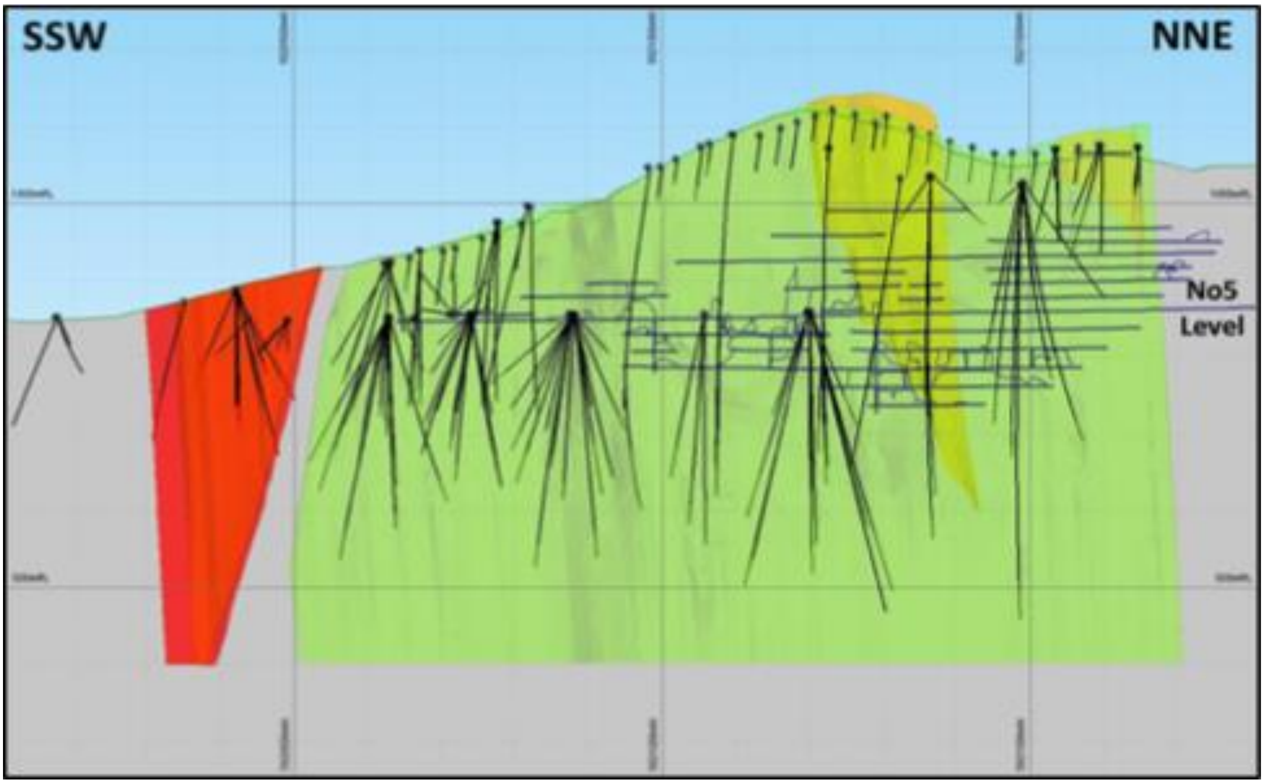


Figure 3: Longitudinal section of Glen Wills zone showing major lodes, underground drives and drillholes.
Lodes - Red = Homeward Bound; Green = Maude; Yellow = Four Brothers; Brown = Maude North

4.9 EXPLORATION POTENTIAL

On 2 June 2009, Synergy announced that the Glen Wills gold project could have a resource potential of 473,000 ounces of gold. The potential quantity and grade of the target was provided by Coffey Mining Pty Ltd and was calculated for the Maude South, Maude Central and Sunnyside mining areas.

Table 5: Gold exploration potential

Area	Resource Potential
Glen Wills (Maude South and Central)	330,000 – 452,000 ounces
Glen Wills (Sunnyside)	135,000 – 195,000 ounces
Total Gold	**465,000 – 647,000 ounces**

In complying with Clause 18 of the JORC Code the range of gold potential estimated by Coffey Mining Pty Ltd is based upon gold grades of 7.81g/t - 12g/t (Maude Mine – lower end of historical range), and 7.0g/t – 10g/t (Sunnyside).

Synergy advised that these estimates of potential grade and ounces should be considered conceptual in nature and do not imply any representation of a Mineral Resource as defined by the JORC code (2004), as there has been insufficient exploration to define a Mineral Resource and therefore it is uncertain if further exploration will result in determination of a Mineral Resource to what has already been estimated previously.

The gold exploration potential was determined because of the successful drill out of the Maude South and Maude Central block completed in January 2009, which has enabled the company to extrapolate the exploration potential of the south end of the Maude Mine, a further two hundred metres along strike and 100 metres down. The gold exploration potential of Sunnyside was determined by Coffey Mining Pty Ltd in February 2007. Because of the successful drill out of the Maude South block completed in January 2009, ongoing drilling both at surface and from underground is required to improve both the structural model of the deposit and to increase the amount and confidence of the inferred resource.

NOTE: GRI has not used these conceptual resources in its estimation of value for this tenement.

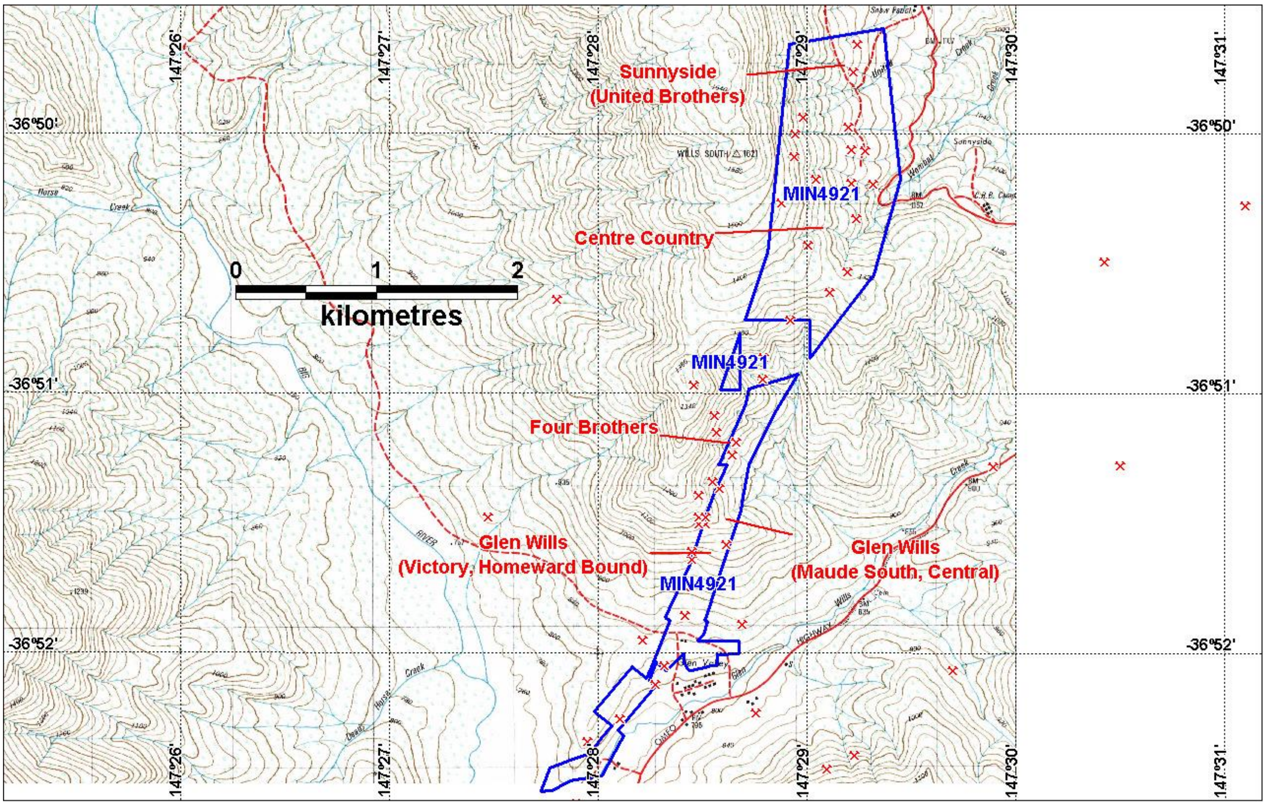


Figure 4: Location of Prospects within MIN4921

Previous explorers, including Mt Wills Gold Mines, have identified and explored to varying degrees several prospects in MIN 4921. Five high priority actions/programmes have been recommended with an additional seven lesser priority ones. Surface and underground drilling constitutes a large proportion of the financial resources required. The location of these prospects is graphically shown in Figure 3 and Table 6 illustrates the comments concerning each prospect.

Table 6: Characteristics of Prospects within MIN4921 and Recommendations

Prospect	Major Features	Recommendations	Reference
Centre Country	Geographical and possibly structural link between Glen Wills and Sunnyside	IP survey and soil sampling involving reestablishment of base line and cross lines	Arne, 2008
	Geological evidence of continuity between Glen Wills and Sunnyside	Surface drilling to test conceptual targets between Sunnyside and Four Brothers Gully: 5 holes (3000m)	de Vries, 2009c
Four Brothers Gully	To N of Inferred Resource and up plunge from old workings	Surface drilling to test up plunge from previous intersections: 4 holes (430m)	de Vries, 2009a
Maude South	Inferred Resource established	Additional UG drilling to infill resource: 7 holes (1450m)	de Vries, 2009a
	Resource estimate	Changes to future resource estimation parameters	de Vries, 2009b
Maude Central	Inferred Resource established	Additional UG drilling to test down dip and plunge: 14 holes (2700m) and 2 cuddies required	de Vries, 2009a
Mother Lode	Conceptual structural ideas	Ground check of favourable structural sites followed by drilling.	Potter, 2009
Sunnyside (United Brothers)	Down plunge continuation of old workings and previous drilling	Surface drilling to test down plunge from previous intersections: 5 holes (1220m)	de Vries, 2009a
Victory-Homeward Bound	Extensions of mineralisation expected S of Homeward Bound fault	Review of drill core and structural setting, Additional surface diamond drilling	de Vries, 2009
General	Data compilation	Down hole sampling for trace elements. Compilation of mapping, geochemistry between Glen Wills-Sunnyside	Dufresne, 2008
	Geochemical evaluation	Ag, As and Sb should be routinely assayed.	Arne, 2009
	Scoping Study	Project advancement with early commencement of studies	Malkin, 2009
	Scoping Study	Risk factors of possible concern requiring early attention	Hutton & Randell, 2009
	OH&S	Review and implementation of procedures	Randell, 2009
	Water Quality	Establish water quality baseline in consultation with EPA	Arne, 2010
	Heritage	Be aware of heritage sites and check aboriginal heritage	Randell, 2010

4.10 Scoping Study

In May 2009, a Scoping Study prepared by Nicholas Malkin and reviewed by Coffey Mining Pty Ltd, assessed the resource base, mining methods, metallurgy, the process flow sheet, and operating and capital cost estimates and was based on establishing a decline of approximately 530 metres in length to access the Maude South block; estimated at approximately 350 metres long and extending to a depth of 150 metres below the southern part of the historic Glen Wills workings, which have a total length of approximately 1.5 kms.

Petrological studies indicated that the style of mineralisation to be similar at both Glen Wills (Maude) and Sunnyside, inferring a possible strike length of 5km being the longitudinal distance between the two historic mining provinces.

An in-depth review of historical and recent reports and literature was completed in combination with an appraisal of potential resources at the Glen Wills gold field and to a lesser extent, the Sunnyside field. Historical production records, dating back to the 1890's revealed that at the Democrat Mine at Sunnyside and at the Yellow Girl Mine at Glen Wills gold production was approximately 217,000 ounces at an average grade of around 23 g/t.

The Scoping Study concluded that the Glen Wills Gold Project should be advanced to the pre-feasibility stage, with a view to refining the cost estimates and moving the resource status from a dominantly Inferred to Indicated status.

Geos Mining (Hutton & Randell, 2009) determined that there are several risks associated with implementation of the Scoping Study and addressed these as potential concerns and provided several recommendations to include:

- That further considerable infill drilling should be undertaken,
- That insufficient metallurgical sampling had been completed and further work was required,
- That acid mine drainage with arsenic contamination needs to be addressed,
- Consideration needs to be given for additional tailings storage options.

An internal memo by Randell (2010) notes that there are four heritage sites listed at Glen Wills and that the Aboriginal heritage has not been checked.

Geo Mining concluded that it was clear that surface and underground drilling would have to constitute the bulk of the exploration budget, but that it was also evident that detailed investigations would need to be completed prior to commencing any drilling programme to ensure that the complex structural history was sufficiently considered to maximise the success of any drilling carried out. Their recommendations were prioritised according to their perceived importance in advancing the Glen Wills project and as such they represented a starting point from which SML could access where their exploration dollars are being spent. The ranking of targets is summarised below in Table 7.

Table 7: Priority Targets for Exploration

Prospect	Recommendation	Priority
General	Down hole sampling for trace elements. Compilation of mapping and geochemistry between Glen Wills and Sunnyside	1
General	Establish water quality baseline in consultation with EPA	1
General	Be aware of heritage sites and check aboriginal heritage	1
Maude South	Additional UG drilling to infill resources	1
Maude Central	Additional UG drilling to test down dip and plunge of mineralisation	1
Centre Country	IP survey and soil sampling	2
Centre Country	Surface drilling to test conceptual targets between Sunnyside and Four Brothers Gully	2
Four Brothers Gully	Surface drilling to test up plunge from previous intersections	2
General	Project advancement with early commencement of pre-feasibility studies	2
Mother Lode	Ground check of favourable structural sites followed by drilling.	2
Sunnyside (United Brothers)	Surface drilling to test down plunge from previous intersections	2
Victory-Homeward Bound	Review of drill core and structural setting. Additional surface diamond drilling	2
General	Risk factors identified in Scoping Study requiring early attention	3
General	Review and implementation of OHS procedures	3

4.11 ENVIRONMENTAL CONSIDERATIONS - BIODIVERSITY

In Victoria, a permit is required to remove, destroy or lop native vegetation.

SML has previously undertaken exploration work on MIN 4921 and its surrounding EL 3916 to improve its understanding and possible geometries of the gold system. In undertaking this work, which included access track clearing and some minor drilling and sampling, some native vegetation was either removed, cut or trampled.

The *Permitted clearing of native vegetation – Biodiversity assessment guidelines* outline how the impacts on Victoria's biodiversity due to exploration, mining and other activities are assessed when an application to remove native vegetation is lodged. The Guidelines are an incorporated document in all Victorian planning schemes and unless an exemption applies, a permit to remove native vegetation will only be granted subject to an offset, which makes an equivalent contribution to Victoria's biodiversity.

Early in 2009 SML identified a potential controlling geological structure linking the Glen Wills and Sunnyside goldfields and considered that it could represent a significant exploration target. The Company recognised that for further exploration to be undertaken in the area that a vegetation offset would be required by the government.

The Company initially undertook preliminary reviews to determine what Bioregion and ECV classes would possibly be required and during 2009 to 2011 searched for suitable available private land that could be purchased to achieve the required offset. However, it became apparent that there was no land in the Victoria Alps Bioregion available that would meet the company's needs.

A series of discussions were initiated with various interested parties and in early 2011 ETHOS Natural Resource Management of Bairnsdale was engaged to undertake a Vegetation Offset report for the area of geological interest and the appropriate Habitat Hectare offset calculations were made. The issues of appropriate Bioregion areas (Victorian Alps – Northern Landfall) environmental significance and EVC were quantified. The final report was received by Mt Wills Gold Mines in May 2011.

SML continued to search for sufficient land to cover current and future disturbances. In August 2013, SML sought approval from the Government to search for appropriate "next best" land, a change in criteria from specific Bio-regions searches (Victorian Alps), to cover the North-East Catchment Management Area. SML advised that it had identified an area of 0.54 Habitat Hectares (HHa) located in the Highlands – Northern Falls bioregion and of **Very High** conservation significance. The Company requested that the Government allow this proposed native vegetation off-set to be approved and for it to be used to cover the Company's obligations with respect to the proposed disturbances and those that had already been incurred under the approved Work Plan.

On 8 July 2014, the Department of Environment and Primary Industries issued to Mt Wills Gold Mines Pty Ltd, a Native Vegetation Credit Register – Allocated credit extract. The credits allocated are for 0.54 HHa and the extract provides evidence of an allocation of credits to a planning document with a condition requiring an offset.

5 VALUATION

5.1 INTRODUCTION

Having reviewed the available valuation methodologies (Chapter 3), we determined that the DCF/NPV method was the most appropriate given the status of the project to determine the value of the tenement MIN 4921. This method requires that:

(i) JORC (2004/2012) compliant resources be identified,

(ii) The appropriate mining and processing methods to exploit and market those reserves has been assessed (see comments above regarding the Scoping Study); and

(iii) Analyses of future production levels, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves to be developed.

Additionally, we have identified a number of transactions involving trades in exploration tenements that could be considered to be comparable in many ways with the Asset. We determined that we should use these as potential crosschecks on the valuation calculations obtained using the DCF/NPV method.

We also recognised that the current low investor sentiment towards junior exploration companies continues. This global market trend of "marking down" junior explorers in favour of larger commodities producers or the mid-sized developer / producer has had a devastating impact on the junior exploration sector with many members of this sector struggling to raise funds and continue their exploration activities.

As a result, many Company Directors have focussed firmly on cash preservation, financing and evaluating good opportunities. Many junior explorers have assessed their tenements and expenditures many have rationalised their tenement portfolios to concentrate and retain only those projects that they consider have a strong chance of future success. While SML is no exception to this general trend, it needs to carefully consider whether the Market Value for MIN 4921 is reasonable under the current circumstances.

Finally, we found several recent transactions for gold properties that we regard as being similar to MIN 4921. We reviewed several transactions from the period 2014 to 2016, when the gold price was approximately similar to what it is now. This was also a period when companies were actively trying to trade projects but most often with little success as investors were not prepared to invest in junior explorers and wanted only to invest in current or in near term producers.

Table 8: Valuation of MIN 4921, at 4 March 2017

Item	Interest	Valuation Method	Value		
			Low	Preferred	High
Technical Value MIN 4921 Glen Wills - Sunnyside	100%	DCF/NPV	$2.50 million	$8.47 million	$13.86 million
Market Factor		(MF)	0.50	0.50	0.50
Market Value MIN 4921 Glen Wills - Sunnyside	**100%**	**(DCF/NPV) *(MF)**	**$1.25 million**	**$4.24 million**	**$6.93 million**
		CT	$2.26 million	$4.71 million	$7.71 million

During October 2016, GRI undertook a valuation of MIN 4921 at the request of SML's directors. The results of this valuation indicated a value range of $6.52 million to $10.69 million. This valuation was completed for different purposes to the current valuation, used variations to several input parameters used for this valuation report and was completed at a different valuation date.

The gold prices used in the 2016 valuation were significantly higher than those used in the current study and while both sets of gold prices used reflected the current and expected prices, as at the date of valuation, it should be realised that the price of gold during the intervening six months fluctuated significantly. Hence, when comparing valuations, it is important to consider the dates of those valuations.

Secondly, the 2016 valuation used declining production costs per oz. gold across the range whereas, this valuation report has maintained constant costs across the valuation range. GRI has reviewed the 2017 valuation production costs against production costs in other gold production regions and is satisfied that the constant cost applied in the 2017 valuation provide a more accurate representation of production costs within the industry.

Overheads in the 2016 valuation were also lower, as GRI assumed that SML would crush, grind and process the ore material on site. For the 2017 valuation, GRI assumed milling and processing would be undertaken off-site, thereby involving higher transport costs. For the 2017 valuation we assumed that given the environmental issues associated with exploration and mining activities in this region that development approvals were more likely to be approved if the Company could demonstrate its environmental credentials by moving these activities off-site. We therefore included extra costs for transport in our modelling.

Finally, when valuing Australian gold companies using the DCF/NPV method GRI would normally use a Discount Rate of approximately 10%, a figure empirically derived from evaluating gold companies in other regions of Australia hence, we used this value for the 2016 valuation report. By the time that we undertook the 2017 valuation report we noted that the Government's attitude towards the resources industry had altered and that sovereign and environmental risks associated with working a mine in the high (Sub-Alpine) country should be greater. We selected a 12% Discount Rate, which has further contributed to the lower values in the 2017 valuation report.

5.2 Valuation Using DCF/NPV Method

5.2.1 Assumptions

GRI developed a financial model of the Glen Wills-Sunnyside Project. The model was constructed in real (i.e., not inflation adjusted) terms.

The assumptions reviewed and adopted by GRI for input to the financial model included:

- timing assumptions;
- valuation scenarios;
- capital expenditure and working capital;
- revenue assumptions; and
- exchange rate assumptions
- modifying factors relating to the resources identified.

These assumptions were compiled by GRI after consideration of the type of mineralisation, volumes of production and understanding of operating costs associated with this industry.

To enable these calculations to be made we developed a production schedule based on our determination that there were sufficient resources for the Mine to operate for 7 years. For the valuation, financial projections for a period of 7 years from the year of mining commencement, year 2018 were prepared.

In providing our valuations of the Glen Wills-Sunnyside Project our basic assumption is that the project has the potential to be developed and that SML has the capital and capacity to enable this to occur. As noted previously, the prospective development of the project relates to the successful renewal of the mining lease - MIN4921, after 2019, we have therefore assumed in our valuation calculations that this renewal will be granted.

Production Schedule

The estimated production schedule was determined by GRI. It was estimated that a total of 10,000 ounces of gold will be mined during the first year of production, which was set to be 2018 and that in 2019 a total of 20,000 ounces would be produced and after that 30,000 ounces per year for the next three years then 25,000 ounces in Year 6 (2023) and then the remaining gold resources would be depleted in Year 7 (2025). The production schedule is shown in Table 9.

Table 9: Production Schedule (Ounces per Annum)

2018	2019	2020	2021	2022	2023	2024	Total
10,000	20,000	30,000	30,000	30,000	25,000	23,000	168,000

Revenue

GRI set three scenarios for the gold price. We set the low price at US$1150.00 and the high price of US$1300.00. Our preferred price was set at US$1228.75 the closing price of gold on 3 March 2017. For silver prices we used US$17.00, US$18.00 and the price in New York of US$17.84 closing 3 March 2017, based on Kitco.com prices, which for expediency were assumed to remain constant throughout the mine life for each scenario analysed. The projected revenue for each year was calculated by multiplying the adopted selling prices to the respective product amounts.

Production Costs

The cash operating production costs for the Project were estimated by GRI. These comprise mine site cash expenses such as mining, ore processing, refining charges, on-site general charges, and sales and marketing costs, general management expenses and transportation costs. We reviewed several gold projects in Australia and noted production costs associated with similar sized projects. We acknowledge that these prices vary considerably from mine to mine and settled on one price scenario in our calculations, namely $1050/ounce of gold recovered, which is our Preferred Value for this project.

Provision for Reclamation Costs

The provision for reclamation costs was estimated by GRI. It was assumed to be $15.00/ounce of gold produced.

Depreciation Expense

The depreciation expenses for the fixed assets and forecaste capital expenditure were estimated by straight-line depreciation method with a useful life of 10 years.

Income Tax Expense

Tax has been charged at a rate of 30% per annum thus, corporate tax rate was multiplied by the profit before tax to obtain the Income tax expense for each year.

Royalties

In Victoria, no Royalties on gold are charged. For silver, an ad valorem royalty of 2.75% of the value produced is charged.

Net Profit

Net profit was derived by subtracting production costs, other operating costs, depreciation expense, and income tax expense from the revenue.

Working Capital

The change in working capital was estimated by GRI.

Capital Expenditure

GRI estimated the total capital expenditure of approximately $8.0 million would be spent for the mine development, construction, buildings, equipment, primary crushing equipment and sorting equipment, diesel generators, tool purchases and installation from 2018 to 2019. We have assumed that most gold and silver processing will be undertaken offsite with only primary crushing and sorting occurring at the mine.

Discount Rate

The *discount rate* refers to the interest *rate* used in *discounted* cash flow (DCF) analysis to determine the present value of future cash flows. When valuing Australian gold companies using the DCF/NPV method GRI would normally use a Discount Rate of approximately 10%. The Discount Rate that GRI has used in this valuation is 12%. We have used this higher discount rate as we note that the sovereign and environmental risks associated with working a mine in the high (Sub-Alpine) country of Victoria would be greater than those encountered working a similar project in other regions of Australia.

The principal assumptions adopted in our valuation of the Glen Wills-Sunnyside project are set out in Table 10.

Table 10: Principal valuation assumptions of Glen Wills – Sunnyside Project

Factor	Assumption		
	Low	Preferred	High
Operations:			
Production:			
Life of Mine	7 years	7 years	7 years
Total recovered production (ounces Au)	143,640	143,640	143,640
Total recovered production (ounces Ag)	93,150	93,150	93,150
Production commences	2018	2018	2018
Total Production costs per ounce Au	$1050.00	$1050.00	$1050.00
Overheads @ 10% of Au price include: admin.	$153.33	$163.83	$173.33
Maintenance ($/oz Au)	$15.00	$15.00	$15.00
Costs:			
Capital expenditure	$8.0 m	$8.0 m	$8.0 m
Rehabilitation ($/oz Au)	$15.00	$15.00	$15.00
Financial:			
Long-term gold price (US$/oz)	1150.00	1228.75	1300.00
Long Term silver price (US$/oz)	17.00	17.84	18.00
Long-term exchange rate	0.75	0.75	0.75
Long-term tax rate	30%	30%	30%
Real discount rate	12.0%	12.0%	12.0%

5.2.2 VALUATION

As previously stated, we have assumed that SML is successful in renewing the rights to develop the Glen Wills-Sunnyside Project area after 2019. We have used three pricing scenarios, based on gold price assumptions to produce a value range. These values are US$1,150.00 per ounce, US$1228.75 per ounce (closing price of gold on 3 March 2017) and US$1,300.00 per ounce.

The results obtained represent technical values, which may or may not represent the Fair Market Value of the asset. To determine the Fair Market Value the valuer is required to evaluate the current market conditions at the date of valuation and then apply a Market Factor to the Technical Value that has been obtained. This market Factor may be a positive or a negative multiplier depending on his perception of where the market is at that time. GRI's evaluation and determination of the Market Factor is found in Section 5.2.3 below.

We also undertook several sensitivity analyses based on various inputs. The sensitivity analyses are to be found in Section 5.2.4 below.

Based on our review of the assumptions input to the financial model we have determined that the **technical value range** of the Glen Wills-Sunnyside Project (MIN 4921) using the DCF/NPV method to be between $2.50 million and $13.86 million. The Preferred value is $8.47 million.

Applying the Market Factor of 0.5 GRI determined that the **Market Value** of the Glen Wills – Sunnyside Project was between $1.25 million and $6.93 million. The Preferred value is $4.24 million.

Table 11: Valuation of Glen Wills-Sunnyside Project, MIN4921

Valuation	Low	Preferred	High
Technical Valuation Glen Wills-Sunnyside Project	$2.50 million	$8.47 million	$13.86 million
Market Factor	0.50	0.50	0.50
Market Valuation Glen Wills – Sunnyside Project	**$1.25 million**	**$4.24 million**	**$6.93 million**

5.2.3 MARKET FACTOR

The use of the DCF / NPV method results in the estimation of a "Technical Value", which Valmin (2015) states *"is an assessment of a Mineral Asset's future economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations."* (p28, Valmin (2015 edn.).

As GRI is required to determine a "Fair Market Value" for the Glen Wills Gold Project, which is defined as *"the estimated amount for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion."* (p28, Valmin (2015 edn.); we are required to determine the level of any premium or discount, known as the Market Factor, that should be applied to the Technical Value that has been determined.

In determining the most appropriate Market Factor to apply to the technical value determined, GRI looked initially at the current and future market sentiment for gold. Based on our observations we determined that the price of gold should continue to rise at a moderate rate as a result of potentially destructive effects in global economies, which to some degree are reflected in the prices of "gold futures prices" trading in current markets. Accordingly, we determined that the price of gold should result in a positive maket premium.

We also looked at the risks associated with the project and believe that a discount should be applied when considering the nature of the risks and in particular the impact that these risks could have on the project. These risks included the following:

- Not being able to fully develop the identified resources;
- Recovery factors less than optimum;
- Environmental issues that delay or impact severely on granting of development licences;
- Sovereign risk issues as the environmental movements brings greater pressure on Governments to implement policies negative to the mining industry.

We also recognised that the current low investor sentiment towards junior exploration companies continues not only in the domestic market but also internationally. This market trend to "mark down" junior explorers in favour of larger commodities producers or the mid-sized developer / producer has had a devastating impact on the junior exploration sector with the vast members of this sector struggling to raise funds and continue their exploration activities or in many cases are disposing of assets at firesale prices. Certainly, many projects that do not have JORC compliant resources defined are selling at prices below that should be expected in a healthy market.

The effects of these circumstances are that Company Directors' focus is firmly on cash preservation, financing and evaluating good opportunities. Many junior explorers have actively assessed their tenements and expenditures and mostly rationalised their tenement portfolios to concentrate and retain only those projects that they consider have a strong chance of future success. SML is no exception and in considering the Fair Market Value for MIN 4921 – Glen Wills – Sunnyside project we will need to be mindful of this situation.

The Market Factor is subjective and after considering the risks associated with this project in the current economic and political climate we applied a discount factor of 50% to the Technical Value determined.

5.2.4 Sensitivity Analysis

As mentioned above we also undertook several sensitivity analyses based on our assessed value of MIN 4921. These analyses were based on a range of gold and silver prices, discount rates and exchange rate assumptions, the results of which are summarised below in Table 12 and Table 13.

Table 12: Gold price sensitivity (US$) based on Market Value

Discount Rate	Gold Price (real)		
	US$1150.00	US$1228.75	US$1300.00
8%	$1.77 million	$5.21 milion	$8.34 million
10%	$1.50 million	$4.70 million	$7.58 million
12%	$1.25 million	$4.24 million	$6.93 million

Table 13: Exchange rate sensitivity at 12% Discount Rate based on Market Value

Exchange Rate US$: AU$	Gold Price (real)		
	US$1150.00	US$1228.75	US$1300.00
0.65	$7.98 million	$11.43 million	$14.53 million
0.70	$4.38 million	$7.58 milion	$10.46 million
0.75	$1.25 million	$4.24 million	$6.93 million
0.80	($1.49 million)	$1.31 million	$3.83 million
0.85	($3.90 million)	($1.27 million)	$1.11 million

The data above indicates that the value of the Glen Wills - Sunnyside project is highly sensitive to gold price and exchange rate movements. From Table 11 we note that a 2.00% change in the discount rate at a fixed gold price has a small impact, i.e. approximately 10% to 20% on the value of the mineral asset whereas, a US$25.00 fluctuation in the gold price has the capacity to move the value of the mineral asset between 25% - 60%.

Similarly, in Table 13 we note that a 50-basis points movement in the exchange rate at a constant gold price has the capacity to change the value of the project by approximately 100%.

5.3 Valuation using Comparable Transactions Method

5.3.1 Introduction

We identified five transactions involving trades in mature exploration or development tenements that we considered to be somewhat comparable with MIN 4921, the Glen Wills - Sunnyside project. We determined that we could derive some values from these transactions which should provide a crosscheck against the valuation calculations determined using the DCF/NPV method. We did not use any other valuation methods, as we consider the values indicated by the DCF/NPV method and crosschecked using the Comparable Transactions to be reasonable indicators of value in the current circumstances.

Furthermore, since most of the Comparative Transactions that we have been able to identify occurred during the years 2014 to 2016, when the gold price was approximately the same as it is now, any flucctuations in the $ Value / resource ounce calculated will be due to factors such as available infrastructure, the grades of the gold resources being sold, the mining methods needed to extract the gold. Figure 5 is a chart of the price of gold since the year 2000 to January 2017, a seventeen-year period.

What is obvious is that the price of gold rose significantly during the period late 2010 to a peak of US$1889.70 in late 2011 before commencing its dramatic reduction in late 2012. The current price of US$1,228.75 (Kitco, market close 3 March 2017) represents a reduction of approximately 35% on the highest price achieved and accordingly any gold project valuations must take into account the ramifications of this significantly lower price. Of course, the reduction in the value of the Australian Dollar against the US Dollar in the last two years has allayed some of the gold price concerns but this does not appear to have resulted in a return by investors to the junior gold sector.

Table 14: Value/Resource Ounce as determined using Comparable Transactions, at 6 March 2017.

Tenement	Valuation Method	Value		
		Low	Preferred	High
MIN 4921	Comparable Transactions	$13.33	$27.76	$45.45

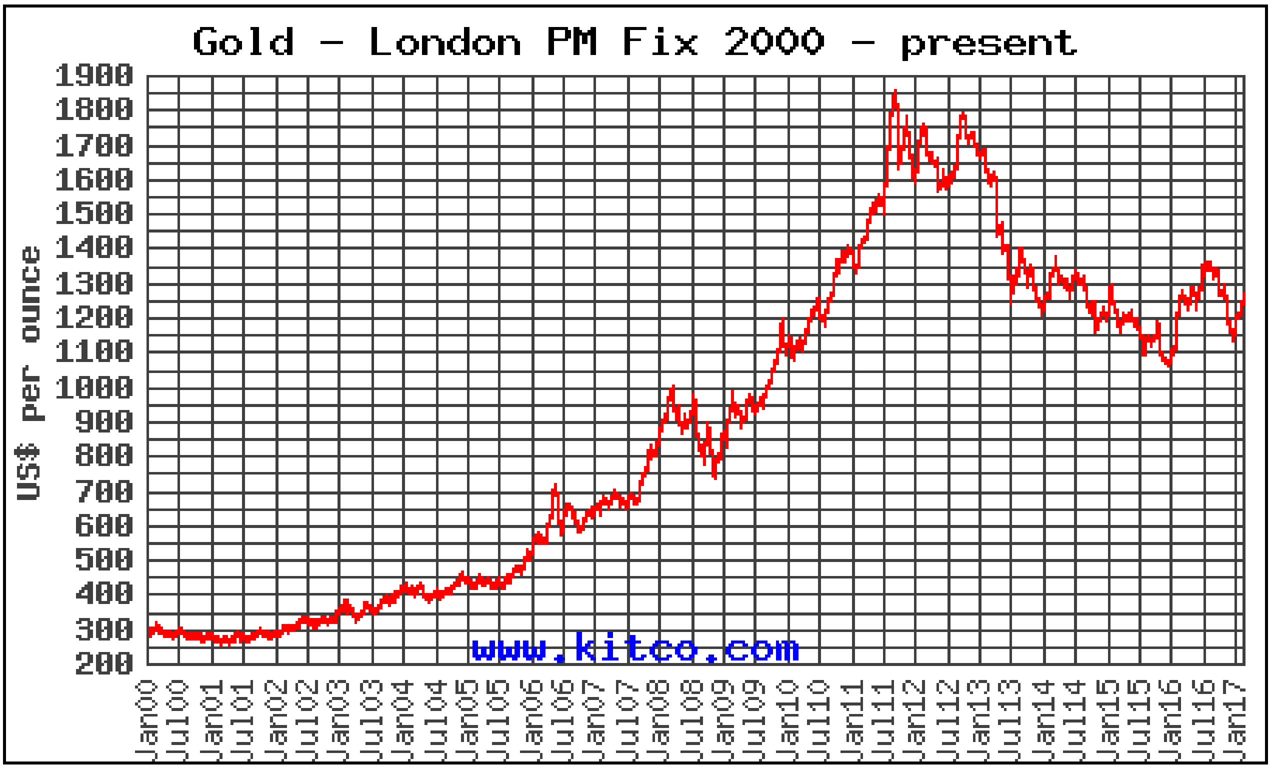


Figure 5: Historic gold prices 2000 to January 2017. *(Source: Kitco, 2017)*

The values of the Comparable Transactions evaluated by GRI range from $3.0 million to $11.9 million. As we have identified, the values of transactions vary significantly depending on the stage of exploration and development, the presence of known mineralisation or the identification of JORC (2012) compliant resources and reserves and the strategic importance of the tenements to a purchaser, including their proximity to milling facilities and road networks.

The Metaliko transaction of the Bronzewing project is an example of an action by Administrators where the prime motive was to gain the best price possible for the assets. Potential purchasers knowing that this is the case will look for the best deal possible and may obtain a quality asset at a low price. It's important to also realise that this transaction was agreed in an environment of rapidly falling gold prices coming off an all-time high. The project is in the South Yandal gold belt of WA and included a 2 MTPA milling facility and associated infrastructure, project tenements and contained gold resources. The project operated up until April 2013 when it was placed in administration. The gold resource was 17.5 Mt @ 1.8 g/t Au for 980,000 ozs. While this project is significantly larger than MIN 4921 it is our opinion that the timing and nature of the transaction places its $ value / resource ounce of $12.15 at considerably less than the corresponding value for MIN 4921.

Metals X's Meekatharra Gold Project represents the low end of the $ value / resources ounce range. The project has a better infrastructure development than MIN 4921 and its strategic value lies in its ability to combine this project with its existing Central Murchison gold project, thereby utilising Meekatharra's existing plant, camp and associated infrastructure however, the low $ value / resource ounce number is reflected in the very high, 3.55Moz, resource inventory as there are no identified JORC compliant resources for the project. GRI regards the $2.14 / resource ounce to accurately represent the in-ground value for gold resources that are targets but not for JORC (2012) compliant resources as they are defined at MIN 4921.

We determined that the Comet Gold project has a calculated value of $13.33/resource ounce based on a total resource estimate of 1.46 Mt @ 4.8 g/t Au containing over 225,000 ozs. Metals X, the project's developer planned to operate the mine as an underground project and in terms of resource size is currently slightly larger than MIN 4921. Of significance, though is that the grade at Comet is almost one half that of MIN 4921 and at 4.8g/t Au will require extremely good grade control during mining and little margin for error. On this basis, we believe that the value for MIN 4921 should be higher than the Comet value.

The two remaining transactions relate to the same gold project –Burbanks – in WA, which occurred about eighteen months apart. The first time that this mine was sold, the buyer Kidman Resources purchased an 80% interest in the project, which valued the entire project at $5.40 million. Kidman then acquired the remaining 20% for a further $1.50 million valuing 100% of the project at $6.90 million. Kidman did a significant amount of drilling and development and extracted about 5,740 ozs of Au during 2016 but operations were suspended in Q1/2016 on the basis that near term working capital requirements at the mine were not justified given that Kidman had decided to sell the mine. Prior to this time, the Burbanks' mines had historical production of 366,340 ounces at an average grade of 13.9gpt from both open pit and underground sources and like MIN 4921, drilling has defined several gold lodes, which are open in multiple directions. The only information that GRI could find regarding resources was that on the sale of the Burbanks project, this time to Resources and Energy Group in November 2016, the JORC indicated and inferred resources totalled 99,000 ounces. Adding the produced gold during 2016 we have assumed that the Kidman purchased approximately 105,000 ounces of indicated and inferred resources at a total price of $6.90 million, which equates to $65.71/resource ounce.

The mine is like MIN 4921 in many ways but infrastructure, processing facilities and workforce accommodation are far better than anything at MIN 4921 could be hoped for although the JORC resources are smaller. We also reviewed the second transaction for Burbanks when Resources and Energy Group, in November 2016 paid $45.45/resource ounce. We regard this value as representing the high-end value for MIN 4921 resources.

Based on what we have been able to identify with each of these transactions and compared them with MIN 4921, we have selected the low end of the value range as being represented by the Comet Mine transaction at $13.33/resource ounce. Furthermore, in our opinion, the second transaction for the Burbanks project, although containing fewer resources than MIN 4921, is more fully developed and has better infrastructure and at $45.45/resource ounce represents the high end value. We have also considered each of these projects in light of the reduced gold price to gain an understanding of the potential prices that might be paid as at the date of this valuation and reduced their values accordingly. Given the large gap between the three low value projects and the two highest projects, accepting that the highest two represent the same project but at different transactions and changed conditions, we averaged the values of the five projects to produce a preferred value for MIN 4921 of $27.76/resource ounce. Table 15, sets out the value range of the MIN 4921 based on the Comparable Transactions method. GRI converted the silver resources to equivalent gold resources at a ratio of 1 Au:70 Ag.

Table 15: Valuation of MIN 4921 by Comparable Transactions, at 6 March 2017

Tenement	Valuation Method	Value		
		Low	Preferred	High
MIN 4921	Comparable Transactions	\$2.26m	\$4.71m	\$7.71m

NOTE: 115,000 ounces Ag is equivalent to 1,643 ounces Au at 3 March 2017 gold price.

Table 16: Comparative Analysis of MIN 4921 with selected transactions of gold deposits

Name	MIN 4921	Burbanks	Meekatharra	Bronzewing	Comet
Historic Production	235koz @>15g/t	366koz @ 13.9g/t	Commenced production in Oct 2012 and produced 20.5koz to May 2013	Mine worked until April 2013 when put into Administration	Approx. 710koz @ 2.9g/t Au
Access to Infrastructure	MIN 4921 is in Sub-Alpine country with poor roads, dense forest, difficult access in winter and all energy requirements will be diesel generated. GRI has awarded it a **3** in relative infrastructure terms.	Burbanks is 7km S of Coolgardie, a major gold mining centre. Electricity is available and the terrain is flat and sparsely vegetated. GRI has awarded it an **8** in relative infrastructure terms.	Mine is 15 km SSW Meekatharra, WA. Well-known gold area with many processing facilities. The Northern Hwy runs adjacent to the mine. GRI has given infrastructure value of **7**.	Mine is 83 km NE of Leinster, WA. Part of Yandal Gold Project incl. 2MTPA milling / CIP facility, 280-room village and associated prod. infrastructure. GRI has given it a **7** for infrastructure.	7.5 km from Marble Bar via the Hillside-Marble Bar Road. And 1480km north of Perth on the Great Northern Hwy, 190km SE of Port Hedland. GRI has given it a **3** for infrastructure.
Development Stage	Early U/G mine development	Re-established U/G and O/C mine	O/C mine in operation	Mine operated for 20+ years until placed on Care & Main.	Potential for U/G mine, now on Care & Maintenance
Resources	JORC Indicated: 20.5koz @ 6 g/t Plus Inferred: 147.5koz Au @ 7.6 g/t	JORC: Indicated plus Inferred: 99.0koz @ 5.7g/t.	Measured + Indicated est. @ 3.6moz	JORC:Measured: 234koz @ 1.8g/t Au plus 80koz @ 1.4g/t Au from 1M m3 cut back on the pit. Other resources need drilling to up-grade to Measured.	JORC Measured: 60kt @ 1.5 g/t for 3.0koz; Indicated: 2.34Mt @ 3.4g/t Au for 254koz; Inferred: 1.4Mt @ 2.1g/t for 96koz Au
Credits	115koz Ag	None	None	None	None
Comments	5km mineralised shears, several prospects along shear zone may contain further resources	Drilling shows 6km of gold mineralisation along shear zone providing upside	3-stage strategy to develop the region.	There are several partially explored known satellite gold resources containing 100koz	Previously operated as an O/C mine, several small mines in vicinity.

Table 17: Description of Comparable Transactions.

Transaction	Exploration Information	Value
In April 2015 Kidman Resources (ASX: KDR), purchased an 80% interest in the Burbanks Gold Mine in WA from private company Blue Tiger Mines. to Resources & Energy Group.	On acquisition KDR moved rapidly to drilling and outlined further extensive gold mineralisation at both Burbanks and Coolgardie North and identified that there is outstanding exploration potential at both projects.	Kidman acquired an 80% interest in the Burbanks mine in April 2015 for $3m cash plus a $2.4m working capital commitment. It held an option to increase ownership to 100%, which it did for a further $1.5m **Total 100% = A$6.90 million**
Kidman Resources (ASX: KDR), announced on 22 Nov 2016 that it had signed a binding head of agreement to sell its Burbanks Gold Mine in WA to Resources & Energy Group.	KDR commenced ops in 2015/ Announced maiden JORC I+I resource of 99,000 ounces at 5.7gpt. About 5,740 ozs Au produced during 2016 but ops were suspended in Q1 2016 as near term working capital requirements at the mine were not justified given it was for sale. Burbanks' mines have historical prod. of 366,340 ozs @ 13.9gpt Au from O/C and U/G. Drilling has defined several gold lodes which are open in multiple directions.	The deal will be structured with $2m cash to be paid in a series of instalments across two years and $2.5m in the form of a three-year convertible note. The total deal is worth $4.5m. **Total 100% = $4.500 million**
Metals X announced in May 2014 that it had acquired Reed Resources Meekatharra gold project in a cash and scrip deal.	The Meekatharra Gold Project contains Metals X planned to combine the project with its existing Central Murchison gold project, utilising Meekatharra's existing plant, camp and associated infrastructure plus a 3.55Moz mineral resource inventory.	Under the terms of the agreement, Metals X paid $7.1m in cash and receive $600,000 worth of Reed shares. The deal is worth $7.6 m. **Total = $7.6 million**
In January 2014, Metaliko Resources (ASX: MKO) reached agreement with the administrator of Navigator Resources (ASX: NAV) to acquire the Bronzewing Gold Project in Western Australia.	The project is in the South Yandal gold belt of WA. The acquisition included a 2 MTPA milling facility and associated infrastructure, project tenements and contained gold resources. The project operated up until April 2013 when it was placed in administration. The gold resource was 17.5 Mt @ 1.8 g/t Au for 980,000 ozs.	Under the Share Sale Agreement, Metaliko effectively acquired 100% interest in Bronzewing via a payment of $4.82 million in cash. Metaliko was also required to arrange the release to the administrator of $7.08 million of bank deposits previously lodged by the parent company to cover DMP environmental bonds. Metaliko proposed to cover future environmental obligations by payment of the annual rehabilitation levy as required under the Mining Rehabilitation Fund in WA. **Total 100% = $11.90 million**
Metals X announced in November 2015 that it had reached a binding agreement with Silver Lake Resources to acquire the Comet Gold Project near Cue, WA. in a cash deal.	The Comet Gold project covers an area of 50km2. Silver Lake had previously reported a total mineral resource estimate of 3.8 Mt @ 2.9 g/t containing 353,000 ozs of gold from three mines. Metals X planned to concentrate on the Comet mines which it planned to develop as an U/G operation consisting of a total resource estimate of 1.46 Mt @ 4.8 g/t Au containing over 225,000 ozs.	Under the terms of the agreement, Metals X paid $3.0m in cash. The deal is worth $3.0 m. **Total 100% = $3.0 million**

Table 18: Comparable Transactions on a $ per resource ounce basis.

Project	Resource	Consideration	$/oz
Blue Tiger- Burbanks	105,000	6,900,000	65.71
Kidman - Burbanks	99,000	4,500,000	45.45
Metals X – Comet Gold	225,000	3,000,000	13.33
Metaliko - Bronzewing	980,000	11,900,000	12.15
Metals X - Meekatharra	3,550,000	7,600,000	2.14
		Average	**27.76**

6 RISK FACTORS

GRI has identified several risks facing the development of MIN 4921, which we regard as a Brownfield operation. The following are the risk factors for the Project, which have been considered in the valuation:

Resources

There is a possibility that further drilling fails to identify further resources or that nuggety effects associated with the orebody may impact on the ability to further accurately define further resources and that projected grades and tonnages cannot be estimated with any degree of accuracy. Estimates of resources may also change when new information becomes available or new factors arise. There may be variability in the quality of the deposits which may impact the total tonnages produced. Interpretations and deductions of the geology and controls on the mineralisation on which the resource estimates are based (i.e. past drilling, sampling and similar examination) may potentially be found to be inaccurate when further drilling or with the commencement of actual production. Any adjustment could affect the development and mining plans, which could materially and adversely affect the revenues and the valuation of the Mineral Assets. There can be no assurance the recovery from exploration assay tests will be the same under on-site conditionsor in production-scale operations. ***Medium risk / high impact.***

Future Gold Prices and Global Economy

Revenues from the Mine depends on future gold prices and they are highly sensitive to gold price fluctuations, both positively and negatively. Large relative changes in the price of gold would substantially result in a significant change in the values of the Mineral Assets. The worst case is that the Mineral Assets would become uneconomical. ***Medium risk / High impact.***

Processing

The operating cost estimates are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of reserves and resources, the depreciation and lack of availability of machinery and equipment and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs, which arise from unforeseen operating complexities due to increases in fuel prices or inflation. Operations may not be completed within the scope of the time planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability, all of which could have a material adverse effect on the results of operations and the business. ***High risk / high impact.***

Tenements and License Extension

The mining licence has less than three years to its expiry and forms the basis of the value of the Glen Wills Gold Project. There is a risk that an application to extend the term of the mining licence might not occur unless the company can show the Government that it has, within the timeframe remaining, sought to develop the mine and orebody and has shown that it is a good corporate citizen. ***High risk / high impact***

Capital Requirements

The financial model forecasts developed by GRI assume that the capital requirements of the development of the Glen Wills Gold Project will be initially debt funded. GRI's production build-up assumptions have been developed through our knowledge of similar Victorian gold projects but if for some reason beyond the Operator's control higher levels of funding are required to complete the development of the project then it is uncertain whether this funding will be available and at the cost that was provided in the model. Accordingly, there is an increased funding risk given GRI's input assumptions. ***Medium risk / high impact.***

Future Plans

Any changes to the production plans or the differences between the future and the actual productions may happen. Those variances may or may not be material.

The universal problem associated with narrow gold vein projects is that it is difficult to define the resources and reserves with a degree of confidence that other mineralising systems may provide. However, what GRI understands is that a greater geologic understanding of the presence, sheet geometry and grade of the gold bearing lodes has been gained because of recent exploration activities that include the recent campaign of drilling undertaken by SML.

It is GRI's opinion that there will be a constant need for rigorous on-going exploration to up-grade resources and better define reserves. It is our experience with similar orebodies/projects that reserves rarely exceed about three years production scheduling. SML will always need to be at the forefront of the development effort and the boundaries and internal grade distribution of the extracted bodies are unlikely to ever be correctly assigned ahead of mining. The evaluation work that they are considering should, in conjunction with the mining methods they are considering result in a reduction in grade dilution.

Finally, while orogenic or mesothermal projects such as Glen Wills Gold Project have previously been shown to be higher risk, the knowledge gained through its production history, new exploration technologies and more efficient production techniques should substantially lower this risk. ***Medium risk / low impact.***

Environmental

Geos Mining noted that there has been insufficient metallurgical sampling completed which requires further work to be done. As there are sulphides associated with the gold the risk of acid mine drainage needs to be considered as arsenic contamination represents a significant issue for concern. Additionally, consideration needs to be given for additional tailings storage options. ***Medium risk / major impact.***

Additionally, the Government of Victoria is particularly mindful of the impacts that gold mining commencing in the mid-1850's through to recent times has had on the environment and is determined not to allow further damage due to activities associated with the exploration for, or the mining of, minerals commodities. The destruction of, or damage to, Native Vegetation is of concern and guidelines relating to their protection are being aggressively enforced. Further strengthening of the "conservation" movement's anti-mining stance could see further restrictions placed on mining activities in the State. ***Medium risk/major impact.***

7. GENERAL

7.1 QUALIFICATIONS

GRI is a management consulting company that specialises in providing its services to the resources and infrastructure industries.

Ian Buckingham, Managing Director of GRI is GRI's lead consultant in preparation of this opinion for BDO Corporate Finance (QLD) Ltd. Mr. Buckingham has worked on over two hundred valuation assignments.

Specific valuation assignments undertaken by Mr. Buckingham include: providing Specialist's advice to Grant Samuel when that company provided an Independent Expert's Report to Aberfoyle Limited in relation to the takeover offer by Western Metals NL; providing Specialist's advice to Grant Samuel and to KPMG Corporate Finance when both of those organisations provided the Independent Expert's Reports on the takeover offer by Rio Tinto for North Limited and Ashton Mining Limited respectively. As Project Director he managed the team that undertook a review of the mining, environmental, legal and economic issues associated with the Ok Tedi Mine, PNG; he reviewed and valued the coal assets of PT Kideco, a 12 million tonne per annum Indonesian based coal mining and exporting company, reviewed and valued the assets of both AuIron Energy Limited and Yarrabee Coal Company Pty Ltd as part of the purchase by AuIron Energy Limited of all of the shares in Yarrabee Coal Company through the issue of shares in AuIron Energy Limited; managed the evaluation of the mining, processing and commodity marketing components for the strategic review team that evaluated and valued the WMC Corridor Sands Project, Mozambique; reviewed and valued the Stuart Oil Shale Project and other minerals assets of Southern Pacific Petroleum; valued the Australian coal assets of Kumagai Australia; prepared and completed the "Competent Person's" Report for the listing of Zeehan Zinc Limited, an Australian base metals company on the Alternative Investment Market (AIM) of the London Stock Exchange. He valued the Cairn Hill Iron Ore project for IMX Resources; provided the Specialist's report on the value of the assets of Enterprise Energy and Bandanna Coal Company, evaluated lithium brine salars in Argentina and revied and valued several precious metals projects in Mexico and base metals projects in South America. Most recently he has reviewed and valued several Australian iron ore and gold projects. He has also undertaken several strategic development assignments evaluating a variety of minerals commodities on behalf of global mining groups.

Ian Buckingham holds Associateship and Fellowship Diplomas in Geology (RMIT) with extra studies in mining engineering and primary metallurgy, B.App.Sc.(Applied Geology) and a MBA from RMIT University. Mr. Buckingham is a Fellow AusIMM, Member PESA and AAPG and AAPG Energy Minerals Division.

Commencing his career as a base metals, gold and diamonds exploration geologist he moved into gas engineering and petroleum exploration and development before establishing himself as a resources analyst in stock broking and investment banking. As an analyst, he evaluated and developed financial models for major mining and energy companies and has worked on a significant number of resources projects where his knowledge and expertise in areas such as due diligence, valuation, commercial and technical analyses, concept and strategic development, financial modeling and general mining management have been required. Since establishing GRI he has carried on his work in the resources and infrastructure industries focusing on project development, strategic analysis and project evaluation. Ian was a member of the committee that re-wrote the VALMIN Code (2005).

7.2 FEES

GRI will be paid a professional fee plus reasonable expenses for the preparation of this report. The fee is not contingent on the conclusions set out in the report. The fee is $12,000.00 excluding GST @ a rate of 10%.

7.3 COMPLIANCE

This report has been prepared in accordance with the requirements of the "Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for independent Expert Reports" (The VALMIN Code, 2015).

7.4 DECLARATION

GRI has previously evaluated and valued MIN 4921 prior to the current management at SML Corporation Limited acquiring the asset.

GRI does not have any business relationship with SML Corporation Limited or with any companies associated with that company that could reasonably be regarded as being prejudicial to its ability to give an unbiased and independent assessment.

There is no present agreement, arrangement or understanding that GRI will at any time in the future undertake any assignment for SML Corporation Limited or any company or organisation associated with SML Corporation Limited.

Other than as set out herein, neither GRI nor Ian Buckingham has any interest in the company that is the subject of this report.

7.5 CONSENT

This valuation report has been prepared for the use of BDO Corporate Finance (QLD) Ltd to assist that company in the provision of it Independent Expert's Report regarding the proposed transaction by SML Corporation Limited. The report will be used by BDO Corporate Finance (QLD) Ltd and will be annexed to their IER which will be a Public Report and as such is intended for distribution to the public. GRI has not been involved in the preparation of or authorised or caused the issue of any other part of any documentation that may be provided to SML Corporation Limited's directors, senior management and shareholders other than this report and ensuring that the IER is factually correct in those sections where GRI's report has been utilised.

Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with, or attached to any document or used for any other purpose without the prior written consent of GRI to the form and context in which it appears and the purpose of its use.

All of the persons involved in the preparation of this report have consented to the use of this assessment report, for the purpose stated above and in the form and context in which it appears.

7.6 LIMITATION

The statements and opinions contained in this report are given in good faith and, to a considerable extent; reliance has been placed on the information provided by SML Corporation Limited and from documentation in the public domain. All such information has been presented in a professional manner and GRI believes, on reasonable grounds, that it is true, complete as to material details, and not misleading. The work undertaken for this report in no way constitutes a technical audit of any of the assets or records reviewed, and GRI does not warrant that its inquiries have realised all the matters that an audit might disclose. GRI in no way guarantees or otherwise warrants the achievability of any forecasts of future production and costs used in valuations in this report.

7.7 FACTUAL AND CONFIDENTIALITY REVIEW

A draft copy of this report was provided to officers of BDO Corporate Finance (QLD) Ltd for comments as to confidentiality issues, errors of fact or misinterpretation, or substantive disagreements on the assumptions that GRI has adopted. While GRI has included minor corrections and amendments in this final report because of comments received, neither the methodology nor conclusions were amended.

GRI gratefully acknowledge the assistance provided by the Directors and officers of BDO Corporate Finance(QLD) Ltd and SML Corporation Limited in facilitating the preparation of this report.

GLOBAL RESOURCES & INFRASTRUCTURE PTY LTD

IAN BUCKINGHAM
Managing Director

6 April 2017

8. REFERENCES

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YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am AEST on Saturday 3 June 2017.**

TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/smlgm2017

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

.

BY SMARTPHONE

Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am AEST on Saturday, 3 June 2017.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

Online www.votingonline.com.au/smlgm2017

By Fax + 61 2 9290 9655

By Mail Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

In Person Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

SML Corporation Limited
ARBN 161 803 032

☐ **Your Address**
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **SML Corporation Limited** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the **Offices of Grant Thornton, The Rialto, Level 30, 525 Collins Street, Melbourne VIC 3000 on Monday, 5 June, 2017 at 11:00am AEST** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Change to Nature and Scale of Activities	☐	☐	☐
Resolution 2	Consolidation of Share Capital	☐	☐	☐
Resolution 3	Issue of Consideration Shares to Synertec Shareholders	☐	☐	☐
Resolution 4	Issue of Capital Raising Shares	☐	☐	☐
Resolution 5	Issue of Adviser Shares	☐	☐	☐
Resolution 6	Issue of Redemption Notes to Existing Shareholders	☐	☐	☐
Resolution 7	Election of Director – Mr Michael Carroll	☐	☐	☐
Resolution 8	Change of Company Name	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name…………………………………………….... Contact Daytime Telephone……………………….............................. Date / / 2017