Synergy Metals Limited

ABN 59 005 482 904

Annual Report - 30 June 2010

Synergy Metals Limited
Corporate directory
30 June 2010

Directors	Poh Kiat Kit Foo Chye KC Freddie Heng	
Company secretary	Andrew Metcalfe	
Notice of annual general meeting	The annual general meeting of Synergy Metals Limited:	
	will be held at	Westin Hotel 205 Collins Street Melbourne VIC 3000
	time date	11:00 AM Tuesday 16 November 2010
Registered office	Ground floor, 470 St Kilda Road Melbourne VIC 3004 Telephone: +(61 3) 9867 7199 Facsimile: +(61 3) 9867 8587	
Share register	Computershare Investors Services Yarra Falls, 452 Johnson Street Abbotsford VIC 3067 Telephone: 1300 137 328	
Auditor	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard Southbank VIC 3006	
Bankers	Westpac Banking Corporation 409 St Kilda Road Melbourne VIC 3004	
Stock exchange listing	Synergy Metals Limited shares are listed on the Australian Securities Exchange ASX codes: SML (fully paid ordinary shares) SMLO (options – 3c, expire 31/08/2011) SMLAI (options – 6c, expire 31/10/2012)	
Website address	www.synergymetals.com.au	

The directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Synergy Metals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2010.

Directors
The following persons were directors of Synergy Metals Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Poh Kiat (appointed on 26 August 2009)
Kit Foo Chye
KC Freddie Heng
Michael Sadler (resigned on 27 November 2009)
Peter Malkin (resigned on 27 November 2009)

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

Dividends
There were no dividends paid during the current or previous financial year to the shareholders of Synergy Metals Limited.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,033,799 (30 June 2009: $988,482).

During the financial year the consolidated entity raised $1,475,893 in equity capital via a rights issue to existing investors at 1.2 cents per ordinary share fully paid and continued exploration activities on the company's tenements in north eastern Victoria.

Commencing January 2010, a review of current and historical exploration data was undertaken by independent consultants, Geos Mining for MIN4921 (Glen Wills & Sunnyside goldfields) and Exploration Licenses 3916 (Merrimac prospect), 4744 (Granite Flat prospect), and 4717 & 4818 (Benambra district) that identified key target areas for further exploration programs to be undertaken. The company's Board decided to commence plans to embark on further exploration activities at the Granite Flat prospect (EL 4744) and in the historic Omeo Goldfield, located within EL 4717.

Geos Mining are responsible for day to day management of the company's tenements. They were appointed to that role in December 2009 as there are no executives of the company.

Projects

(a) Glen Wills/Sunnyside (ML4921)
The Glen Wills project consists of Mining Lease MIN4921 and covers the Glen Wills and Sunnyside goldfields. An Inferred Mineral Resource has been previously announced for this project (refer announcement dated 2 June 2009).

Historically, the Glen Wills and Sunnyside goldfields produced more than 217,000 ounces gold at an average grade of 23g/t Au. There is some evidence to indicate that both goldfields are linked structurally, giving rise to the possibility that a mineralised corridor of more than 5 kilometres exists within the goldfields.

The Geos Mining review concluded that:
• Further drilling is required to upgrade the gold resource in the Maude South section to an Indicated Resource classification in preparation for commencement of mining operations.
• Drill testing the “Centre Country” between the two goldfields offers good potential to increase the resource inventory for the Glen Wills project.

This license was renewed in September 2010 for a further two years.

(b) Merrimac (EL3916)
EL3916, which surrounds the Glen Wills project, contains the Merrimac prospect. Highly gold anomalous surface geochemistry has been defined over an area of more than 5 square kilometres, possibly sourced from a sheeted auriferous quartz vein system. The Geos Mining review concluded that further exploration is warranted including a Reverse Circulation drilling program to define gold resources.

This license was renewed in September 2010 for a further two years.

(c) Granite Flat (EL4744)
EL4744, to the north of EL3916, covers the Granite Flat gold-copper prospect. Drilling by previous explorers (totalling 3,630m in 51 drillholes) has intersected significant intrusive-hosted mineralisation, including 6m @ 3.51 g/t Au from 58m, 4m @ 6.08 g/t Au from 28m, 7m @ 5.26 g/t Au from 16m and 5m @ 8.34 g/t Au from 5m. Copper assays were not undertaken on all drill samples. However, individual samples ranged up to 4.8% Cu. Disseminated sulphide mineralisation has also been reported for some sections of drill core. The Geos Mining review included re-logging of available drill core and undertaking ground geophysics (IP, magnetics) to define drilling targets. In addition, several gold anomalies have been detected from stream sediment sampling in other parts of EL4744. Sampling programs were conducted in conjunction with setting up exploration programs at Granite Flat.

(d) Benambra (EL4717 and EL4818)
EL4717 is a large tenement covering the Benambra district, centred approximately 25km southeast of Glen Wills.
Geos Mining undertook a review of past exploration data identified three target areas for follow-up exploration:
• Omeo Shear Zone – is a NW – trending zone of sheared intrusive rocks that hosts a number of old gold workings. Historical production of around 2.5 tonnes of gold has been reported from alluvial and hard rock mines within the Omeo Goldfield.
• Charlie’s Grid Molybdenum prospect – previous drilling by Australian Anglo American intersected narrow, but high grade, molybdenum + Cu mineralisation (up to 0.74% Mo, 0.1% Cu) in a sheared granite contact zone.
• Mt Misery breccias – two areas within the Mt Misery area, containing brecciated quartz veins up to 300m long and 20m wide. Previous exploration returned stream sediment values up to 1,900 ppb Au and rock chip assays up to 3,300 ppm Cu. Further surface mapping and sampling are being considered to define drilling targets.

EL4818 adjoins Jabiru Metals Limited’s Stockman project, which contains the Currawong and Wilga copper-zinc-lead-silver-gold massive sulphide deposits. At the Wattlebird prospect in EL4818, previous exploration by Western Mining Ltd defined lead-zinc-copper-arsenic anomalies in soil samples within an area measuring approximately 4km x 2km. The style of mineralisation is interpreted to be hosted by structurally-controlled quartz veins emanating from nearby granite intrusions. Further surface exploration, including geophysics surveys (IP, magnetics), was undertaken to define drilling targets. In addition, other anomalous zones have been detected within EL4818 (Wilga South, Currawong NW).

EL’s 4717 and 4818 were both granted on 28/01/2009 for an initial five year term and comprise a total of 1585 km2. Both tenements display excellent potential for discovery of economic mineralisation. The area is highly prospective for Gold, Silver, Copper, Tungsten, Molybdenum and Talc.

Financial position
At 30 June 2010 the consolidated entity’s cash position was $849,657 and the company is seeking to raise additional capital to expand its exploration operations and further develop its existing assets by way of a rights issue to shareholders with such terms to be advised in October 2010.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

In September 2010, the Victorian Department of Primary Industries renewed MIN 4921 and EL 3916 for a further two years.

No other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity will continue to assess the commercial viability of the exploration and drilling programmes at the Glen Wills and Sunnyside project area and the development of exploration programs across its range of tenements located in north-eastern Victoria.

Further information regarding likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report because, in the opinion of the directors, it will prejudice the interests of the consolidated entity.

Environmental regulation

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

The consolidated entity is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its activities, other than complying with Victorian Department of Primary Industry requirements to make a provision for rehabilitation of areas affected by the consolidated entity’s exploration program. At the reporting date, a provision of $85,000 had been recorded in the financial statements to meet any future rehabilitation expenses that may arise.

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

Information on directors

Name:	Poh Kiat (appointed on 26 August 2009)
Title:	Non-Executive Chairman
Qualifications:	Certified Diploma in Accounting and Finance from ACCA, UK, Diploma in Management Studies from the Singapore Institute of Management, and a Diploma in Civil Engineering from the Singapore Polytechnic.
Experience and expertise:	Mr Poh has over 30 years’ experience at senior management level in the construction, real estate development, manufacturing and financial industries. From 1998, he was managing director of Singapore Stock Exchange listed Teamsphere Limited, leading the strategic management and business development of the company prior to Delong Steel’s successful reverse acquisition of Teamsphere Limited in 2005. He has also held senior positions in corporate finance and mezzanine capital investment companies in Malaysia. Since 2005, Mr Poh has managed a Singapore based investment advisory company that focuses on participating in strategic stakes in listed companies.
Other current directorships:	Since May 2008, he has been a non-executive director of Centrex Metals Limited, a company listed on ASX.
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	43,084,469 ordinary shares
Interests in options:	None

Name:	Kit Foo Chye
Title:	Independent Non-Executive Director
Qualifications:	Certified Practising Accountant, B.Comm
Experience and expertise:	Mr Chye specialises in advising both public and private companies on acquisitions, mergers, capital raisings and balance sheet restructures. He has managed a significant number of initial public offers and secondary market capital raisings, his main strengths being in the restructuring and financing of entities, including the preparation of prospectuses and other requirements for listings on the ASX. Mr Chye is an accountant by profession with 16 years' experience in the management and administration of public listed companies.
Other current directorships:	Non-Executive Director of Rocklands Richfield Ltd (since 13 September 2004), Voltage IP Ltd (since 13 May 2009) and Hudson Resources Ltd (since 10 March 2010).
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,933,143 ordinary shares
Interests in options:	1,250,000 options (SMLO)

Name:	KC Freddie Heng
Title:	Non-Executive Director
Qualifications:	Chartered Accountant, BSc (Economics) from the London School of Economics.
Experience and expertise:	Mr Kim Chuan Freddie Heng worked with an international accounting firm in London and Singapore. He is currently a director at Noel Gift International Limited, a company which was listed on the Singapore Stock Exchange in 1993. Prior to that, he was an Executive Director (Finance) at Van Der Horst Limited from 1992 to 2000. During this period he oversaw the structuring of four oil pipeline and storage depot projects in Indonesia. He also oversaw the successful issue of floating rate notes to financial institutions in East Asia to fund the first of those projects. For the past seven years Mr Heng has pursued his own interests in investments, primarily in listed companies.
Other current directorships:	Director of Noel Gift International Limited, a company listed on the Singapore Stock Exchange
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	38,692,144 ordinary shares
Interests in options:	None

Name:	Michael Sadler (resigned on 27 November 2009)
Title:	Chairman and Independent Non-Executive Director
Qualifications:	Diploma in Surveying from the Royal Melbourne Institute of Technology, member of the Institution of Surveyors, Australia and the Australian Institute of Company Directors
Experience and expertise:	Mr Sadler is a consultant with more than 30 years' experience in the land surveying, town planning and property development industry. Mr Sadler is the managing director of Crowther & Sadler Pty Ltd which is his own consultancy which provides surveying and town planning professional services.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	No longer a director therefore not disclosed
Interests in options:	No longer a director therefore not disclosed

Name:	Peter Malkin (resigned on 27 November 2009)
Title:	Operations Director
Qualifications:	Member of the Australian Institute of Company Directors, the Australian Institute of Mining and Metallurgy, the International Society of Explosives Engineers and the Australian Institute of Management Group.
Experience and expertise:	Mr Malkin is an engineer specialising in mining and civil contracting and has more than 20 years' experience in mining, quarrying and civil projects in both Australia and Papua New Guinea.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	No longer a director therefore not disclosed
Interests in options:	No longer a director therefore not disclosed

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

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

Company secretary
Mr Andrew Metcalfe (B.Bus, CPA, FCIS) is a qualified accountant with over 24 years experience across a variety of industry sectors, holding the position of Company Secretary and CFO for a number of ASX listed entities and unlisted public entities for property, retail, energy, manufacturing, and technology industries. Andrew is employed by Accosec Consultants and assists Synergy in Company secretarial practice and procedures.

Meetings of directors
The numbers of meetings of the company's Board of Directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full Board	
	Attended	Held
Michael Sadler	5	5
Peter Malkin	5	5
Kit Foo Chye	16	18
KC Freddie Heng	18	18
Poh Kiat	13	13

Held: represents the number of meetings held during the time the director held office.

As at the date of this report the company had not formed an Audit and Risk Committee or a Nomination and Remuneration Committee as the Board of directors ('Board') has determined that it will execute the functions of these Committees under the Board Charter.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel ('KMP') of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity receiving the highest remuneration.

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

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

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

A Principles used to determine the nature and amount of remuneration

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

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

The Board has not established a Remuneration Committee therefore the Board is responsible for determining and reviewing compensation arrangements for the directors and the executive officers. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of an experienced and high quality Board. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and superannuation salary sacrifice. The directors' emoluments are comparable to similar sized companies in the resources industry.

Compensation linked to performance

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

Remuneration structure

In accordance with corporate governance principles and recommendations, the company substantially complies with the guidelines for non-executive director remuneration.

Non-executive directors remuneration
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time-to-time by a general meeting. At the annual general meeting held on 29 November 2004, shareholders approved an aggregate remuneration of up to $150,000 per annum to be apportioned amongst non-executive directors. The total paid during the year for non-executive directors fees was $121,739 (2009: $108,000). The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

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

The Company has entered into service agreements with its non-executive directors. Details of these contracts are provided in section C below.

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

It is the consolidated entity's policy that service agreements must be entered into with its non- executives, see details in section C below.

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

Fixed remuneration - structure
Non-executives receive their fixed (primary) remuneration in form of cash payments to their nominated accounts.

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

B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Synergy Metals Limited are set out in the following tables.

2010	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Directors Fees $	Consulting Fees $	Termination benefits $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Poh Kiat	41,739	-	-	-	-	-	41,739
Kit Foo Chye	30,000	-	-	-	-	-	30,000
KC Freddie Heng	30,000	-	-	-	-	-	30,000
Michael Sadler *	20,000	24,241	36,000	-	-	-	80,241
Executive Directors:							
Peter Malkin *	12,500	39,880	31,425	-	-	-	83,805

The total remuneration for the year amounted to $265,785.
* Michael Sadler and Peter Malkin retired as directors on 27 November 2009.

2009	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Directors Fees $	Consulting Fees $	Termination benefits $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Michael Sadler	48,000	51,700	-	-	-	-	99,700
Kit Foo Chye	30,000	20,000	-	-	-	-	50,000
KC Freddie Heng	30,000	-	-	-	-	-	30,000
Executive Directors:							
Peter Malkin	30,000	114,000	-	-	-	-	144,000
Paul Pupazzoni**	20,000	80,000	-	-	-	-	100,000

The total remuneration for the comparative year amounted to $423,700.
** Paul Pupazzoni resigned as a director on 28 November 2008 and company secretary on 7 April 2009.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Poh Kiat
Title:	Non-Executive Chairman
Agreement commenced:	26 August 2009
Term of agreement:	Expires 30 November 2012
Details:	Poh Kiat's terms of his agreement allow for the payment of non-executive chairman fees of $4,000 per month for the provision of his services to the Board. The company may terminate the service agreement by giving between 3 and 6 months notice depending on the circumstances under which the company seeks to terminate the agreement. Mr Kiat is required to give 3 months notice to terminate the contract. Mr Kait would be paid 3 months fees in the event of removal from office.

Name:	Kit Foo Chye
Title:	Independent Non-Executive Director
Agreement commenced:	16 November 2006
Term of agreement:	Expires 31 July 2011
Details:	Kit Foo Chye's terms of his agreement allow for the payment of non-executive directors fees of $2,500 per month for the provision of his services to the Board. The company may terminate the service agreement by giving between 3 and 6 months notice depending on the circumstances under which the company seeks to terminate the agreement. Mr Chye is required to give 3 months notice to terminate the contract. Mr Chye would be paid 3 months fees in the event of removal from office.

Name:	KC Freddie Heng
Title:	Non-Executive Director
Agreement commenced:	29 January 2008
Term of agreement:	Expires 31 July 2011
Details:	KC Freddie Heng's terms of his agreement allow for the payment of non-executive directors fees of $2,500 per month for the provision of his services to the Board. The company may terminate the service agreement by giving between 3 and 6 months notice depending on the circumstances under which the company seeks to terminate the agreement. Mr Heng is required to give 3 months notice to terminate the contract. Mr Heng would be paid 3 months fees in the event of removal from office.

Name:	Michael Sadler
Title:	Former Chairman and Independent director
Agreement commenced:	1 August 2005
Term of agreement:	Until 31 July 2008, extended until 31 July 2011
Details:	The company entered into a service agreement with Michael Sadler and his service company that allowed for the payment of non-executive directors fees of $4,000 per month and service fees of a minimum of $2,500 and up to $8,000 per month for the provision of his services in relation to shareholder liaison for the company. The company could terminate the service agreement by giving between 3 and 6 months notice depending on the circumstances under which the company seeks to terminate the agreement. Michael Sadler was required to give 3 months notice to terminate the contract and was entitled to be paid 3 months fees in the event of removal from office. Michael Sadler ceased to be a director of the company on 27 November 2009. This agreement was terminated from this date and he received 3 months fees.

Name:	Peter Malkin
Title:	Former Operations Director
Agreement commenced:	1 August 2005
Term of agreement:	Until 31 July 2008, extended until 31 July 2011
Details:	The company entered into a service agreement with Peter Malkin and his service company that allowed for the payment of directors fees of $2,500 per month and service fees of a minimum of $4,000 and up to $9,500 per month for the provision of his services as the operations director. The company could terminate the service agreement by giving between 3 and 6 months notice depending on the circumstances under which the company seeks to terminate the agreement. Peter Malkin was required to give 3 months notice to terminate the contract. Peter Malkin was entitled to be paid 3 months fees in the event of removal from office. Peter Malkin ceased to be a director of the company on 27 November 2009. This agreement was terminated from this date and he received 3 months fees.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2010.

Options
There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2010.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2010.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Synergy Metals Limited under option at the date of this report are as follows:

Option series	Expiry date	Exercise price	Number under option
SMLO	31 August 2011	$0.03	172,412,443
SMLAI	31 October 2012	$0.06	100,932

Shares issued on the exercise of options
The following ordinary shares of Synergy Metals Limited were issued during the year ended 30 June 2010 on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
25 September 2009 (SMLOC)	$0.04	5,200

Indemnity and insurance of officers

The company has Directors & Officers Liability Insurance for its directors and officers.

The premium insures each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the consolidated entity. The insurance policy has a liability limit of $10 million on any one claim and in the aggregate. The nature of the liabilities covered are Official Investigation, Inquiries and Proceedings, Occupational Health & Safety, Mitigation Costs and Civil Awards. This does not include such liabilities that arise from conduct involving a wilful breach of duty by officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. The policy is subject to a confidentiality clause which prohibits the disclosure of the premium.

Indemnity and insurance of auditor

The company has agreed to indemnify the auditor of the company and any related entity against a liability incurred by the auditor.

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

PricewaterhouseCoopers provided tax services amounting to $6,000 and Scrutineer services at the company's 2009 Annual General Meeting amounting to $2,000.

The directors are satisfied that the provision of non-audit services, during the financial year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor’s independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of PricewaterhouseCoopers

There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Poh Kiat
Non-Executive Chairman

14 September 2010
Melbourne

PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Synergy Metals Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit

This declaration is in respect of Synergy Metals Limited and the entities it controlled during the period.

Peter Buchholz
Partner
PricewaterhouseCoopers

Melbourne
14 September 2010

Synergy Metals Limited
Corporate Governance Statement
30 June 2010

The Board of directors of Synergy Metals Limited ('Company') are responsible for the corporate governance of the Company and consolidated entity. The Board guides and monitors the business and affairs of Synergy Metals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		**Compliance**	**Comply**
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board of directors ('Board') of Synergy Metals Limited ('Company') and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies
1.2	Disclose the process for evaluating the performance of senior executives.	The Board does not employ full time executives to the Company but uses the services of consultants. Consultants are provided with instructions to carry out their designated functions and report to the Board. There is no review of the consultants performance or review of the Board's performance.	Does not comply. A board restructure in November 2009 resulted in a review of responsibilites for each Board member.
1.3	Provide the information indicated in *Guide to reporting on Principle 1*	A summary of the Board's functions and resonsibilites has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors	The majority of the Board's directors are not independent as a majority of the Board are substantial shareholders of the Company. Kit Foo Chye is an independent non-executive director. Freddie Heng and Poh Kiat are non-executive directors, but not independent due to the size of their shareholding in the Company.	Does not comply. However the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.

Principles and Recommendations		**Compliance**	**Comply**
2.2	The chair should be an independent director	Poh Kiat is a non-independent non-executive director of the Board.	Does not comply.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	Poh Kiat is the chairman. The Board takes on the day to day function of a chief executive officer.	Does not comply as the Company has not appointed a chief executive officer. The Company will consider this position once it has secured future viability of its exploration assets.
2.4	The Board should establish a nomination committee	Given the size of the Board, it was determined that the Board will execute the functions of a nomination committee and that a separate nomination committee is unnecessary.	Does not comply for reasons given under 2.6 below.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Company did not conduct a performance evaluation of the Board, and has not adopted a performance evaluation policy.	Does not comply. Refer 1.2 above.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2*	This information has been disclosed (where applicable) in the Directors' Report attached to this Corporate Governance Statement. Poh Kiat is a non-independent non-executive director of the Board. Members of the Board are able to take independent professional advice at the expense of the Company. The Board carries out the functions of a nomination committee. In accordance with the information suggested in *Guide to Reporting on Principle 2,* the Company has disclosed full details of its directors in the Director's Report attached to this Corporate Governance Statement. Other disclosure material as suggested in *Guide to Reporting on Principle 2* has been made available on the Company's website.	Does not comply. Given the size of the Board, the directors determined that it will execute the functions of a nomination committee and that a separate nomination committee is unnecessary. In addition, the Board does not consist of a majority of independent directors however the skills and experience of both the independent and non-independent directors allows the Board to act in the best interests of shareholders.

Principles and Recommendations		**Compliance**	**Comply**
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct that is contained within the Board charter. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code of conduct is encompassed within the Board Charter and is available on the Company's website.	Complies
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	The Company has adopted a securities trading policy that applies to trading in shares in the Company by any director or employee of the Company. This policy is available on the Company's website.	Complies
3.3	Provide the information indicated in *Guide to reporting on Principle 3.*	The code of conduct and securities trading policy are available on the Company's website. The securities trading policy is summarised in this Corporate Governance Statement.	Complies
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	An audit committee has not been established by the Board.	Does not comply. Given the size of the Board, the directors determined that it will execute the functions of an audit committee and that a separate audit committee is unnecessary.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	An audit committee has not been established by the Board.	Does not comply, for reasons given in 4.1 above.
4.3	The audit committee should have a formal charter.	An audit committee has not been established by the Board. The functions of an audit committee are reserved for the Board and operate under the Board Charter.	Does not comply, for reasons given in 4.1 above.

Principles and Recommendations		**Compliance**	**Comply**
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	The functions associated with safeguarding the integrity in financial reporting are carried out by the Board; is encompassed within the Board Charter and summarised in this Corporate Governance Statement.	Does not comply, for reasons given in 4.1 above.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the *Corporations Act 2001*. This policy is available on the Company's website.	Complies
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	The Company's continuous disclosure policy is available on the Company's website.	Complies
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website (www.synergymetals.com.au), annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings. This policy is available on the Company's website.	Complies
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The Company's shareholder communications policy is available on the Company's website.	Complies
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The Company has adopted a risk management statement.	Complies. Ultimate responsibility for risk oversight and risk management rests with the Board and operates under the Board Charter.

Principles and Recommendations		**Compliance**	**Comply**
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board as a whole have made a declaration under section 295A of the *Corporations Act 2001* that the financial accounting system is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks. The company does not employ a chief executive officer or chief financial officer.	Complies
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	The Board has not adopted an audit and risk charter, however the Board has identified key risks within the business.	Complies
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee and has not adopted a remuneration charter.	Does not comply. Given the size of the Board, the Directors have determined that it will execute the functions of a remuneration committee and that a separate remuneration committee is unnecessary.

Principles and Recommendations		Compliance	Comply
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration.	Complies
8.3	Provide the information indicated in *the Guide to reporting on Principle 8.*	The Board has not adopted a remuneration committee charter. The Company does not have any schemes for retirement benefits.	Does not comply. Given the size of the Board, the Board has determined that it will execute the functions of a remuneration committee and that a separate remuneration committee is unnecessary. With respect to this compliance issue, the Board will review its position annually.

Synergy Metals Limited's corporate governance practices were in place for the financial year ended 30 June 2010 and to the date of signing the Directors' Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Synergy Metals Limited, refer to our website:

http://www.synergymetals.com.au

Board functions

The role of the Board of Synergy Metals Limited is as follows:

- Representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the Company. This includes overseeing the financial and human resources the Company has in place to meet its objectives and the review of management performance.
- Protecting and optimising Company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed.
- Responsible for the overall Corporate Governance of Synergy Metals Limited and its controlled entities, including monitoring the strategic direction of the Company and those entities, formulating goals for management and monitoring the achievement of those goals.
- Setting, reviewing and ensuring compliance with the Company's values (including the establishment and observance of high ethical standards).
- Ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the Chief Executive Officer ('CEO');
- reviewing procedures in place for appointment of senior management and monitoring of its performance, and for succession planning. This includes ratifying the appointment and the removal of the Chief Financial Officer and Company Secretary;
- input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the *Corporations Act 2001*.

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of a CEO;
- appointment of directors to fill a vacancy or as additional director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board

The Company's constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the constitution. The Board does not believe that it should establish a limit on tenure other than as stipulated in the Company's constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. It is also intended that the Chair should be an independent non-executive director. The Board regularly reviews the independence of each director in light of the interests disclosed to the Board.

The Board only considers directors to be independent when they operate independently of management and are free of any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement. The Board has adopted a definition of independence based on that set out in Principal 2 of the ASX Corporate Governance Revised Principals and

Recommendations. The Board will review the independence of each director in light of interests disclosed to the Board from time to time.

In accordance with the definition of independence above, and the materiality thresholds set, the following director of Synergy Metals Limited is considered to be independent:

Name	Position
Kit Foo Chye	Non-executive Director

There are procedures in place, that are agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Position	Term in Office
Kit Foo Chye	Non-executive Director	Appointed 16 November 2006
Freddie Heng	Non-executive Director	Appointed 29 January 2008
Poh Kiat	Non-executive Chairman	Appointed 26 August 2009

Further details on each director can be found in the Directors' Report attached to this Corporate Governance Statement.

Securities trading policy

Under the Company's Guidelines for Dealing in Securities Policy, directors, officers and employees of the Company should not trade in the Company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

Directors and senior management are likely to be in possession of unpublished price sensitive information concerning the Company by virtue of their position within the Company, therefore those persons are restricted from dealing in the Company's securities in the two business day following the release of price sensitive information to the ASX (the Non-Trading Period).

In addition, directors, officers and employees can only deal in the Company's securities after having first obtained clearance from the Company, and must notify the Company Secretary when a trade has occurred.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company within five days of the transaction taking place.

Audit and Risk Committee

The Board has not established an Audit and Risk Committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

Risk

The responsibility of overseeing risk falls within the responsibilities of the Board. The Company identifies areas of risk within the Company and management and the Board continuously undertake a risk assessment of the Company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive process by employees of the Company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance polices, or ensuring compliance reporting is up to date.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilites of assessing remuneration to employees, links the nature and amount of non-executive directors' and officers' remuneration to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of Synergy.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by directors in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for directors themselves.

Contents

General information

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

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

Synergy Metals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

470 St Kilda Road
Melbourne VIC 3004

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 September 2010. The directors have the power to amend and reissue the financial report.

Synergy Metals Limited
Statement of comprehensive income
For the year ended 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Revenue	4	28,835	103,837
Expenses	5		
Operating expenses		(1,043,581)	(1,083,687)
Exploration expenditure expensed		(19,046)	(7,341)
Finance costs	5	(7)	(1,291)
Loss before income tax expense		(1,033,799)	(988,482)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Synergy Metals Limited	16	(1,033,799)	(988,482)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Synergy Metals Limited		(1,033,799)	(988,482)
		Cents	**Cents**
Basic earnings per share	29	(0.15)	(0.16)
Diluted earnings per share	29	(0.15)	(0.16)

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

Synergy Metals Limited
Statement of financial position
As at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Assets			
Current assets			
Cash and cash equivalents	7	849,657	610,687
Trade and other receivables	8	77,846	34,184
Other	9	69,592	74,416
Total current assets		997,095	719,287
Non-current assets			
Property, plant and equipment	10	3,274,575	3,522,000
Deferred exploration and evaluation expenditure	11	14,997,087	14,614,694
Total non-current assets		18,271,662	18,136,694
Total assets		19,268,757	18,855,981
Liabilities			
Current liabilities			
Trade and other payables	12	139,650	178,942
Provisions	13	-	7,571
Total current liabilities		139,650	186,513
Non-current liabilities			
Provisions	14	85,000	60,000
Total non-current liabilities		85,000	60,000
Total liabilities		224,650	246,513
Net assets		19,044,107	18,609,468
Equity			
Contributed equity	15	49,542,731	48,074,293
Accumulated losses	16	(30,498,624)	(29,464,825)
Total equity		19,044,107	18,609,468

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

Synergy Metals Limited
Statement of changes in equity
For the year ended 30 June 2010

	Contributed equity $	Accumulated losses $	Total equity $
Consolidated			
Balance at 1 July 2008	48,074,293	(28,476,343)	19,597,950
Total comprehensive income for the year	-	(988,482)	(988,482)
Balance at 30 June 2009	48,074,293	(29,464,825)	18,609,468

	Contributed equity $	Accumulated losses $	Total equity $
Consolidated			
Balance at 1 July 2009	48,074,293	(29,464,825)	18,609,468
Total comprehensive income for the year	-	(1,033,799)	(1,033,799)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	1,468,230	-	1,468,230
Exercise of options	208	-	208
Balance at 30 June 2010	49,542,731	(30,498,624)	19,044,107

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

Synergy Metals Limited
Statement of cash flows
For the year ended 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(901,903)	(705,325)
Net cash used in operating activities	28	(901,903)	(705,325)
Cash flows from investing activities			
Payments for property, plant and equipment	10	-	(154,824)
Payments for exploration and evaluation		(357,393)	(2,955,686)
Interest income		28,835	129,442
Proceeds from sale of property, plant and equipment		1,000	-
Net cash used in investing activities		(327,558)	(2,981,068)
Cash flows from financing activities			
Proceeds from issue of shares	15	1,475,893	-
Share issue transaction costs		(7,455)	-
Repayment of borrowings		-	(55,940)
Interest paid		(7)	(1,291)
Net cash from/(used in) financing activities		1,468,431	(57,231)
Net increase/(decrease) in cash and cash equivalents		238,970	(3,743,624)
Cash and cash equivalents at the beginning of the financial year		610,687	4,354,311
Cash and cash equivalents at the end of the financial year	7	849,657	610,687

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

Note 1. Significant accounting policies

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

New, revised or amending Standards and Interpretations
The consolidated entity has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The consolidated entity has not early adopted any non mandatory Standards and Interpretations, unless otherwise stated.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Standards and Interpretations are most relevant to the consolidated entity:

AASB 101 Presentation of Financial Statements ('AASB 101')
The consolidated entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the consolidated entity now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

AASB 3 Business Combinations ('AASB 3')
The consolidated entity has applied the revised AASB 3 for all new business combinations acquired on or after 1 July 2009. As well as the expensing of transaction costs and minority interest now being referred to as non-controlling interest, there are a number of significant changes - refer to the 'business combinations' accounting policy for further details.

AASB 127 Consolidated and Separate Financial Statements ('AASB 127')
The consolidated entity has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary - refer to the 'principles of consolidation' accounting policy for further details.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss - refer to the 'principles of consolidation' accounting policy for further details.

AASB 7 Financial Instruments: Disclosure ('AASB 7')
This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidly management.

AASB 8 Operating Segments ('AASB 8')
The consolidated entity has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 July 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally. Refer to note 3.

Note 1. Significant accounting policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern
The financial statements have been prepared on the basis of going concern.

The consolidated entity has incurred a net loss of $1,033,799 (2009: $988,482) and operating cash outflows of $901,903 (2009: $705,325). At 30 June 2010 the consolidated entity has net current assets of $857,445 (2009: $532,774). Mining and exploration licences held by the consolidated entity have annual expenditure obligations of $681,324 (2009: $557,153) to maintain their 'good standing' status. The consolidated entity also has corporate expenditure requirements to maintain its operations. Failure to meet individual tenement obligations requires explanation to the Department of Primary Industry. Exploration expenditure has been carried forward at cost under the application of the accounting policy.

The ability of the consolidated entity to continue as a going concern is dependent on obtaining additional funding to finance ongoing exploration activities. Plans to obtain further financing include seeking parties interested in joint venture activities to develop the consolidated entity's exploration assets, raising additional funds through equity raisings and placements to existing or new key investors. The company is seeking to raise additional capital to expand its exploration operations and further develop its existing assets by way of a rights issue to shareholders with such terms to be advised in October 2010. Until these plans are finalised there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

The directors consider the consolidated entity is a going concern, but recognise that it is dependent on the raising of additional funds, the sale of interests in or relinquishment of, mining tenements held by the consolidated entity and ultimately the future profitability of the consolidated entity. The directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2010, and that the going concern basis is appropriate. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 1. Significant accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation

The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of Synergy Metals Limited ('company' or 'parent entity') as at 30 June 2010 and the results of all subsidiaries for the year then ended. Synergy Metals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

Change in accounting policy from 1 July 2009

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

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

The change in accounting policy has been applied prospectively.

Accounting policy up to 30 June 2009

The acquisition of subsidiaries is accounted for using the purchase method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for using the parent entity extension method, where the difference between the consideration paid and the book value of the share of net assets acquired is recognised in goodwill.

Where the consolidated entity loses control over a subsidiary, the consolidated entity recognises a gain or loss directly to the income statement, being the difference between the consideration received and the share of the net assets disposed of. Any investment retained is accounted for at its proportionate share of net asset value at the date control is lost.

Note 1. Significant accounting policies (continued)

Operating segments

Change in accounting policy from 1 July 2009
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which is the Board of Directors. The Board is responsible for the allocation of resources to operating segments and assessing their performance.

Accounting policy up to 30 June 2009
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

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

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

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

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

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

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

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

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

The consolidated entity has not implemented the tax consolidation legislation.

Note 1. Significant accounting policies (continued)

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

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

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

Joint ventures
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Jointly controlled assets - The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

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

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

Plant and equipment	3-10 years
Motor vehicles	5 years
Mine assets	20 years

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

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

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

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

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

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

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

Trade and other payables

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

Finance costs

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

Provisions

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

Provision for restoration and rehabilitation

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

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Note 1. Significant accounting policies (continued)

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

Change in accounting policy from 1 July 2009
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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

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

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

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

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

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

The change in accounting policy has been applied prospectively.

Note 1. Significant accounting policies (continued)

Accounting policy up to 30 June 2009
The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially recognised at their fair values at the acquisition-date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the consolidated entity’s share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets acquired, the difference is recognised as a gain directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. The unwinding of the discount on deferred cash consideration is expensed to profit or loss as a finance cost. Contingent consideration is recognised when probable. Subsequent changes to contingent consideration is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis until either the earlier of (i) 12 months from the date of the acquisition or (ii) the finalisation of fair values.

There has been no business combinations during the periods presented.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Synergy Metals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Note 1. Significant accounting policies (continued)

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

New Standards and Interpretations not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations, most relevant to and not early adopted by the consolidated entity, are set out below.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions
These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues
These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-12 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The consolidated entity will adopt this standard from 1 July 2011 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 July 2010. The amendments make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The main amendments deal with the transitional requirements arising as a result of revised AASB 127 'Consolidated and Separate Financial Statements' being issue; transitional requirements for contingent consideration from a business combination that occurred before the effective date of revised AASB 3 'Business Combinations' and amendments to the measurement of non-controlling interests; and unreplaced and voluntarily replaced share-based payments awards. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures'; clarification of statement of changes in equity in AASB 101 'Presentation of Financial Instruments' and disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. The revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

The consolidated entity's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

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

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

Provision for restoration and rehabilitation
The consolidated entity assessed the provision for site rehabilitation at each reporting date or at closer intervals as the need arises. The assessment includes a review of rehabilitation plans for each area of interest, and the probability of the extent and timing of those areas. The provision for the rehabilitation for the expense is adjusted where necessary, in consultation with external advises.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates in the mineral exploration industry in Australia and reports using two segments, Mineral Exploration (Mt Wills) and Corporate. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the year ended 30 June 2010 there were no major customers (2009: nil).

Note 3. Operating segments (continued)

Operating segment information

2010	Mineral exploration $	Corporate $	Intersegment eliminations/ unallocated $	Consolidated $
Adjusted EBITDA	(116,957)	(701,369)	-	(818,326)
Depreciation and amortisation	(243,261)	(1,040)	-	(244,301)
Interest revenue	1,575	27,260	-	28,835
Interest expense	(7)	-	-	(7)
Loss before income tax	(358,650)	(675,149)	-	(1,033,799)
Income tax expense				-
Loss after income tax				(1,033,799)
Assets				
Segment assets	18,396,766	13,879,632	(13,007,641)	19,268,757
Total assets				19,268,757
Total assets includes:				
Additions of non-current assets	357,393	-	-	357,393
Liabilities				
Segment liabilities	13,166,634	65,651	(13,007,635)	224,650
Total liabilities				224,650

2009	Mineral exploration $	Corporate $	Intersegment eliminations/ unallocated $	Consolidated $
Adjusted EBITDA	(75,691)	(781,061)	-	(856,752)
Depreciation and amortisation	(233,898)	(378)	-	(234,276)
Interest revenue	4,282	99,555	-	103,837
Interest expense	-	(1,291)	-	(1,291)
Loss before income tax	(305,307)	(683,175)	-	(988,482)
Income tax expense				-
Loss after income tax				(988,482)
Assets				
Segment assets	18,225,710	13,147,085	(12,516,814)	18,855,981
Total assets				18,855,981
Total assets includes:				
Additions of non-current assets	2,886,040	2,977	-	2,889,017
Liabilities				
Segment liabilities	12,636,928	126,394	(12,516,809)	246,513
Total liabilities				246,513

Note 4. Revenue

	Consolidated 2010 $	Consolidated 2009 $
Other revenue		
Interest	28,835	103,837
Revenue	28,835	103,837

Note 5. Expenses

	Consolidated 2010 $	Consolidated 2009 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	118,618	108,593
Mine assets	125,683	125,683
Total depreciation	244,301	234,276
Finance costs		
Interest and finance charges paid/payable	7	1,291
Net loss on disposal		
Net loss on disposal of property, plant and equipment	2,125	-
Other expenses		
Consulting fees	114,740	199,903
Directors fees	134,239	158,000
Company secretarial fees	60,000	91,000

Note 6. Income tax expense

	Consolidated	
	2010	2009
	$	$
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(1,033,799)	(988,482)
Tax at the Australian tax rate of 30%	(310,140)	(296,545)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	159	-
Legal expenses	2,967	-
	(307,014)	(296,545)
Deferred tax asset attributable to tax losses not bought to account	307,014	296,545
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	17,903,206	16,879,826
Potential tax benefit @ 30%	5,370,962	5,063,948

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

At 30 June 2010, there is no recognised or unrecognised deferred income tax liability (2009: $nil) for taxes that would be payable on the unremitted earnings of certain of the consolidated entity's subsidiaries, associates or joint ventures, as the consolidated entity has no liability for additional taxation should such amounts be remitted.

At 30 June 2010 the consolidated entity had deferred tax liabilities on capitalised mineral exploration expenditure of $4,499,125 (2009: $4,384,408) that has been set off against the deferred tax losses.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2010	2009
	$	$
Cash at bank	849,657	610,687

Cash at bank earns interest at floating rates based on daily bank rates. The average rate for the year was 3.05% (2009: 4.81%).

An amount of $62,657 (2009 $60,949) is held on term deposit to support bank guarantees for an amount of $60,000 (2009 $60,000) given to the Victorian Department of Primary Industries to cover mining tenements granted to the consolidated entity and as rehabilitation bonds on these mining tenements, and as such are not available for general use.

Note 8. Current assets - trade and other receivables

	Consolidated 2010 $	Consolidated 2009 $
Other debtors	77,846	34,184

Note 9. Current assets - other

	Consolidated 2010 $	Consolidated 2009 $
Prepayments	69,592	74,416

Note 10. Non-current assets - property, plant and equipment

	Consolidated 2010 $	Consolidated 2009 $
Mine assets - at cost	2,513,665	2,513,665
Less: Accumulated depreciation	(251,366)	(125,683)
	2,262,299	2,387,982
Plant and equipment - at cost	1,267,823	1,274,274
Less: Accumulated depreciation	(255,547)	(140,256)
	1,012,276	1,134,018
	3,274,575	3,522,000

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Mine assets $	Total $
Consolidated			
Balance at 1 July 2008	1,090,847	2,510,605	3,601,452
Additions	151,764	3,060	154,824
Depreciation expense	(108,593)	(125,683)	(234,276)
Balance at 30 June 2009	1,134,018	2,387,982	3,522,000
Disposals	(3,124)	-	(3,124)
Depreciation expense	(118,618)	(125,683)	(244,301)
Balance at 30 June 2010	1,012,276	2,262,299	3,274,575

Note 11. Non-current assets - deferred exploration and evaluation expenditure

	Consolidated	
	2010	**2009**
	$	**$**
Mineral exploration projects - at cost	14,997,087	14,614,694

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Evaluation & Exploration $	Total $
Consolidated		
Balance at 1 July 2008	11,880,501	11,880,501
Expenditure during the year	2,734,193	2,734,193
Balance at 30 June 2009	14,614,694	14,614,694
Expenditure during the year	357,393	357,393
Deferred rehabilitation provision increment	25,000	25,000
Balance at 30 June 2010	14,997,087	14,997,087

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

The consolidated entity holds granted Mining Licence 4921 and Exploration Licences 3916, 4744, 4717 and 4818 in the East Gippsland region of Victoria. These have been treated as one area of interest for accounting purposes.

A royalty will be payable by Mt. Wills Gold Mines Pty Ltd ('Mt Wills') of $2 per tonne of ore treated in the production of gold and other precious metals, for ore sourced from tenements and/or applications held by Mt Wills (MIN 4921, EL3916 and EL 4717). For the first 500,000 tonnes of ore treated, the royalty will be payable in equal proportions to Mrs Karen Bidstrup as trustee for The Red Gum Court Trust and to Mr William Jay, after which time the whole $2 per tonne royalty will be payable to Mrs Karen Bidstrup as trustee for The Red Gum Court Trust.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2010	**2009**
	$	**$**
Trade payables	93,324	158,604
Other payables	46,326	20,338
	139,650	178,942

Refer to note 18 for detailed information on financial instruments.

Note 13. Current liabilities - provisions

	Consolidated 2010 $	Consolidated 2009 $
Annual leave	-	7,571

Note 14. Non-current liabilities - provisions

	Consolidated 2010 $	Consolidated 2009 $
Rehabilitation	85,000	60,000

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

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Rehabilitation $
Consolidated - 2010	
Carrying amount at the start of the year	60,000
Additional provisions recognised	25,000
Carrying amount at the end of the year	85,000

Note 15. Equity - contributed

	Consolidated		Consolidated	
	2010 Shares	2009 Shares	2010 $	2009 $
Ordinary shares - fully paid	737,847,779	614,868,816	49,542,731	48,074,293

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2008	614,868,816		48,074,293
Balance	30 June 2009	614,868,816		48,074,293
Exercise of 4 cent options	25 September 2009	5,200	$0.040	208
Rights issue	9 November 2009	122,973,763	$0.012	1,475,685
Cost of issue		-	$0.00	(7,455)
Balance	30 June 2010	737,847,779		49,542,731

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

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

Rights issue
The company issued a rights issue prospectus on 17 September 2009 whereby 122,973,763 ordinary shares, fully paid were issued at $0.012 per share on 9 November 2009.

Share options
The company has issued quoted and unquoted share options. For further details see note 17.

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

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

The capital risk management policy remains unchanged from the 30 June 2009 Annual Report.

Note 16. Equity - accumulated losses

	Consolidated 2010 $	2009 $
Accumulated losses at the beginning of the financial year	(29,464,825)	(28,476,343)
Loss after income tax expense for the year	(1,033,799)	(988,482)
Accumulated losses at the end of the financial year	(30,498,624)	(29,464,825)

Note 17. Share options

	Consolidated 2010 $	2009 $
Options quoted on ASX		
Spare paragraph:		
Expiring on 31 August 2011 ('SMLO')	172,412,443	172,412,443
Expired on 31 October 2009 ('SMLOC')	-	179,711,515
Unquoted options		
Expiring on 31 October 2012 ('SMLAI')	100,932	95,732
	172,513,375	352,219,690

The SMLO options are exercisable at a price of 3 cents per share at any time on or before 31 August 2011. The SMLOC options were exercisable at a price of 4 cents per share on the last day of any month on or before 31 October 2009. 5,200 SMLOC options were exercised and the shareholders received a further option (SMLAI) for no consideration, which is exercisable at a price of 6 cents per share on the last day of any month on or before 31 October 2012. The remaining 179,706,315 SMLOC options expired and ceased to exist on 31 October 2009.

The SMLAI options are exercisable at a price of 6 cents per share on the last day of any month on or before 31 October 2012.

Option holders have no voting rights.

Note 18. Financial instruments

Financial risk management objectives

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

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

Market risk

Commodity price risk

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

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

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

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

As at the reporting date, the consolidated entity had the following cash and cash equivalents at variable interest rate.

	2010		2009	
	Weighted average interest rate %	**Balance $**	**Weighted average interest rate %**	**Balance $**
Consolidated				
Cash and cash equivalents	3.05	849,657	4.81	610,687
Net exposure to cash flow interest rate risk		849,657		610,687

An official increase/decrease in interest rates of one (2009: one) percentage point would have favourable/adverse affect on profit before tax of $8,497 (2009: $6,107) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Note 18. Financial instruments (continued)

Credit risk

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

At 30 June 2010, none of the consolidated entity's receivables are past due or impaired (2009: nil).

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of new equity raisings and other finance facilities. At 30 June 2010 there were no bank facilities drawn. The liquidity of the consolidated entity is monitored via regular cash flow budgets which highlight the need for capital raising when required.

Remaining contractual maturities

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

Consolidated - 2010	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	93,324	-	-	-	93,324
Other payables	-	46,326	-	-	-	46,326
Total non-derivatives		139,650	-	-	-	139,650

Consolidated - 2009	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	158,604	-	-	-	158,604
Other payables	-	20,338	-	-	-	20,338
Total non-derivatives		178,942	-	-	-	178,942

Fair value of financial instruments

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

Note 19. Key management personnel disclosures

Directors
The following persons were directors of Synergy Metals Limited during the financial year:

Poh Kiat (appointed 26 August 2009)	Independent Non-Executive Chairman
Kit Foo Chye	Non-Executive Director
KC Freddie Heng	Non-Executive Director
Michael Sadler (resigned on 27 November 2009)	Former Chairman and Non-Executive Director
Peter Malkin (resigned on 27 November 2009)	Former Operations Director

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

	Consolidated	
	2010	**2009**
	$	**$**
Short-term employee benefits	198,360	423,700
Termination benefits	67,425	-
	265,785	423,700

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

2010	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Poh Kiat *	-	-	43,084,469	-	43,084,469
Kit Foo Chye	2,021,096	-	1,912,047	-	3,933,143
KC Freddie Heng	32,243,454	-	6,448,690	-	38,692,144
Michael Sadler **	4,056,576	-	811,316	(4,867,892)	-
Peter Malkin **	2,834,080	-	566,816	(3,400,896)	-

* Additions represents Mr Kiat becoming a member of key management personnel on 26 August 2009.
** Disposals represents no longer a member of key management personnel as Mr Sadler and Mr Malin retired on 27 November 2009.

Note 19. Key management personnel disclosures (continued)

2009	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Michael Sadler	4,056,576	-	-	-	4,056,576
Peter Malkin	2,834,080	-	-	-	2,834,080
Kit Foo Chye	2,021,096	-	-	-	2,021,096
KC Freddie Heng	32,243,454	-	-	-	32,243,454
Paul Pupazzoni **	4,459,724	-	-	(4,459,724)	-

** Disposal represents no longer a key management personnel as Mr Pupazzoni resigned on 28 November 2008.

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

2010	Balance at the start of the year	Acquired	Exercised	Expired/ forfeited	Balance at the end of the year
Options over ordinary shares					
Poh Kiat *		27,584,469	-	(27,584,469)	-
Kit Foo Chye	2,021,096	-	-	(771,096)	1,250,000
KC Freddie Heng	32,243,454	-	-	(32,243,454)	-
Michael Sadler **	2,674,926	-	-	(2,674,926)	-
Peter Malkin **	2,334,080	-	-	(2,334,080)	-

* Acquired represents Mr Kiat becoming a member of key management personnel on 26 August 2009.
** Expired/forfeited represents no longer a key management personnel as Mr Sadler and Mr Malkin retired on 27 November 2009.

2009	Balance at the start of the year	Acquired	Exercised	Expired/ forfeited	Balance at the end of the year
Options over ordinary shares					
Michael Sadler	2,674,926	-	-	-	2,674,926
Peter Malkin	2,334,080	-	-	-	2,334,080
Kit Foo Chye	2,021,096	-	-	-	2,021,096
KC Freddie Heng	32,243,454	-	-	-	32,243,454
Paul Pupazzoni **	4,359,724	-	-	(4,359,724)	-

** Expired/forfeited represents no longer a key management personnel as Mr Pupazzoni resigned on 28 November 2008.

Related party transactions
Related party transactions are set out in note 23.

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, and its related practices:

	Consolidated	
	2010 $	2009 $
Audit services - PricewaterhouseCoopers		
Audit or review of the financial report	56,205	45,000
Other services - PricewaterhouseCoopers		
Taxation services	6,000	
Scrutineer fees	2,000	-
	8,000	-
	64,205	45,000
Audit services - unrelated practices		
Audit or review of the financial report	-	24,284

Note 21. Contingent liabilities

The directors are not aware of any contingent liabilities to which the consolidated entity may be exposed to as at 30 June 2010 (2009: nil) and into the foreseeable future, which have not been noted with these financial statements.

In the prior year, the consolidated entity reported a contingency in respect of Comet Enterprises (Tas) Pty Ltd, a former contractor to the consolidated entity that went into voluntary administration in February 2006. At the reporting date the consolidated entity has not recognised any contingency as the liquidator for Comet has not issued a claim on the consolidated entity by 30 June 2010.

Note 22. Commitments for expenditure

	Consolidated	
	2010	2009
	$	$
Exploration & evaluation expenditure payable		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	681,324	557,153
One to five years	1,472,391	1,451,792
	2,153,715	2,008,945

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

Note 23. Related party transactions

Parent entity
Synergy Metals Limited is the parent entity and ultimate parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

Joint ventures
Interests in joint ventures are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 19 and the directors' report.

Transactions with related parties
There were no transactions with related parties during the financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the reporting date.

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

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent 2010 $	Parent 2009 $
Loss after income tax	(1,234,212)	(1,228,429)
Total comprehensive income	(1,234,212)	(1,228,429)

Statement of financial position

	Parent 2010 $	Parent 2009 $
Total current assets	859,243	616,617
Total assets	19,109,759	18,936,276
Total current liabilities	65,651	126,394
Total liabilities	65,651	126,394
Equity		
Contributed equity	49,542,731	48,074,293
Accumulated losses	(30,498,623)	(29,264,411)
Total equity	19,044,108	18,809,882

The parent entity had no contingent liabilities at 30 June 2010 and 30 June 2009.

Commitments
The parent entity had no commitments for expenditure at 30 June 2010 and 30 June 2009.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Subsidiaries

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

Name of entity	Country of incorporation	Equity holding 2010 %	Equity holding 2009 %
Australian Gold Mines Pty Ltd	Australia	100.00	100.00
Synergy Exploration Pty Ltd	Australia	100.00	100.00
Mt Wills Gold Mines Pty Ltd*	Australia	100.00	100.00
Glen Wills Goldfields Pty Ltd**	Australia	100.00	100.00

* Owned 100% by Australian Gold Mines Pty Ltd
** Owned 100% by Mt Wills Gold Mines Pty Ltd

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

On 23 July 2010, an application for the voluntary deregistration of Glen Wills Goldfields Pty Ltd was submitted to the Australian Securities and Investments Commission ('ASIC').

On 27 July 2010, the company incorporated a new 100% owned subsidiary Mitta Omeo Metals Pty Ltd.

Note 26. Interest in joint venture

Joint venture	Principal activities	Consolidated Percentage interest 2010 %	Consolidated Percentage interest 2009 %
Kalgoorlie, Western Australia	Mining exploration	-	51.00

Synergy Exploration Pty Ltd ('SEL') had a joint venture with Clara Resources Pty Ltd ('Clara') formerly called Cossack Resources Pty Ltd, the holder of the remaining 49% of the tenements. On 7th July 2009, SEL discontinued its interest in the Kalgoorlie, Western Australia tenement as the consolidated entity assessed there are no foreseeable future benefits from the venture.

Note 27. Events occurring after the reporting date

In September 2010, the Victorian Department of Primary Industries renewed MIN 4921 and EL 3916 for a further two years.

No other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2010 $	Consolidated 2009 $
Loss after income tax expense for the year	(1,033,799)	(988,482)
Adjustments for:		
Depreciation and amortisation	244,301	234,276
Net loss on disposal of non-current assets	2,125	-
Interest income	(28,835)	(103,837)
Interest expense	7	1,291
Net exploration and development expenditure movements	-	248,493
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(38,838)	89,916
Decrease in trade and other payables	(39,293)	(194,553)
Increase/(decrease) in other provisions	(7,571)	7,571
Net cash used in operating activities	(901,903)	(705,325)

Note 29. Earnings per share

	Consolidated 2010 $	Consolidated 2009 $
Loss after income tax attributable to the owners of Synergy Metals Limited	(1,033,799)	(988,482)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	693,710,765	614,868,816
Weighted average number of ordinary shares used in calculating diluted earnings per share	693,710,765	614,868,816
	Cents	**Cents**
Basic earnings per share	(0.15)	(0.16)
Diluted earnings per share	(0.15)	(0.16)

At 30 June 2010, option holders held a total of 172,517,490 options exercisable at amounts in the range from 3 cents per share to 6 cents per share (2009: 352,219,690 options exercisable in the range from 3 cents to 6 cents per share). For the purposes of calculating the earnings (loss) per share, it has been assumed that option holders will not exercise their options. Therefore, the options have been classified as anti-dilutive and the diluted loss per share is the same as the basic loss per share.

Synergy Metals Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Poh Kiat
Non-Executive Chairman

14 September 2010
Melbourne

PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
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Independent auditor's report to the members of Synergy Metals Limited

Report on the financial report

We have audited the accompanying financial report of Synergy Metals Limited (the company), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Synergy Metals Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Synergy Metals Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of Synergy Metals Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which comments on the company's continuation as a going concern depending on its success in obtaining additional funding to finance ongoing exploration activities. This condition, along with other matters as set forth in Note 1, indicate there is significant uncertainty as to whether the company will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Synergy Metals Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Peter Buchholz
Partner

Melbourne
14 September 2010

Synergy Metals Limited
Shareholder information
30 June 2010

The shareholder information set out below was applicable as at 31 August 2010.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	639	30
1,001 to 5,000	251	49
5,001 to 10,000	170	61
10,001 to 100,000	1,035	260
100,001 and over	693	148
	2,788	548
Holding less than a marketable parcel	1,550	

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Ewe Ghee & C Y Lim	41,965,000	5.69
HSBC Custody Nominees	38,902,336	5.27
Kiat & Ju-Lynn Poh	38,584,469	5.23
Sik Ern Wong	33,864,000	4.59
Keng Chuen Tham	30,000,000	4.07
National Nominees Ltd	19,291,671	2.61
John H & P J Laughton	12,674,420	1.72
Darren Moses	9,254,482	1.25
David K & R M Edwards	9,000,000	1.22
Citicorp Nominees Pty Ltd	8,587,529	1.16
Ivan Prgomet	7,500,000	1.02
Dennis Bell <The Dennis Bell Family A/C>	7,459,722	1.01
Soon Jeung Yuen	7,023,195	0.95
Pok Seng Kong	7,000,000	0.95
Anthony Vincent Sammut	7,000,000	0.95
Pheng Hong Chua	6,851,265	0.93
Lee Luang Yeo	6,755,577	0.92
Rand Mining NL	6,543,750	0.89
Dock Strap Pty Ltd <Bell Super Fund>	6,259,977	0.85
Tribune Resources NL	6,093,750	0.83
	310,611,143	42.11

	Options over ordinary shares	
	Number held	% of total options issued
Tigermoth Investments Ltd	28,607,750	16.59
Wesley Kingsford Sebire & John Kantor <W K Sebire Super Fund>	8,000,000	4.64
John Haydon Laughton & Pamela Jane Laughton <JH & PJ Laughton Super Fund>	5,687,500	3.30
Michael Joseph Turner & Caroloyn Marguerite Turner	4,792,090	2.78
Dennis Loh	4,100,000	2.38
Estarleech Pty Ltd <Westaway Family A/C>	3,980,000	2.31
Jacobs Corporation Pty Ltd	3,977,290	2.31
Plasiance Pty Ltd	3,750,000	2.18
Isaiah Sixty Pty Ltd	3,100,000	1.80
Anthony John Vetter	2,825,000	1.64
Charles Mac	2,804,643	1.63
Teklink Pty Ltd <B & G Family A/C>	2,550,000	1.48
Pickburn Nominees Pty Ltd	2,500,000	1.45
Ivan Prgomet	2,500,000	1.45
Dennis Bell <The Dennis Bell Family A/C>	2,280,000	1.32
Ashretep Pty Ltd	2,250,000	1.31
Rand Mining NL	2,181,250	1.27
Dock Strap Pty Ltd <Bell Super Fund>	2,162,251	1.25
David Keith Edwards & Roberta May Edwards	2,125,000	1.23
Prom Gas Pty Ltd	2,100,000	1.22
	92,272,774	53.54

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued:		
SMLAI: Options, expiring 31 October 2012, exercise price $0.06	100,932	9

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Ewe Ghee & C Y Lim	41,965,000	5.69
HSBC Custody Nominees	38,902,336	5.27
Kiat & Ju-Lynn Poh	38,584,469	5.23

	Options over ordinary shares	
	Number held	% of total options issued
Tigermoth Investments Ltd	28,607,750	16.59

Synergy Metals Limited
Shareholder information
30 June 2010

Voting rights
The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.

Tenements

Tenement number		**Area**	**Interest owned**
Area: Victoria	*Beneficial owner*		
MIN 4921,EL 3916	Mt Wills Gold Mines Pty Ltd	Glenn Wills	100.00%
EL 4717, EL 4818	Australian Gold Mines Pty Ltd	Benambra	100.00%
EL 4744	Mt Wills Gold Mines Pty Ltd	Granite Flat	100.00%
ELA 5300 *	Mt Wills Gold Mines Pty Ltd	Banimboola	
* under application			
Area: Western Australia	Beneficial owner		
E 36/180, E 36/193	*Synergy Metals Ltd*	South McClure/ Warrida Wells	100.00%

Synergy have assigned full management, exploration and production rights to Barrick (Australia Pacific) Limited who manage the tenements on behalf of Synergy Metals Ltd in return for 5% net profit interest on production output.

Mineral Resource Inventory as at 31 August 2010

Locality	**Tonnes**	**Grade (g/t)**	**Ounces**
Glen Wills (Au)	338,207	7.04	76,538
Glen Wills Tailings (Au)	112,000	2.60	9,362
Sunnyside (Au)	75,600	7.14	17,354
Glen Wills (Ag)	338,207	10.86	118,121