

APPENDIX 4D

HALF YEAR REPORT

Period ended 31 December 2020

Name of entity: Silver Lake Resources Limited
Current reporting period: 6 months ended 31 December 2020
Previous corresponding reporting period: 6 months ended 31 December 2019

		31 Dec 2020 A\$'000	31 Dec 2019 A\$'000
Revenues from ordinary activities	up 22%	316,324	258,804
Profit from ordinary activities after tax attributable to members	up 48%	65,793	44,586

Dividend information

The Company has not proposed to pay any dividend in respect of the period.

Net tangible assets per share

	31 Dec 2020	31 Dec 2019
Net tangible assets per share	\$0.88	\$0.56

Control gained or lost over entities during the period

There have been no changes in control over entities in the 6 month period ended 31 December 2020.

As at 31 December 2020, the Group has the following interests in unincorporated joint operations:

Joint Operation	Joint Operation Parties	SLR Interest 31 Dec 2020	SLR Interest 31 Dec 2019
Horse Well JV	SLR/Alloy Resources	37.0%	40.0%

The joint operations are not separate legal entities. They are contractual arrangements between participants for the sharing of costs and outputs and do not in themselves generate revenue and profit. The joint operations are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities; thereafter the parties often share exploration and development costs and output in proportion to their ownership of joint operation assets.

There are no other associates or joint venture entities.

Financial results

This report is based on the attached Interim Financial Report which has been reviewed by the Group's auditors, KPMG.

Silver Lake Resources Limited

(ABN 38 108 779 782)

Interim Financial Report For the Six Months Ended 31 December 2020

Corporate Directory

Directors

David Quinlivan
Luke Tonkin
Kelvin Flynn
Peter Alexander

Non-executive Chairman
Managing Director
Non-executive Director
Non-executive Director

Company Secretaries

David Berg
Liz Hough (Resigned 4 September 2020)

Principal Office

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85 South Perth Esplanade
South Perth WA 6151
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Fax: +61 8 6313 3888
Email: contact@slrltd.com.au

Registered Office

Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
South Perth WA 6151

Share Register

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Tel: 1300 850 505

Auditors

KPMG
235 St George's Terrace
Perth WA 6000

Internet Address

www.silverlakeresources.com.au

ABN 38 108 779 782

ASX Code: SLR

	Page
Directors' Report	3
Directors' Declaration	10
Auditor's Independence Declaration	11
Independent Review Report	12
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Condensed Consolidated Statement of Financial Position	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Financial Statements	18

Directors' Report

The Directors present their report for the half year ended 31 December 2020.

DIRECTORS

The names and details of the Company's Directors in office during the six months and until the date of this report are as follows. The Directors were in office for the entire period unless otherwise stated.

David Quinlivan	Non-executive Chairman	Appointed 25 June 2015
Luke Tonkin	Managing Director	Appointed 14 October 2013
Kelvin Flynn	Non-executive Director	Appointed 24 February 2016
Peter Alexander	Non-executive Director	Appointed 5 April 2019

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were exploration, mine development, mine operations and the sale of gold and gold/copper concentrate in Australia.

The Group currently has 7 mines and 2 processing facilities in operation across its Deflector and Mount Monger operations with significant potential for organic growth from its portfolio of highly endowed and prospective tenement holdings.

GROUP FINANCIAL OVERVIEW

The Group recorded a net profit after tax for the period of \$65.8 million (H1 FY20: \$44.6 million) and an EBITDA (before significant items) of \$160.0 million (H1 FY20: \$116.7 million). A reconciliation between the statutory profit after tax and the Group's underlying operating results is tabled on page 8. This reconciliation is an unaudited non-IFRS measure that, in the opinion of the Board, provides useful information to assess the operating performance of the Group.

Revenue for the period totalled \$316.3 million from the sale of 130,354 ounces of gold equivalent¹ at an average realised gold sale price of A\$2,400/oz and copper price of A\$9,303/t compared with revenue of \$258.8 million from 127,459 ounces of gold equivalent (@ A\$2,011/oz) in the previous corresponding period. The increase in revenue reflects a 4% increase in gold ounces sold and higher commodity prices in the period.

Cost of sales increased to \$215.4 million in the period (H1 FY20: \$194.5 million). The All-in Sustaining Cost (AISC) for the half year was A\$1,502/oz (H1 FY20: A\$1,223oz), reflecting the elevated strip ratio during the waste stripping phase of the Karonie South open pit and the introduction of Santa Underground costs for the first time in the AISC calculation.

Operating cash flow for the period was \$160.5 million (H1 FY20: \$99.2 million) and resulted in an increased cash and bullion balance at 31 December 2020 of \$315.4 million. Investing activities for the period included:

- Acquisition of plant and equipment of \$26.4 million
- Mine capital development of \$45.1 million
- Exploration expenditure of \$13.4 million.

¹ All gold equivalency calculations assume a gold price of A\$2,400/oz, copper price of A\$8,400/t and a 10% payability reduction for treatment and refining charges

Directors' Report

REVIEW OF OPERATIONS

MOUNT MONGER OPERATION

Mining

Ore mined from the three Mount Monger Mining Centres totalled 1,059,681 tonnes at a grade of 2.5 g/t Au for 86,528 contained ounces.

Underground Mining

Mount Monger underground mine production for the period totalled 440,559 tonnes at 4.4 g/t for 61,865 ounces.

The Daisy Complex produced 130,590 tonnes at 5.4 g/t for 22,770 contained ounces, with production sourced from the Haoma West, Lower Prospect and remnant mining areas. Development commenced at the Easter Hollows zone and encouragingly the performance of the development drives to date support the geological interpretation. The Easter Hollows zone presents a significant opportunity for the Daisy Complex, with an identified ~1 kilometre plunge extent defined by broadly spaced drilling.

The Mount Belches underground mines (Maxwells, Cock-eyed Bob and Santa) produced 309,969 tonnes at 3.9 g/t for 39,095 contained ounces, representing 70% of the underground mine ounces at Mount Monger. Stopping commenced at Santa in mid-September 2020 and will contribute an increasing proportion of Mount Belches tonnage for the remainder of FY21.

Open Pit Mining

Open pit mining at Karonie South totalled 619,122 tonnes at 1.2 g/t for 24,663 contained ounces. The reduced production reflects the completion of the Harrys Hill and French Kiss open pits in the prior period and transition to Karonie South in H1 FY21.

At Karonie South, material movement was 2,104,118 bcm for 619,122 tonnes at 1.2 g/t and 24,663 ounces. Ore tonnages and grades will progressively increase in the second half of the financial year as waste stripping reduces. Mining at Karonie South is expected to be completed during Q1 FY22.

Grade control drilling of the Tank and Atreides open pits was completed during the period with mining at the pits expected to commence in Q4 FY21 to dovetail with increased excavator and fleet availability as material movements reduce at Karonie South. The Tank open pit is the first stage of an integrated open pit/underground operation with portal access to the Tank South underground located in the future open pit.

Processing

Ore milled for the period totalled 654,288 tonnes at a blended grade of 3.4 g/t Au for 68,354 recovered ounces. The high grade underground mines provided ~69% of the mill feed with the balance sourced from the lower grade open pit mines. Consistent with guidance, milled grades are expected to be higher in the second half as higher grade underground stopping areas are established and access to higher grade ore zones in the Karonie South pit is established.

Directors' Report

DEFLECTOR OPERATION

Deflector Mining

Deflector mine production for the period totalled 323,682 tonnes at 5.4 g/t gold for 56,180 ounces and 0.26% copper. Production was sourced from the Link, Central and Western Lodes, with ~61% of mined ore tonnes sourced from stoping.

The portal to access the higher tenor Deflector South West lodes was established in December 2020, with 50 metres of development advance completed at period end and is on track for first ore development in Q1 FY22.

Rothsay Mining

At Rothsay, underground development continued to focus on capital development and decline advance, with 1,179 metres of underground development completed and first development ore from the Woodleys lode mined.

Underground development will continue to focus on capital development and decline advance throughout the remainder of FY21 to provide access to the northern section of the mine and multiple working areas for FY22 and beyond.

Processing

Mill throughput was 334,652 tonnes at an average gold grade of 5.5 g/t and copper grade of 0.3%. Total gold recovery was 86.8% with copper recovery of 88.7%. Concentrate production totalled 5,215 tonnes with an average gold grade of 94 g/t gold and 17% copper.

Production for the period totalled 51,474 ounces gold and 834 tonnes copper.

The Deflector plant upgrade project made significant progress during the period with the Andy Well CIP infrastructure successfully relocated to site, earthworks completed and civil works and tank installation well underway. The project remains on schedule for integration with the existing gravity and flotation circuits in Q4 FY21. The investment in FY21 will see the Deflector Operation exit FY21 with an upgraded processing facility and significant opportunity to deliver production, mine life and cashflow growth.

Group Mining and Production Statistics

Mount Monger Mining	Units	H1 FY21	H1 FY20
<u>Underground</u>			
Ore mined	Tonnes	440,559	316,735
Mined grade	g/t Au	4.4	5.7
Contained gold	Oz	61,865	58,337
<u>Open Pit</u>			
Ore mined	Tonnes	619,122	639,939
Mined grade	g/t Au	1.2	2.0
Contained gold	Oz	24,663	41,021
Deflector Mining			
<u>Underground</u>			
Ore mined	Tonnes	323,682	345,278
Mined grade	g/t Au	5.4	5.6
Contained gold	Oz	56,180	62,107
Copper grade	%	0.3	0.5
Contained copper	Tonnes	846	1,589

Directors' Report

Rothsay Mining	Units	H1 FY21	H1 FY20
<u>Underground</u>			
Ore mined	Tonnes	6,047	-
Mined grade	g/t Au	2.98	-
Contained gold	Oz	580	-
Group Mining			
Total ore mined	Tonnes	1,389,410	1,301,952
Mined grade	g/t Au	3.2	3.9
Contained gold	Oz	143,288	161,465
Copper grade	%	0.3	0.5
Contained copper	Tonnes	846	1,589

Table 1

Mount Monger Processing	Units	H1 FY21	H1 FY20
Ore milled	Tonnes	654,288	610,167
Head grade	g/t Au	3.4	4.1
Recovery	%	94.2	93.9
Gold produced	Oz	68,354	75,912
Gold sold	Oz	72,006	72,971
Deflector Processing			
Ore milled	Tonnes	334,652	326,480
Gold grade	g/t Au	5.5	5.5
Copper grade	%	0.3	0.5
Gold recovery	%	86.8	89.6
Copper recovery	%	88.7	93.2
Gold produced	Oz	51,474	51,839
Gold sold	Oz	55,416	49,785
Copper recovered	Tonnes	834	1,424
Copper sold	Tonnes	931	1,306
Group Processing			
Ore milled	Tonnes	988,940	936,647
Gold grade	g/t Au	4.1	4.6
Copper grade	%	0.3	0.5
Gold produced	Oz	119,828	127,751
Gold sold	Oz	127,422	122,757
Copper recovered	Tonnes	834	1,424
Copper sold	Tonnes	931	1,306

Table 2

Directors' Report

EXPLORATION

Silver Lake invested \$13.4 million in exploration during the period to advance the high-grade projects within established and proven mineralised corridors proximal to established infrastructure.

Exploration success was reported at both the Mount Monger and Deflector operations during the period.

Deflector

Further high-grade gold/copper mineralisation was intersected at Deflector South West during the period as part of ongoing underground Resource definition drilling. The results from this drilling continue to demonstrate continuity of the South West lodes beyond the Ore Reserve, with 9 of 16 holes intersecting visible gold and 21 assays of greater than 10 gram-metres recorded.

Defining further extensions to South West Lodes and potential Deflector repeats within the prospective untested basalt host stratigraphy remains one of the highest priority exploration targets for Silver Lake, with the South West lodes located adjacent to mine, services and processing infrastructure.

Mount Monger

At Mount Monger, ongoing underground drilling is focused on Resource definition and extensions at established underground mines.

Surface drilling recommenced at Santa to infill the expanded Santa Mineral Resource with mine planning work well advanced for a potential open pit. The potential open pit will incorporate the cut back of the 3 previously mined deposits extending from Fly Camp to Santa Craze. Most of the current Santa Mineral Resource reports to the higher confidence Indicated category and the scale of the Santa Mineral Resource provides the potential to significantly de-risk and increase the Mount Monger life of mine and deliver baseload feed in excess of 5 years.

Drilling at the highly prospective SATA trend within the Aldiss Mining Centre at Mount Monger continued to deliver promising results. The discovery of a new broad zone of high-grade mineralisation to the south of the historical Tank Mineral Resource in December 2018, and its subsequent progression into Ore Reserves, highlights the significant exploration potential of the >6km mineralised SATA trend. Following infill drilling and the announcement of a maiden Ore Reserve at Tank South, Silver Lake has refocused SATA trend exploration targeting extensions and repetitions of known mineralisation.

Directors' Report

STRATEGY

The Group's short to medium term strategy is to maximise returns to shareholders. This will be achieved by:

- Maximising the value of our established asset base;
- Investing in exploration to target extensions to known resources and the discovery of new deposits proximal to existing infrastructure; and
- Creating new opportunities to compete for capital.

Key risks associated with delivering on the Group's strategy include:

- price and demand for gold - it is difficult to accurately predict future demand and gold price movements and such movements may adversely impact on the Group's profit margins, future development and planned future production
- exchange rates - the Group is exposed to the Australian dollar currency risk on gold sales, which are denominated in US dollars. Therefore, revenue will be affected by movements in the US dollar gold price or movement in the Australian Dollar exchange rate (against the US dollar)
- Reserves and Resources - the Mineral Resources and Ore Reserves for the Group's assets are estimates only and no assurance can be given that they will be realised
- operations - the Group's operations are subject to operating risks that could result in decreased production, increased costs and reduced revenues. Operational difficulties may impact the amount of gold produced, delay deliveries or increase the cost of mining for varying lengths of time
- exploration success - no assurance can be given that exploration expenditure will result in future profitable operating mines
- unforeseen disruptions to mine and processing operations caused by COVID-19.

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded an after tax profit for the financial period of \$65.8 million. This profit includes a number of significant items, such as depreciation/amortisation and profit/loss on disposal of assets that, in the opinion of the directors, need adjustment to enable shareholders to obtain an understanding of the results from operations. The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) excluding these significant items are outlined in the table below:

Reconciliation of Statutory Profit after Tax to EBITDA (excluding significant items) - Unaudited	H1 FY21 \$'000	H1 FY20 \$'000
Statutory profit after tax for the period:	65,793	44,586
<i>Adjustments for:</i>		
Depreciation & amortisation	66,416	61,484
Business combination expenses	-	4,108
Net finance costs (includes change in fair value of listed investments)	2,458	1,215
Income tax expense	27,170	-
Exploration expensed/impaired	2,699	5,385
Impairment on asset held for sale	3,018	-
Profit on sale of assets	(7,506)	(58)
EBITDA (excluding significant items) *	160,048	116,720

* Non-IFRS measure

Directors' Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group that occurred during the period under review.

AUDITOR'S INDEPENDENCE

Section 307C of the Corporations Act 2001 requires Silver Lake's auditors, KPMG, to provide the Directors of Silver Lake with an Independence Declaration in relation to the audit of the interim financial report for the six months ended 31 December 2020. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

SUBSEQUENT EVENTS

Subsequent to period end, the Company completed the sale of the Andy Well and Gnaweeda projects to Latitude Consolidated Limited for cash consideration of \$8 million. Refer to Note 9 for additional information.

In February 2021, the Company awarded a new 4-year underground mining services contract to McMahon Holdings Limited relating to the Deflector Operation. As a result of this award, the Group estimates that it will recognise additional right-of-use assets and additional lease liabilities in the range of \$22 - \$25 million at 30 June 2021, as required under AASB 16 Leases.

Signed in accordance with a resolution of the Directors.



Luke Tonkin
Managing Director
23 February 2021

Directors' Declaration

In the opinion of the Directors:

- a) The consolidated financial statements and notes of the Group are in accordance with the Corporations Act 2001 including:
 - i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the six month period then ended; and
 - ii) Complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*
- b) 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 declaration is signed in accordance with a resolution of the Board of Directors.



Luke Tonkin
Managing Director
23 February 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Silver Lake Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Silver Lake Resources Limited for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Derek Meates', written over a light blue horizontal line.

Derek Meates
Partner

Perth

23 February 2021



Independent Auditor's Review Report

To the shareholders of Silver Lake Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Silver Lake Resources Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Silver Lake Resources Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the six months ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2020
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the six months ended on that date
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Silver Lake Resources Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the six months ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Derek Meates
Partner

Perth

23 February 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
Revenue	4	316,324	258,804
Cost of sales	5	(215,445)	(194,465)
Gross profit		100,879	64,339
Other income		464	-
Profit on sale of assets	7	7,506	58
Exploration expenditure		(2,699)	(5,385)
Business combination expenses		-	(4,108)
Administrative expenses		(7,711)	(9,103)
Impairment losses	9	(3,018)	-
Results from operating activities		95,421	45,801
Finance income		635	658
Finance expenses		(3,093)	(1,873)
Net finance costs	6	(2,458)	(1,215)
Profit before income tax		92,963	44,586
Income tax expense	8	(27,170)	-
Profit for the period		65,793	44,586
Other comprehensive income		-	-
Total comprehensive income for the period		65,793	44,586
Profit and comprehensive income attributable to:			
Owners of the Company		65,793	44,595
Non-controlling interest		-	(9)
		65,793	44,586
Earnings per share		Cents Per Share	Cents Per Share
Basic earnings per share		7.47	5.40
Diluted earnings per share		7.41	5.35

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to these consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
Current Assets			
Cash and cash equivalents		310,478	256,993
Trade and other receivables		9,380	6,652
Inventories		72,377	69,456
Prepayments		80	274
Asset held for sale	9	14,276	-
Total Current Assets		406,591	333,375
Non-Current Assets			
Inventories		18,679	14,119
Exploration, evaluation and development expenditure	10	268,363	268,885
Property, plant and equipment		152,126	131,139
Investments		13,765	6,352
Deferred tax asset		96,572	123,742
Goodwill		90,695	90,695
Total Non-Current Assets		640,200	634,902
Total Assets		1,046,791	968,277
Current Liabilities			
Trade and other payables	11	74,699	70,730
Finance lease liabilities	12	25,949	22,457
Employee benefits		5,593	5,057
Liabilities held for sale	9	6,276	-
Rehabilitation and restoration provision		800	800
Total Current Liabilities		113,317	99,044
Non-Current Liabilities			
Finance lease liabilities	12	34,058	30,783
Rehabilitation and restoration provision		37,036	42,823
Total Non-Current Liabilities		71,094	73,606
Total Liabilities		184,411	172,650
Net Assets		862,380	795,627
Equity			
Share capital		1,023,106	1,023,106
Reserves		4,938	3,978
Accumulated losses		(165,664)	(231,457)
Total Equity		862,380	795,627

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to these consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

	Share Capital \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Non- Controlling interests \$'000	Total Equity \$'000
Balance at 1 July 2019	960,075	2,475	(488,332)	-	474,218
Total comprehensive income for the period	-	-	44,595	(9)	44,586
Transactions with owners, recorded directly in equity					
Issue of securities	52,883	-	-	-	52,883
Equity settled share based payment	-	725	-	-	725
Total contributions and distributions	52,883	725	-	-	53,608
Changes in ownership interests					
Acquisition of subsidiary with NCI	-	-	-	10,164	10,164
Acquisition of non-controlling interest	8,455	-	-	(8,455)	-
Total transactions with owners of the Company	61,338	725	-	1,709	63,772
Balance at 31 December 2019	<u>1,021,413</u>	<u>3,200</u>	<u>(443,737)</u>	<u>1,700</u>	<u>582,576</u>
Balance at 1 July 2020	1,023,106	3,978	(231,457)	-	795,627
Total comprehensive profit for the period	-	-	65,793	-	65,793
Transactions with owners, recorded directly in equity					
Equity settled share based payment	-	960	-	-	960
Balance at 31 December 2020	<u>1,023,106</u>	<u>4,938</u>	<u>(165,664)</u>	<u>-</u>	<u>862,380</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to these consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
Cash flow from operating activities		
Cash receipts from customers	313,548	257,276
Cash paid to suppliers and employees	(153,022)	(158,030)
Net cash from operating activities	160,526	99,246
Cash flow from investing activities		
Interest received	635	658
Sale of investment	-	668
Sale of plant and equipment	347	-
Cash acquired on acquisition	-	90
Acquisition of plant and equipment	(26,413)	(8,253)
Acquisition of investment	(1,493)	(503)
Payment of stamp duty	(6,830)	-
Exploration, evaluation and development expenditure	(58,553)	(31,789)
Net cash used in investing activities	(92,307)	(39,129)
Cash flow from financing activities		
Repayment of lease liabilities	(13,294)	(5,120)
Interest paid	(1,440)	(630)
Net cash from financing activities	(14,734)	(5,750)
Net increase in cash and cash equivalents	53,485	54,367
Cash and cash equivalents at 1 July	256,993	125,073
Cash and cash equivalents at 31 December	310,478	179,440

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

1. Basis of Preparation

Silver Lake Resources Limited ("Silver Lake" or "the Company") is a for profit entity domiciled in Australia. The condensed consolidated financial statements of the Company as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities").

The condensed consolidated financial statements were approved by the Board of Directors on 23 February 2021.

(a) Statement of Compliance

The condensed consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2020.

(b) Functional and Presentation Currency

These consolidated financial statements are prepared in Australian dollars, which is the functional currency of the Company and its subsidiaries. The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191* and in accordance with that Corporations Instrument, all financial information has been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Use of Judgements and Estimates

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2020.

2. Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2020.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have a significant impact on the Group.

3. Segment Reporting

The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of the Australian Accounting Standards. Management has determined that the Group has the following reportable segments, namely:

- i) Mount Monger Operation
- ii) Deflector Operation (including the Rothsay project)

The Group's segments are all located in Western Australia, with the Mount Monger Operation producing gold bullion and the Deflector Operation producing gold bullion and gold-copper concentrate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

Financial information for the reportable segments for the period ended 31 December 2020 is as follows:

31 December 2020	Mount Monger \$'000	Deflector \$'000	Unallocated ² \$'000	Total \$'000
Revenues	162,466	153,858	-	316,324
EBITDA (excluding significant items) ¹	67,042	102,378	(9,372)	160,048
Capital expenditure	44,657	43,556	-	88,213

31 December 2019	Mount Monger \$'000	Deflector \$'000	Unallocated ² \$'000	Total \$'000
Revenues	145,145	113,659	-	258,804
EBITDA (excluding significant items) ¹	65,176	60,220	(8,617)	116,779
Capital expenditure	18,568	10,369	13,207	42,144

¹ A reconciliation between the statutory profit after tax and the Group's EBITDA (excluding significant items) is tabled on page 8

² Unallocated items comprise expenditure for corporate, exploration and business development as well as impairment costs and profit/loss on sale of assets

4. Revenue

	31 December 2020 \$'000	31 December 2019 \$'000
Gold sales	305,673	246,844
Other metal sales	10,651	11,960
Total	316,324	258,804

Included in current year sales is 38,068 ounces of gold sold (at an average price of A\$1,884/ounce) under various hedge programs. At 31 December 2020, the Company had a total of 117,500 ounces of gold left to be delivered under these programs over the next 1.5 years at an average price of A\$2,233/ounce.

Accounting Policies

Gold bullion sales

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control requires judgement. With the sale of gold bullion, this occurs when physical bullion, from a contracted sale, is transferred from the Company's account into the account of the buyer.

Concentrate Sales

Under AASB 15, revenue is recognised upon receipt of the bill of lading when the concentrate is delivered for shipment. Contract terms for concentrate sales allow for a final price adjustment after the date of sale, based on average market prices and final assays in the period after the concentrate is sold. Average market prices are derived from independently published data with material adjustments between the provisional and final price separately disclosed as other revenue. This typically occurs between 60-80 days after the initial date of sale.

Gold forward contracts

The Group uses derivative financial instruments such as gold forward contracts to manage the risks associated with commodity price. The sale of gold under such hedge instruments is accounted for using the

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

'own use exemption' under AASB 9 *Financial Instruments* and as such all hedge revenue is recognised in the Statement of Profit or Loss and no fair value adjustments are subsequently made to sales yet to be delivered under the hedging program.

5. Cost of Sales

	31 December 2020 \$'000	31 December 2019 \$'000
Mining and processing costs	113,053	103,733
Amortisation	43,941	47,038
Depreciation	22,475	14,446
Salaries and on-costs	25,775	20,745
Royalties	10,201	8,503
	215,445	194,465

Accounting Policies

Mining and processing costs

This includes all costs related to mining, milling and site administration, net of costs capitalised to mine development and production stripping. This category also includes movements in the cost of inventory and any net realisable value write downs.

Amortisation

The Group applies the units of production method for amortisation of its mine properties, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to Reserves and Resources, metallurgy and the complexity of future capital development requirements. These estimates and assumptions are reviewed annually and changes to these estimates and assumptions may impact the amortisation charge in the Statement of Profit or Loss and asset carrying values.

The Group uses ounces mined over mineable inventory as its basis for depletion of mine properties. In the absence of Reserves, the Group believes this is the best measure as evidenced by historical conversion of Resources to Reserves. The Group applies applicable factoring rates when adopting the units of production method to reflect the risk of conversion from the inferred and indicated categories to mineable inventory.

Depreciation

Depreciation is calculated on either a reducing balance basis or on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life while processing plants are depreciated on the life of mine basis. Capital work in progress is not depreciated until it is ready for use. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

The estimated useful lives for the current and comparative period are as follows:

	Period
Buildings	7-10 Years
Haul roads	3-5 Years
Plant and equipment	3-10 Years
Office furniture and equipment	3-15 Years
Motor vehicles	3-5 Years
Capital work in progress is not depreciated until it is ready for use.	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

6. Finance Income and Expenses

	31 December 2020 \$'000	31 December 2019 \$'000
Interest income	635	658
Finance Income	635	658
Change in fair value of listed investments	(1,652)	(1,272)
Interest expense on financial liabilities	(1,441)	(601)
Finance Costs	(3,093)	(1,873)
Net Finance Costs	(2,458)	(1,215)

7. Profit on sale of assets

During the period the Company completed the sale of the Fingals and Rowe's Find Gold Project to Black Cat Syndicate Limited (BC8) for cash consideration of \$50,000 and 8,417,962 fully paid ordinary shares in BC8 valued at \$0.88 per share as at 2 July 2020. The Group recognised a profit on sale of the assets of \$7.5 million.

8. Income Tax

The Group recognised an income tax expense of \$27,170,000 for the half year. The expense was applied against the Group's deferred tax assets, reducing the balance to \$96,572,000 at 31 December 2020 (June 2020: \$123,742,000).

At 31 December 2020 the Company has \$383,427,000 of tax losses remaining for offset against future taxable profits (June 2020: \$422,399,000 loss).

9. Asset/Liability held for sale

In December 2020, the Company announced it had agreed to divest the Andy Well and Gnaweeda projects to Latitude Consolidated Limited for cash consideration of \$8 million. Completion of the sale occurred on 15 February 2021.

As a result of the sale, the Group recognised an impairment of \$3.0 million as at 31 December 2020.

Accounting Policies

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

10. Exploration, Evaluation and Development Expenditure

During the period ended 31 December 2020 the Group incurred and capitalised the following on exploration, evaluation and development expenditure:

	31 December 2020 \$'000	30 June 2020 \$'000
Exploration and evaluation phase		
Cost brought forward	36,791	49,597
Acquired in a business combination	-	64,527
Expenditure during period	5,641	16,238
Expensed/impaired during period	(1,450)	(10,306)
Transferred to asset held for sale	(10,112)	-
Transferred to development phase	(1,026)	(83,265)
Balance at period end	29,844	36,791
Development phase		
Cost brought forward	66,726	5,190
Transferred from exploration and evaluation phase	1,026	83,265
Rehabilitation provision adjustment	537	2,199
Expenditure during the period	12,709	-
Expensed during period	(1,249)	-
Transferred to production phase	(1,026)	(23,928)
Balance at period end	78,723	66,726
Production phase		
Cost brought forward	165,338	162,813
Transferred from development phase	1,026	23,928
Expenditure during the year	42,902	67,414
Transferred to asset held for sale	(2,511)	-
Expensed/impaired during period	(3,018)	-
Rehabilitation provision adjustment	-	1,608
Amortisation expense	(43,941)	(90,425)
Balance at period end	159,796	165,338
Total	268,363	268,855

11. Trade and other payables

	31 December 2020 \$'000	30 June 2020 \$'000
Trade payables	58,276	48,846
Other payables	16,423	21,884
Total	74,699	70,730

Accounting Policies

Trade payables are recognised at the value of the invoice received from a supplier. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2020

when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid between 30-45 days of recognition.

12. Finance Leases

	31 December 2020 \$'000	30 June 2020 \$'000
Finance Lease Liabilities		
Current lease liabilities	25,949	22,457
Non-current lease liabilities	34,058	30,783
Total lease liabilities	60,007	53,240

At 31 December 2020 the Group recognised additional right-of-use assets of \$20.1 million (H1 FY20: nil) and lease liabilities of \$20.1 million (H1 FY20: nil).

	31 December 2020 \$'000	30 June 2020 \$'000
Right of use assets	58,704	52,274
Finance lease liabilities	60,007	53,240

In addition, the Group has recognised depreciation and interest costs, instead of operating lease expenses. For the period ended 31 December 2020, the Group recognised \$13.2 million of lease liability repayments (H1 FY20: \$5.1 million), \$11.4 million of depreciation charges (H1 FY20: \$5.3 million) and \$1.4 million of interest costs (H1 FY20: \$0.6 million) in relation to these leases.

13. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2020.

Hedging

At 31 December 2020, the Company had a total of 117,500 ounces left to be delivered under its hedging programmes at an average forward price of A\$2,233/ounce.

The sale of gold under these hedges is accounted for using the 'own use exemption' under AASB 9 Financial Instruments and as such all hedge revenue is recognised in the Profit and Loss and no mark to market valuation is performed on undelivered ounces.

14. Subsequent Events

Subsequent to period end, the Company completed the sale of the Andy Well and Gnaweeda projects to Latitude Consolidated Limited for cash consideration of \$8 million. Refer to Note 9 for additional information.

In February 2021, the Company awarded a new 4-year underground mining services contract to McMahon Holdings Limited relating to the Deflector Operation. As a result of this award, the Group estimates that it will recognise additional right-of-use assets and additional lease liabilities in the range of \$22 - \$25 million at 30 June 2021, as required under AASB 16 Leases.