

APPENDIX 4D

HALF YEAR REPORT

Period ended 31 December 2021

Name of entity: Silver Lake Resources Limited
Current reporting period: 6 months ended 31 December 2021
Previous corresponding reporting period: 6 months ended 31 December 2020

		31 Dec 2021 A\$'000	31 Dec 2020 A\$'000
Revenues from ordinary activities	down 3%	307,598	316,324
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	down 2%	157,601	160,048
Profit after tax	down 32%	44,476	65,793
Net tangible assets per share	up 1%	\$0.89	\$0.88

¹ Refer to Page 8 of Interim Financial Report for reconciliation between profit after tax and EBITDA

Dividend information

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

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 2021. As at 31 December 2021, the Group held no interest in any associate or joint venture entity.

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 2021

Corporate Directory

Directors

David Quinlivan
Luke Tonkin
Kelvin Flynn
Rebecca Prain
Peter Alexander

Non-executive Chairman
Managing Director
Non-executive Director
Non-executive Director (appointed 17 August 2021)
Non-executive Director (resigned 17 August 2021)

Company Secretary

David Berg

Principal Office

Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
South Perth WA 6151
Tel: +61 8 6313 3800
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

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Directors' Report

The Directors present their report for the half year ended 31 December 2021.

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
Rebecca Prain	Non-executive Director	Appointed 17 August 2021
Peter Alexander	Non-executive Director	Resigned 17 August 2021

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 multiple 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.

The Group's operations over the last 24 months have been disrupted by COVID-19, however it has adapted and mitigated, as far as practicable, the risks this infectious disease presents. Given the industry framework in which Silver Lake operates and the Group's strong debt free balance sheet, Silver Lake will continue to actively pursue its exploration, production and growth objectives, subject to the evolving and unforeseen impacts of COVID-19.

GROUP FINANCIAL OVERVIEW

The Group recorded a net profit after tax for the period of \$44.5 million (H1 FY21: \$65.8 million) and an EBITDA (before significant items) of \$157.6 million (H1 FY21: \$160.0 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 \$307.6 million from the sale of 126,718 ounces of gold equivalent¹ at an average realised gold sale price of A\$2,418/oz and copper price of A\$12,800/t compared with revenue of \$316.3 million from the sale of 130,354 ounces of gold equivalent at an average realised gold sale price of A\$2,400/oz) in the previous corresponding period. The marginal decrease in revenue reflects 3% lower gold equivalent sales, partly offset by higher commodity prices in the period.

Cost of sales increased to \$231.2 million in the period (H1 FY21: \$215.4 million) driven by higher depreciation and amortisation expenses of \$87.9 million (H1 FY21: \$66.4 million) associated with the Deflector mill upgrade and commencement of mining operations at Rothsay. The All-in Sustaining Cost (AISC) for the half year was A\$1,597/oz (H1 FY21: A\$1,502/oz) with the increase reflecting a combination of broader industry cost pressures and the impact of movements in underlying physicals.

¹ All gold equivalency calculations assume a gold price of A\$2,300/oz, copper price of A\$12,000/t and a 10% payability reduction for treatment and refining charges

Directors' Report

Operating cash flow for the period was \$120.1 million (H1 FY21: \$160.5 million) with cash and bullion at 31 December 2021 of \$277.9 million. Investing activities for the period included:

- Outflows relating to the Harte Gold acquisition of \$101.9 million
- Mine capital development of \$45.3 million
- Exploration expenditure of \$10.8 million
- Acquisition of plant and equipment of \$5.5 million.

REVIEW OF OPERATIONS

MOUNT MONGER OPERATION

Mining

Ore mined from the three Mount Monger Mining Centres totalled 1,420,681 tonnes at a grade of 2.2 g/t Au for 98,540 contained ounces.

The Mount Monger Operation continued to be mill constrained with stockpiles increasing by ~28,000 ounces over the half year. Stockpiles at 31 December 2021 were ~3.5 million tonnes containing ~143,000 ounces.

Underground Mining

Mount Monger underground mine production for the period totalled 388,115 tonnes at 4.0 g/t for 50,477 ounces.

The Daisy Complex produced 132,796 tonnes at 5.6 g/t for 23,805 contained ounces, with production sourced from the Easter Hollows, Haoma West, Lower Prospect and remnant mining areas.

The Mount Belches underground mines (Maxwells, Cock-eyed Bob and Santa) produced 255,319 tonnes at 3.2 g/t for 26,672 contained ounces, representing 53% of the underground mine ounces at Mount Monger. Underground mining at Santa ceased in November 2021 to allow for a potential open pit operation, subject to finalisation of Mount Monger's open pit mining schedule and the receipt of final regulatory and board approvals to commence Santa open pit mining.

Open Pit Mining

Open pit mining at the Aldiss mining centre totalled 1,032,566 tonnes at 1.4 g/t for 48,063 contained ounces across the Karonie South, Tank and Atreides open pits. Consistent with guidance, open pit mining at Aldiss ceased in December 2021.

Material movement at Karonie South was 270,852 bcm for 357,520 tonnes at 1.7 g/t and 19,634 ounces.

At the Tank and Atreides open pits, material movement totalled 1,132,730 bcm for 675,046 tonnes at 1.3 g/t and 28,429 ounces. The Tank open pit is the first stage of an integrated open pit/underground operation with portal access to the proposed Tank South underground mine located in the open pit.

Processing

Ore milled for the period totalled 649,836 tonnes at a blended grade of 3.4 g/t Au for 66,085 recovered ounces. The high-grade underground mines provided ~65% of the mill feed with the balance sourced from open pit mines and stockpiles.

Exploration success has created a pipeline of projects at Mount Monger to further leverage established infrastructure and enhance mine life visibility. Two near term projects have the potential to commence development in FY23, namely Tank South underground mine and the Santa project area, which includes

Directors' Report

open pit and underground production opportunities. Silver Lake has created ore source production flexibility through its investment in generating ore stockpiles which total 3.5 million tonnes at 1.3 g/t for 143,000 contained ounces. Silver Lake will continue to critically review the commencement of identified mine development opportunities based on COVID-19 restrictions, sustainable access to appropriately trained and competent labour, and prevailing economic parameters, which will limit operating and financial risk exposures that currently exist.

DEFLECTOR OPERATION

Deflector Mining

Deflector mine production for the period totalled 307,706 tonnes at 5.5 g/t gold for 54,116 ounces and 0.2% copper. Production was sourced from the Western, Central and South West Lodes.

Capital underground development continued to focus on the Deflector South West decline, with ore drive development commenced during the period.

Rothsay Mining

Rothsay mined tonnes continued to ramp up during the period with mine production of 108,728 tonnes at 4.2 g/t for 14,846 contained ounces. Underground development continued to increase with 3,390 metres completed during the period, including 1,753 metres of capital development progressing the link drive and southern decline. During the period, 100,622 tonnes were hauled to the Deflector mill.

Processing

Mill throughput was 363,141 tonnes at an average gold grade of 5.6 g/t and copper grade of 0.2%. Total gold recovery was 96.0% with copper recovery of 81.8%. Concentrate production totalled 3,209 tonnes with an average gold grade of 168 g/t gold and copper concentrate grade of 15%.

Production for the period totalled 62,871 ounces gold and 494 tonnes copper.

The addition of the new Deflector carbon-in-pulp (CIP) circuit and commencement of mining at Rothsay have delivered a step change in mill production with average throughput increasing 10%, average mill grade increasing 4% and gold recoveries increasing to 96% (FY21: 88%).

Group Mining and Production Statistics

Mount Monger Mining	Units	H1 FY22	H1 FY21
<u>Underground</u>			
Ore mined	Tonnes	388,115	440,559
Mined grade	g/t Au	4.0	4.4
Contained gold	Oz	50,477	61,865
<u>Open Pit</u>			
Ore mined	Tonnes	1,032,566	619,122
Mined grade	g/t Au	1.4	1.2
Contained gold	Oz	48,063	24,663
Deflector Mining			
<u>Deflector</u>			
Ore mined	Tonnes	307,706	323,682
Mined grade	g/t Au	5.5	5.4
Contained gold	Oz	54,116	56,180
Copper grade	%	0.2	0.3
Contained copper	Tonnes	545	846

Directors' Report

	Units	H1 FY22	H1 FY21
Rothsay			
Ore mined	Tonnes	108,728	6,047
Mined grade	g/t Au	4.2	2.98
Contained gold	Oz	14,846	580
Group Mining			
Total ore mined	Tonnes	1,837,115	1,389,410
Mined grade	g/t Au	2.8	3.2
Contained gold	Oz	167,502	143,288
Copper grade	%	0.2	0.3
Contained copper	Tonnes	545	846

Table 1

Mount Monger Processing	Units	H1 FY22	H1 FY21
Ore milled	Tonnes	649,836	654,288
Head grade	g/t Au	3.4	3.4
Recovery	%	92.4	94.2
Gold produced	Oz	66,085	68,354
Gold sold	Oz	64,212	72,006
Deflector Processing			
Ore milled	Tonnes	363,141	334,652
Gold grade	g/t Au	5.6	5.5
Copper grade	%	0.2	0.3
Gold recovery	%	96.0	86.8
Copper recovery	%	81.8	88.7
Gold produced	Oz	62,871	51,474
Gold sold	Oz	60,388	55,416
Copper recovered	Tonnes	494	834
Copper sold	Tonnes	451	931
Group Processing			
Ore milled	Tonnes	1,012,977	988,940
Gold grade	g/t Au	4.2	4.1
Copper grade	%	0.2	0.3
Gold produced	Oz	128,956	119,828
Gold sold	Oz	124,600	127,422
Copper recovered	Tonnes	494	834
Copper sold	Tonnes	451	931

Table 2

Directors' Report

EXPLORATION

Silver Lake invested \$10.8 million in exploration during the period to advance the high-grade projects within established and proven mineralised corridors proximal to established infrastructure.

During the period ongoing drilling focused on Mineral Resource definition and extensions at established underground mines across the Group. Regional exploration work continued at all mining centres with multiple programs underway to target the discovery of new mineralisation.

Surface and underground exploration drilling continued at the Deflector and Rothsay mines, following on from recent transformational growth of the western and south west lodes at Deflector. With baseload feed secured, exploration at Deflector is now transitioning to advanced near mine targets to leverage the CIP plant upgrade.

At Mount Monger, drilling continues to focus on infill and extensions to Mineral Resources to replace mine depletion, and to explore proven mineralised corridors proximal to existing infrastructure.

STRATEGY

The Group's short to medium term strategy is to deliver superior returns for shareholders by positioning Silver Lake as a leading gold stock on the ASX with a balanced portfolio of operations and growth projects. To achieve this strategic objective, the Group's goal is to become larger, longer life and lower cost. This will be achieved by:

- Pursuing and unlocking the full potential of existing operations;
- Attracting and retaining an experienced team to enable Silver Lake to be an effective operator and developer of mining assets;
- Developing a balanced growth profile through exploration and targeted M&A programs;
- Maintaining the appropriate balance sheet strength and scale to achieve long term growth through the cycle; and
- A returns driven capital management strategy.

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

- Gold price and foreign exchange currency: The Company is exposed to fluctuations in the Australian dollar gold price which can impact on revenue streams from operations. To mitigate downside in the gold price, the Board has implemented a hedging program to assist in offsetting variations in the Australian dollar gold price. Hedging is an agenda item at each Board meeting to ensure it continues to fit within the Company's hedging strategy and is deemed appropriate;
- 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;
- Government charges: The gold mining industry is subject to a number of Government taxes, royalties and charges. Changes to the rates of taxes, royalties and charges can impact on the profitability of the Company. The Company maintains communications with relevant parties to mitigate potential increases;
- Operating risk: The Group's gold mining operations are subject to operating risks that could result in decreased production, increased costs and reduced revenues. To manage this risk the Company seeks to attract and retain high calibre employees and implement suitable systems and processes to ensure production targets are achieved;
- Exploration success: No assurance can be given that exploration expenditure will result in future profitable operating mines;

Directors' Report

- **Environmental:** The Company has environmental liabilities associated with its tenements which arise as a consequence of mining operations, including waste management, tailings management, chemical management, water management and energy efficiency. The Company monitors its ongoing environmental obligations and risks, and implements rehabilitation and corrective actions as appropriate, through compliance with its environmental management system;
- **People risks:** The Company seeks to ensure that it provides a safe workplace to minimise risk of harm to its employees and contractors. It achieves this through an appropriate safety culture, safety systems, training and emergency preparedness;
- **COVID - 19:** COVID - 19 restrictions have had an adverse effect on Silver Lake's access to interstate and overseas labour resources on which it relies. The consequences of this have been higher turnover, lower productivity, and higher costs; and
- The State Government's inability to articulate an appropriate date for borders to reopen and applicable management protocols continue to exacerbate supply chain constraints and limit WA's attractiveness to skilled labour, who for personal reasons, do not wish to reside in Western Australia.

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded an after tax profit for the financial period of \$44.5 million. This profit includes a number of significant items, such as depreciation/amortisation and finance costs 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 FY22 \$'000	H1 FY21 \$'000
Statutory profit after tax for the period:	44,476	65,793
<i>Adjustments for:</i>		
Depreciation & amortisation	87,943	66,416
Business combination expenses	785	-
Net finance costs (includes change in fair value of listed investments)	3,007	2,458
Income tax expense	19,496	27,170
Exploration expensed/impaired	1,894	2,699
Impairment on asset held for sale	-	3,018
Profit on sale of assets	-	(7,506)
EBITDA (excluding significant items) *	157,601	160,048

* Non-IFRS measure

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 2021. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

Directors' Report

SUBSEQUENT EVENTS

Harte Gold Corp. Transaction

On 28 January 2022, the Ontario Superior Court of Justice approved Silver Lake's bid to acquire Harte Gold Corp. ("Harte Gold") under Canada's Companies' Creditors Arrangement Act ("CCAA proceedings"). Harte Gold is a TSX-listed gold mining company which owns and operates the Sugar Zone mine in Ontario, Canada, with an associated 81,287 hectare land package.

Closing of the transaction is anticipated to occur in mid to late February 2022.

The acquisition of Harte Gold involved the execution of multiple transactions including the acquisition of credit facilities (provided by BNP Paribas (BNP) to Harte Gold) by a wholly owned subsidiary of Silver Lake on 19 November 2021 and the provision of a debtor-in-possession loan to Harte Gold in December 2021. These two transactions, totalling \$101.9 million, were funded from Silver Lake's cash reserves and are recorded as a non-current receivable at 31 December 2021.

The consideration payable by Silver Lake under its bid to acquire Harte Gold comprised:

- Approximately US\$74.5 million in credit bid consideration reflecting the value owed to Silver Lake under the credit facilities acquired from BNP and the full amount of the debtor-in-possession loan subsequently made available to Harte Gold during the CCWA proceedings
- Applicable liabilities (including a ~US\$22 million out of the money hedge book) and accounts associated with the operation of the Sugar Zone operation to allow for a transition of operation under Silver Lake ownership
- The full and final satisfaction of finance facility obligations owed by Harte Gold to Appian Capital Advisory LLP ("Appian") totalling ~US\$34.0 million by way of the issuance of shares in Silver Lake, with any shortfall in consideration from share price volatility settled in cash
- Cash consideration for payment of certain priority claims and for the purposes of completing the CCAA proceedings and certain ancillary matters

Furthermore, Silver Lake entered into an agreement with an affiliate of Appian to acquire its aggregate 2.0% net smelter royalty ("NSR") payable on production from the Sugar Zone mine and on the entire Sugar Zone property. Silver Lake will acquire the NSR for consideration of US\$22.0 million payable in Silver Lake shares. The acquisition of the NSR is subject to the successful completion of the acquisition of Harte Gold by Silver Lake.

Share Buy Back

On 7 February 2022 Silver Lake announced it would be undertaking an on-market share buyback for up to 10% of the Company's ordinary shares over the next 12 months.

Signed in accordance with a resolution of the Directors.



Luke Tonkin
Managing Director
18 February 2022

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 2021 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
18 February 2022



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 2021 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

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

KPMG

Derek Meates
Partner

Perth

18 February 2022



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 2021 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 2021.
- 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 12 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 these requirements.



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 2021 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

18 February 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021

	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Revenue	4	307,598	316,324
Cost of sales	5	(231,185)	(215,445)
Gross profit		76,413	100,879
Other income		52	464
Profit on sale of assets		-	7,506
Exploration expenditure		(1,894)	(2,699)
Administrative expenses		(7,592)	(7,711)
Impairment losses		-	(3,018)
Results from operating activities		66,979	95,421
Finance income		179	635
Finance expenses		(3,186)	(3,093)
Net finance costs	6	(3,007)	(2,458)
Profit before income tax		63,972	92,963
Income tax expense	7	(19,496)	(27,170)
Profit for the period		44,476	65,793
Other comprehensive income		-	-
Total comprehensive income for the period		44,476	65,793
Profit and comprehensive income attributable to:			
Owners of the Company		44,476	65,793
Non-controlling interest		-	-
		44,476	65,793
Earnings per share		Cents Per Share	Cents Per Share
Basic earnings per share		5.03	7.47
Diluted earnings per share		4.98	7.41

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 2021

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
Current Assets			
Cash and cash equivalents		267,174	328,890
Trade and other receivables		7,170	6,767
Inventories		75,019	69,584
Prepayments		145	235
Total Current Assets		349,508	405,476
Non-Current Assets			
Other receivables (Harte Gold)	12.1	101,853	-
Inventories		77,804	52,568
Exploration, evaluation and development expenditure	8	260,927	268,160
Property, plant and equipment		155,278	181,831
Investments		11,607	11,391
Deferred tax asset	7	61,250	80,745
Goodwill		90,695	90,695
Total Non-Current Assets		759,414	685,390
Total Assets		1,108,922	1,090,866
Current Liabilities			
Trade and other payables	9	63,559	73,831
Finance lease liabilities	10	27,202	30,294
Employee benefits		7,700	6,303
Rehabilitation and restoration provision		250	250
Total Current Liabilities		98,711	110,678
Non-Current Liabilities			
Finance lease liabilities	10	26,625	39,731
Rehabilitation and restoration provision		41,699	44,679
Total Non-Current Liabilities		68,324	84,410
Total Liabilities		167,035	195,088
Net Assets		941,887	895,778
Equity			
Share capital		1,023,106	1,023,106
Reserves		7,557	5,924
Accumulated losses		(88,776)	(133,252)
Total Equity		941,887	895,778

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 2021

	Share Capital \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
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>862,380</u>
 Balance at 1 July 2021	 1,023,106	 5,924	 (133,252)	 895,778
Total comprehensive profit for the period	-	-	44,476	44,476
Transactions with owners, recorded directly in equity				
Equity settled share based payment	-	1,633	-	1,633
Balance at 31 December 2021	<u>1,023,106</u>	<u>7,557</u>	<u>(88,776)</u>	<u>941,887</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 2021

		31 December 2021 \$'000	31 December 2020 \$'000
	Note		
Cash flow from operating activities			
Cash receipts from customers		306,931	313,548
Cash paid to suppliers and employees		(186,829)	(153,022)
Net cash from operating activities		120,102	160,526
Cash flow from investing activities			
Interest received		179	635
Sale of plant and equipment		-	347
Acquisition of plant and equipment		(5,528)	(26,413)
Acquisition of investment		(1,718)	(1,493)
Harte Gold transaction	12.1	(101,853)	-
Payment of stamp duty		-	(6,830)
Exploration, evaluation and development expenditure		(54,116)	(58,553)
Net cash used in investing activities		(163,036)	(92,307)
Cash flow from financing activities			
Repayment of lease liabilities		(17,462)	(13,294)
Interest paid		(1,320)	(1,440)
Net cash from financing activities		(18,782)	(14,734)
Net movement in cash and cash equivalents		(61,716)	53,485
Cash and cash equivalents at 1 July		328,890	256,993
Cash and cash equivalents at 31 December		267,174	310,478

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 2021

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 2021 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 18 February 2022.

(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 2021.

(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 2021.

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 2021.

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 2021

Financial information for the reportable segments for the period ended 31 December 2021 is as follows:

31 December 2021	Mount Monger \$'000	Deflector \$'000	Unallocated ² \$'000	Total \$'000
Revenues	151,028	156,570	-	307,598
EBITDA (excluding significant items) ¹	68,359	97,073	(7,831)	157,601
Capital expenditure	25,642	34,997	-	60,639

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

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

4. Revenue

	31 December 2021 \$'000	31 December 2020 \$'000
Gold sales	301,237	305,673
Other metal sales	6,361	10,651
Total	307,598	316,324

Included in current year sales is 42,000 ounces of gold sold (at an average price of A\$2,333/ounce) under various hedge programs. At 31 December 2021, the Company had a total of 75,500 ounces of gold left to be delivered under these programs over the next 12 months at an average price of A\$2,378/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 'own use exemption' under AASB 9 *Financial Instruments* and as such all hedge revenue is recognised in the

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

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 2021 \$'000	31 December 2020 \$'000
Mining and processing costs	104,482	113,053
Amortisation	54,599	43,941
Depreciation	33,344	22,475
Salaries and on-costs	28,698	25,775
Royalties	10,062	10,201
	<u>231,185</u>	<u>215,445</u>

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 2021

6. Finance Income and Expenses

	31 December 2021 \$'000	31 December 2020 \$'000
Interest income	179	635
Finance Income	179	635
Change in fair value of listed investments	(1,502)	(1,652)
Interest expense on financial liabilities	(1,684)	(1,441)
Finance Costs	(3,186)	(3,093)
Net Finance Costs	(3,007)	(2,458)

7. Income Tax

The Group recognised an income tax expense of \$19,496,000 for the half year. The expense was applied against the Group's deferred tax assets, reducing the balance to \$61,250,000 at 31 December 2021 (June 2021: \$80,746,000).

At 31 December 2021 the Company has \$270,186,000 of tax losses remaining for offset against future taxable profits (June 2021: \$322,848,000 loss).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

8. Exploration, Evaluation and Development Expenditure

During the period ended 31 December 2021 the Group incurred and capitalised the following on exploration, evaluation and development expenditure:

	31 December 2021 \$'000	30 June 2021 \$'000
Exploration and evaluation phase		
Cost brought forward	11,772	36,791
Expenditure during period	4,629	8,126
Divested during period	-	(11,862)
Expensed/impaired during period	-	(593)
Transferred to development phase	-	(18,380)
Expensed during period	(1,113)	(2,310)
Balance at period end	15,288	11,772
Development phase		
Cost brought forward	96,452	66,726
Transferred from exploration and evaluation phase	-	18,380
Rehabilitation provision adjustment	-	838
Expenditure during the period	-	30,217
Expensed during period	-	(1,329)
Transferred to production phase	(96,452)	(18,380)
Balance at period end	-	96,452
Production phase		
Cost brought forward	159,936	165,338
Transferred from development phase	96,452	18,380
Expenditure during the year	46,284	72,511
Divested during the period	-	(5,529)
Rehabilitation provision adjustment	(2,434)	6,792
Amortisation expense	(54,599)	(97,556)
Balance at period end	245,639	159,936
Total	260,927	268,160

9. Trade and other payables

	31 December 2021 \$'000	30 June 2021 \$'000
Trade payables	45,977	54,605
Other payables	17,582	19,226
Total	63,559	73,831

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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2021

10. Finance Leases

	31 December 2021 \$'000	30 June 2021 \$'000
Finance Lease Liabilities		
Current lease liabilities	27,202	30,294
Non-current lease liabilities	26,625	39,731
Total lease liabilities	53,827	70,025

At 31 December 2021 the Group recognised additional right-of-use assets of \$1.3 million (H1 FY21: \$20.1 million) and lease liabilities of \$1.3 million (H1 FY21: \$20.1 million).

	31 December 2021 \$'000	30 June 2021 \$'000
Right of use assets	52,958	68,278
Finance lease liabilities	53,827	70,025

For the period ended 31 December 2021, the Group recognised \$17.4 million of lease liability repayments (H1 FY21: \$13.2 million), \$16.6 million of depreciation charges (H1 FY21: \$11.4 million) and \$1.3 million of interest costs (H1 FY21: \$1.4 million) in relation to these leases.

11. 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 2021.

Hedging

At 31 December 2021, the Company had a total of 75,500 ounces left to be delivered under its hedging programmes at an average forward price of A\$2,378/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 Statement of Profit or Loss and no mark to market valuation is performed on undelivered ounces.

12. Subsequent Events

12.1 Harte Gold Corp. Transaction

On 28 January 2022, the Ontario Superior Court of Justice approved Silver Lake's bid to acquire Harte Gold Corp. ("Harte Gold") under Canada's Companies' Creditors Arrangement Act ("CCAA proceedings"). Harte Gold is a TSX-listed gold mining company which owns and operates the Sugar Zone mine in Ontario, Canada, with an associated 81,287 hectare land package.

Closing of the transaction is anticipated to occur in mid to late February 2022.

The acquisition of Harte Gold involved the execution of multiple transactions including the acquisition of credit facilities (provided by BNP Paribas (BNP) to Harte Gold) by a wholly owned subsidiary of Silver Lake on 19 November 2021 and the provision of a debtor-in-possession loan to Harte Gold in December 2021. These two transactions, totalling \$101.8 million, were funded from Silver Lake's cash reserves and are recorded as a non-current receivable at 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

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The consideration payable by Silver Lake under its bid to acquire Harte Gold comprised:

- Approximately US\$74.5 million in credit bid consideration reflecting the value owed to Silver Lake under the credit facilities acquired from BNP and the full amount of the debtor-in-possession loan subsequently made available to Harte Gold during the CCWA proceedings
- Applicable liabilities (including a ~US\$22 million out of the money hedge book) and accounts associated with the operation of the Sugar Zone operation to allow for a transition of operation under Silver Lake ownership
- The full and final satisfaction of finance facility obligations owed by Harte Gold to Appian Capital Advisory LLP (“Appian”) totalling ~US\$34.0 million by way of the issuance of shares in Silver Lake, with any shortfall in consideration from share price volatility settled in cash
- Cash consideration for payment of certain priority claims and for the purposes of completing the CCAA proceedings and certain ancillary matters

Furthermore, Silver Lake entered into an agreement with an affiliate of Appian to acquire its aggregate 2.0% net smelter royalty (“NSR”) payable on production from the Sugar Zone mine and on the entire Sugar Zone property. Silver Lake will acquire the NSR for consideration of US\$22.0 million payable in Silver Lake shares. The acquisition of the NSR is subject to the successful completion of the acquisition of Harte Gold by Silver Lake.

12.2 Share Buy Back

On 7 February 2022 Silver Lake announced it would be undertaking an on-market share buyback for up to 10% of the Company’s ordinary shares over the next 12 months.