# APPENDIX 4D
## HALF YEAR REPORT
## Period ended 31 December 2017

**Name of entity:** Silver Lake Resources Limited
**Current reporting period:** 6 months ended 31 December 2017
**Previous corresponding reporting period:** 6 months ended 31 December 2016

| | | 31 Dec 2017 A$'000 | 31 Dec 2016 A$'000 |
|---|---|---|---|
| Revenues from ordinary activities | up 7% | 114,708 | 107,296 |
| Profit from ordinary activities after tax attributable to members | down 74% | 2,131 | 8,259 |

**Key points:**

- Gold sales of 68,704 ounces at A$1,662/oz (H1 FY17: 64,416 ounces at A$1,661/oz)
- Profit after tax of $2.13 million (H1 FY17: $8.26 million)
- EBITDA (excluding significant items*) up 24% to $39.72 million (H1 FY17: $31.98 million)
- Revenue up 7% to $114.71 million (H1 FY17: $107.3 million)
- All in sustaining cost of A$1,387/oz (H1 FY17: A$1,389/oz)
- Cash and Bullion down 3% to $66.59 million (June 2017: $69.15 million)
- Successful ramp up of Imperial/Majestic open pits and Maxwells during the half year
- Cock-eyed Bob underground development progressed as planned with development ore accessed and stoping commenced in January 2018
- $6.41m invested in exploration during the half year with promising results returned from drilling campaigns across the Daisy, Mt Belches and Aldiss mining centres. These persistent and promising exploration results validate the strategy of investing in Mount Monger exploration to target lower cost discoveries proximal to existing mines and mine infrastructure
- Hedge book at 31 December 2017 totals 124,000 ounces to be delivered over the coming 2½ years at an average forward price of A$1,710/oz

Revenue for the period totalled $114.71 million from the sale of 68,704 ounces of gold at an average realised price of A$1,662/oz (H1 FY17 revenue: $107.30 million from 64,416 ounces at A$1,661/oz). The increase in revenue reflects the strong production result during the half year as new high-grade ore sources were introduced to the Randalls Mill to supplement baseload mine production from the Daisy Complex.

Cost of sales for the period increased to $105.52 million (H1 FY17: $98.19 million) reflecting the ramp up of mine production and associated amortisation and depreciation costs on the new mines. The All-in Sustaining Cost (AISC) for the period was A$1,387/oz (H1 FY17: A$1,389/oz) and is consistent with the Company's guidance for elevated costs in the first half reflecting the investment during the period in the Maxwells and Cock-eyed Bob underground mines and accelerated open pit mining at Imperial/Majestic. The combination of steady state production rates at Maxwells, commissioning of Cock-eyed Bob and high grade production from Imperial has Silver Lake well positioned to generate strong cashflows in the second half of the year. The AISC is forecast to fall during H2 FY18 and average ≈A$1,350/oz for the full year.

The cash and bullion balance of $66.59 million at 31 December 2017 followed a strong half year operating cashflow result of $30.15 million which allowed Silver Lake to invest $20.22 million on new mines and $6.41 million on exploration. The cash and bullion position is expected to increase in H2 FY18 reflecting the investment in the high grade mines during H1 FY18.

** EBITDA (excluding significant items) is an unaudited, non-IFRS measure. A reconciliation between the statutory profit after tax and the Group's underlying operating result is tabled on page 8 of the Interim Financial Report.*

**Dividend information**

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

**Net tangible assets per share**

| | 31 Dec 2017 | 30 June 2017 |
|---|---|---|
| Net tangible assets per share | $0.38 | $0.38 |

**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 2017.

*Joint Operations*

As at 31 December 2017, the Group has the following interests in unincorporated joint operations:

| Joint Operation | Joint Operation Parties | SLR Interest 31 Dec 2017 | SLR Interest 30 June 2017 |
|---|---|---|---|
| West Tuckabianna | SLR/George Petersons | - | 90.0% |
| Peter's Dam | SLR/Rubicon | 72.1% | 69.2% |

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 2017

# Corporate Directory

## Directors

| | |
|---|---|
| David Quinlivan | Non-executive Chairman |
| Luke Tonkin | Managing Director |
| Les Davis | Non-executive Director |
| Kelvin Flynn | Non-executive Director |
| Brian Kennedy | Non-executive Director |

## 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@silverlakeresources.com.au

## Registered Office

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

## Share Register

Security Transfer Australia
770 Canning Highway
Applecross WA 6153
Tel: 1300 992 916

## Auditors

KPMG
235 St George's Terrace
Perth WA 6000

## Internet Address

www.silverlakeresources.com.au

## ABN 38 108 779 782

## ASX Code: SLR

# Directors' Report

The Directors present their report for the half year ended 31 December 2017.

## 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 |
| Les Davis | Non-executive Director | Appointed 25 May 2007 |
| Kelvin Flynn | Non-executive Director | Appointed 24 February 2016 |
| Brian Kennedy | Non-executive Director | Appointed 20 April 2004 |

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial period were gold mining and processing from the Mount Monger Operation, gold exploration and evaluation of projects.

## OPERATING OVERVIEW

Silver Lake is an all-Australian, ASX listed gold producing and exploration company operating in the Eastern Goldfields district of Western Australia. Silver Lake's land position in Western Australia covers highly prospective, under explored tenements containing gold and silver.

## GROUP FINANCIAL OVERVIEW

The Group recorded a net profit after tax for the period of $2.131 million (2016: $8.259 million). Operating cash flow for the period was $30.147 million (2016: $23.474 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. As noted in the table, the Group's EBITDA (excluding significant items) increased 24% to $39.722 million for the period (2016: $31.979 million).

Revenue for the period totalled $114.708 million from the sale of 68,704 ounces of gold at an average realised gold sale price of A$1,662/oz compared with revenue of $107.296 million from 64,416 ounces (@ A$1,661/oz) in the previous corresponding period.

Cost of sales increased to $105.522 million in the period (2016: $98.186 million) reflecting the ramp up of production from the Imperial/Majestic open pits and the Maxwells underground mines as well as the associated increase in amortisation and depreciation costs associated with these mines. The All-in Sustaining Cost (AISC) for the period of A$1,387/oz (2016: A$1,389/oz) is consistent with the Company's forecast and reflects the investment in development of the Maxwells, Cock-eyed Bob and Imperial/Majestic mines over the past six months and the planned increase of higher grade stockpiles during the period. The AISC is forecast to fall during H2 FY18 with an increase in high grade ore production from the shallow Mount Belches underground mines in H2 FY18 as they reach target production rates.

The cash and bullion balance of $66.593 million at 31 December 2017 is after $20.224 million of capital expenditure on new mines in the Mount Belches area and at Imperial/Majestic, and $6.41 million of exploration expenditure.

# Directors' Report

## Overview of Mount Monger Camp

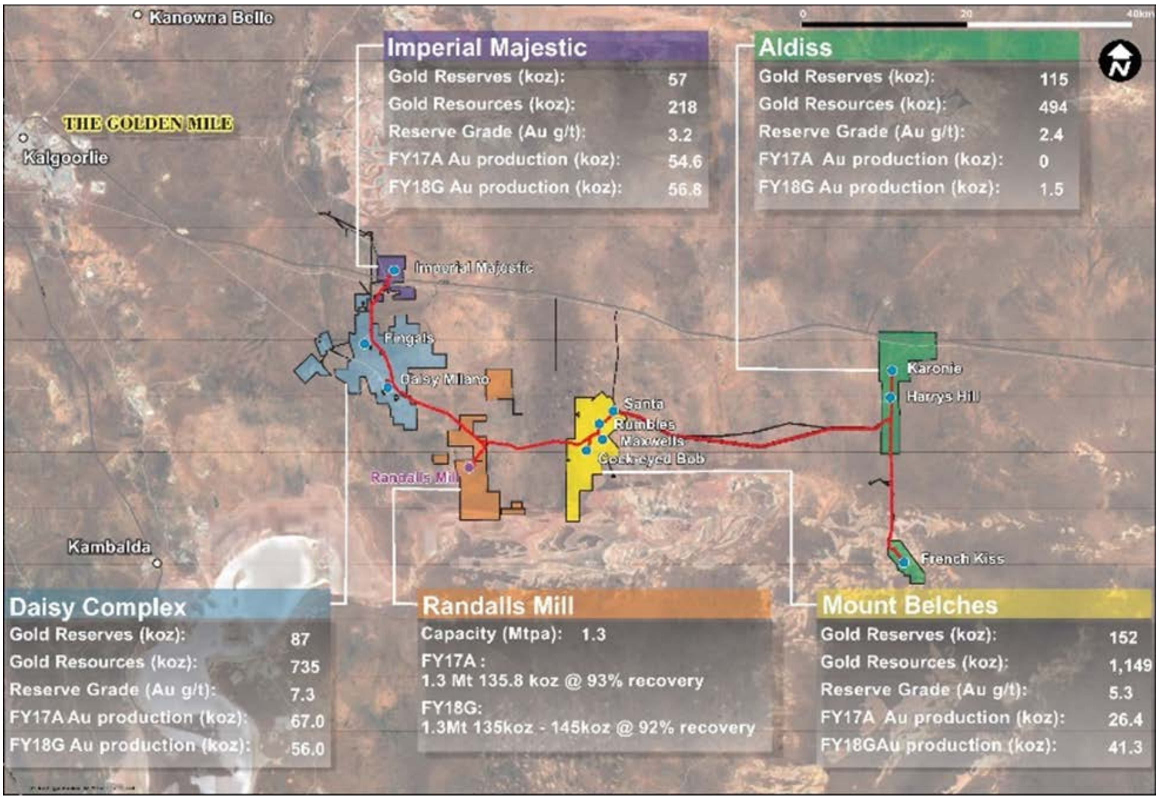


**Figure 1: Location of Mount Monger Camp Mining Centres and the centralised Randalls Mill. Refer to ASX announcement "Mineral Resource and Ore Reserve Statement - MMO" dated 4 August 2017 for further information relating to Resources and Reserves.**

*Mining*

Ore mined from the Mount Monger Operation totalled 779,575 tonnes at a grade of 3.4 g/t Au for 85,835 contained ounces (2016: 597,956 tonnes at a grade of 3.5 g/t Au for 68,099 contained ounces). Year to date production was sourced from the Daisy Complex, Cock-eyed Bob and Maxwells underground mines and the Majestic/Imperial open pit mines. The commencement of the Cock-eyed Bob mine in July 2017 and the development of the Imperial/Majestic and Maxwells mines last financial year are key components of the Company's operating strategy of enhancing margins by introducing lower cost ore sources into the production plan that are proximal to existing mines and mine infrastructure.

Underground production from the Daisy and Mount Belches (Maxwells and Cock-eyed Bob) mining centres increased in H1 FY17 reflecting capital investment during the period. The establishment of the Mount Belches underground mining centre broadens the high-grade ore profile at Mount Monger, providing access to shallow, high grade underground ore sources in addition to the established high-grade baseload from the Daisy Complex.

During the half year the Daisy Complex produced 160,055 tonnes at 6.4 g/t Au for 33,173 contained ounces and again demonstrated the mine's consistent cornerstone contribution to the Mount Monger production base. The Daisy Complex is expected to maintain its production profile in the second half of FY18.

At Cock-eyed Bob (CEB) key capital infrastructure projects to service the mine's medium-term mine plan have progressed as planned and were materially completed by period end. These include the commissioning of a new power station and completion of a 140-metre exhaust ventilation raise bore down to the 1298 level.

# Directors' Report

The mine's decline has advanced 600 metres since July 2017 and production levels have commenced as scheduled. Long hole stope production will commence in Q3 FY18 with the mine expected to reach target production rates in late FY18.

Production from Maxwells underground increased to 92,031 tonnes at 4.5 g/t Au for 13,181 contained ounces as the mine begins to reach consistent targeted output levels. H1 FY18 development of 2,861 metres exceeded plan with the majority of capital development for FY18 completed providing multiple ore development horizons and stoping blocks for H2 FY18 and beyond.

Mine production from the open pits for the period totalled 516,410 tonnes at 2.3 g/t Au for 38,220 contained ounces (2016: 415,781 tonnes at 2.2 g/t Au for 29,116 contained ounces). Mining operations were focused on completion of the Majestic open pit in Q1 FY18 and ramp up of production from the high-grade Imperial pit in Q2 FY18. Mining activities were accelerated in the half year to bring forward the completion of open pit mining at the Imperial/Majestic mining centre, reducing fixed costs and building ore stockpiles which will be consumed during the development of the Aldiss mining centre in FY19.

Development of the Aldiss mining centre is expected to commence in Q1 FY19. The centre will comprise multiple open pit mines, providing feed to the Randalls mill in FY19, FY20 and FY21 recovering between 130,000 – 150,000 ounces of gold. The development schedule is expected to deliver first ore to the mill in Q2 FY19 with ore processing scheduled to commence in Q3 FY19, which dovetails with the drawdown of stockpiles post completion of the Imperial/Majestic open pits.

*Processing*

Gold ore from the Mount Monger Operation is transported to the Randalls Gold Processing Facility, located 65 km south east of Kalgoorlie. Mill feed during the period was sourced from the Daisy Complex and Maxwells underground mines, the Imperial/Majestic open pits and open pit stockpiles. Ore milled for the period totalled 628,528 tonnes at a blended grade of 3.8 g/t Au for 68,898 recovered ounces.

Milling rates are expected to be materially the same for the remainder of FY18 however mill feed head grade is expected to increase with three underground mines and the Imperial open pit contributing higher grade ore, particularly in H2 FY18.

Mining and production statistics for the Mount Monger Operation for the period ended 31 December 2017 are detailed in Table 1 and Table 2.

# Directors' Report

### Gold Mining and Production Statistics

| Mount Monger - Mining | Units | 1H FY2018 | 1H FY2017 |
|---|---|---|---|
| Underground | | | |
| Ore mined | Tonnes | 263,165 | 182,175 |
| Mined grade | g/t Au | 5.6 | 6.7 |
| Contained gold in ore | Oz | 47,615 | 38,983 |
| Open Pit | | | |
| Ore mined | Tonnes | 516,410 | 415,781 |
| Mined grade | g/t Au | 2.3 | 2.2 |
| Contained gold in ore | Oz | 38,220 | 29,116 |
| Total ore mined | Tonnes | 779,575 | 597,956 |
| Mined grade | g/t Au | 3.4 | 3.5 |
| Contained gold in ore | Oz | 85,835 | 68,099 |

Table 1

| Mount Monger - Processing | Units | 1H FY2018 | 1H FY2017 |
|---|---|---|---|
| Ore Milled | Tonnes | 628,528 | 652,152 |
| Head grade | g/t Au | 3.8 | 3.2 |
| Contained gold in ore | Oz | 75,961 | 67,737 |
| Recovery | % | 91 | 94 |
| Gold produced | Oz | 68,898 | 63,603 |
| Gold sold | Oz | 68,704 | 64,416 |

Table 2

# Directors' Report

## EXPLORATION

A total of $6.41 million was spent on exploration during the period that forms part of the $11.7 million FY18 exploration program. The exploration strategy is focused on the Mount Monger mining centre and targets near-term resource definition and project development opportunities across the two key mining centres in the Mount Monger Operation area (Daisy and Mount Belches) and regional exploration proximal to existing mine and processing infrastructure. Exploration campaigns during the period included:

- Underground resource definition diamond drilling at the Daisy Complex
- Underground exploration drilling targeting the new Easter Hollows lode
- Surface exploration drilling at the Aldiss, Majestic/Imperial, Mount Belches and Daisy mining centres, including Cock-eyed Bob and Leslie West areas.
- Exploration drilling at the Aldiss mining centre, including resource definition drilling at the Karonie South open pit deposit.

## STRATEGY

The Group's short to medium term strategy is to maximise cash flow and increase operating margins from the Mount Monger Gold Camp. This will be achieved by:

- a strong focus on cost management and improved productivity;
- the introduction of new, lower cost ore sources into the production schedule and subsequent ramp up of production from the Cock-eyed Bob and Maxwells underground mines and the Imperial/Majestic and Aldiss open pits; and
- executing the exploration strategy by directing expenditure to highly prospective priority targets in the Mount Monger area.

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 gold mining 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; and
- exploration success – no assurance can be given that exploration expenditure will result in future profitable operating mines.

# Directors' Report

## Review of Financial Condition

The Group recorded an after tax profit for the financial period of $2.131 million (2016: $8.259 million). This profit includes a number of significant items, such as depreciation/amortisation and change in fair value of ASX listed investments 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** | **31 Dec 2017 $'000** | **31 Dec 2016 $'000** |
|---|---|---|
| Statutory profit after tax for the period: | 2,131 | 8,259 |
| *Adjustments for:* | | |
| Depreciation & amortisation | 35,593 | 28,174 |
| Net finance (income)/costs (includes change in fair value of listed investments) | 421 | (5,861) |
| Other | 1,577 | 1,407 |
| **EBITDA (excluding significant items) *** | **39,722** | **31,979** |

* Non-IFRS measure

At 31 December 2017, the Group had $56.161 million in cash (30 June 2017: $61.196 million) and $10.432 million in gold bullion and bullion receivables (30 June 2017: $7.807 million). In addition, the Group had $11.655 million in ASX listed investments at period end (30 June 2017: $12.386 million).

## Significant Changes in the State of Affairs

Other than noted elsewhere in this report, 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 2017. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

## Subsequent Events

There have been no material events that have occurred between the reporting date and the date of signing this report.

Signed in accordance with a resolution of the Directors.

Tonkin

**Luke Tonkin**
Managing Director
20 February 2018

# 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 2017 and of its performance for the six month period then ended; and
   ii) Complying with Australian Accounting Standards 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
20 February 2018

KPMG

# 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 2017 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

Derek Meates
Partner
Perth
20 February 2018

KPMG

# 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 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2017 and of its performance for the Half-year 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 2017
- 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 half-year ended on that date
- Notes 1 to 7 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 Half year's end or from time to time during the Half-year.

### 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*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Silver Lake Resources Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *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.

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

KPMG

KPMG

Derek Meates
Partner
Perth
20 February 2018

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

**For the six months ended 31 December 2017**

| | Notes | 31 December 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|---|
| Revenue | | 114,708 | 107,296 |
| Cost of sales | | (105,522) | (98,186) |
| **Gross profit** | | 9,186 | 9,110 |
| | | | |
| Other income | | 53 | 50 |
| Profit on sale of assets | | 9 | 33 |
| Exploration expenditure | 5 | (1,586) | (1,355) |
| Administrative expenses | | (5,110) | (5,440) |
| **Results from operating activities** | | 2,552 | 2,398 |
| | | | |
| Finance income | | 381 | 6,148 |
| Finance expenses | | (802) | (287) |
| **Net finance income/(costs)** | 4 | (421) | 5,861 |
| | | | |
| **Profit before income tax** | | 2,131 | 8,259 |
| Income tax expense | | - | - |
| **Profit for the period** | | 2,131 | 8,259 |
| | | | |
| **Total comprehensive profit for the period** | | 2,131 | 8,259 |

| **Earnings per share** | | Cents Per Share | Cents Per Share |
|---|---|---|---|
| Basic earnings per share | | 0.42 | 1.64 |
| Diluted earnings per share | | 0.42 | 1.63 |

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 2017

| | Notes | 31 December 2017 $'000 | 30 June 2017 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 56,161 | 61,196 |
| Trade and other receivables | | 12,112 | 9,531 |
| Inventories | | 25,965 | 18,937 |
| Assets held for sale | | - | 1,500 |
| Prepayments | | 58 | 112 |
| **Total Current Assets** | | 94,296 | 91,276 |
| **Non-Current Assets** | | | |
| Inventories | | 1,868 | 1,868 |
| Exploration, evaluation and development expenditure | 5 | 97,752 | 99,062 |
| Property, plant and equipment | | 37,326 | 38,251 |
| Investments | | 11,655 | 12,386 |
| **Total Non-Current Assets** | | 148,601 | 151,567 |
| **Total Assets** | | 242,897 | 242,843 |
| **Current Liabilities** | | | |
| Trade and other payables | | 32,536 | 32,956 |
| Interest bearing liabilities | | 68 | 2,125 |
| Employee benefits | | 2,053 | 1,874 |
| Rehabilitation and restoration provision | | 1,487 | - |
| **Total Current Liabilities** | | 36,144 | 36,955 |
| **Non-Current Liabilities** | | | |
| Rehabilitation and restoration provision | | 14,631 | 16,122 |
| **Total Non-Current Liabilities** | | 14,631 | 16,122 |
| **Total Liabilities** | | 50,775 | 53,077 |
| **Net Assets** | | 192,122 | 189,766 |
| **Equity** | | | |
| Share capital | | 699,564 | 699,564 |
| Reserves | | 1,445 | 1,220 |
| Accumulated losses | | (508,887) | (511,018) |
| **Total Equity** | | 192,122 | 189,766 |

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 2017

| | Share Capital $'000 | Option Reserve $'000 | Accumulated Losses $'000 | Total Equity $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2016** | 699,564 | 830 | (513,050) | 187,344 |
| Total comprehensive profit for the period | - | - | 8,259 | 8,259 |
| **Transactions with owners, recorded directly in equity** | | | | |
| Equity settled share based payment | - | 221 | - | 221 |
| **Balance at 31 December 2016** | 699,564 | 1,051 | (504,791) | 195,824 |
| | | | | |
| **Balance at 1 July 2017** | 699,564 | 1,220 | (511,018) | 189,766 |
| Total comprehensive profit for the period | - | - | 2,131 | 2,131 |
| **Transactions with owners, recorded directly in equity** | | | | |
| Equity settled share based payment | - | 225 | - | 225 |
| **Balance at 31 December 2017** | 699,564 | 1,445 | (508,887) | 192,122 |

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 2017

| | 31 December 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Cash receipts from customers | 111,873 | 99,068 |
| Cash paid to suppliers and employees | (81,726) | (75,594) |
| **Net cash from operating activities** | 30,147 | 23,474 |
| | | |
| **Cash flow from investing activities** | | |
| Interest received | 381 | 333 |
| Proceeds from sale of non-current assets | 1,509 | 6,011 |
| Acquisition of plant and equipment | (4,480) | (6,232) |
| Exploration, evaluation and development expenditure | (30,464) | (24,065) |
| **Net cash used in investing activities** | (33,054) | (23,953) |
| | | |
| **Cash flow from financing activities** | | |
| Stamp duty paid | (2,057) | (1,918) |
| Repayment of finance lease | - | (114) |
| Interest paid | (71) | (287) |
| **Net cash from financing activities** | (2,128) | (2,319) |
| | | |
| Net decrease in cash and cash equivalents | (5,035) | (2,798) |
| Cash and cash equivalents at 1 July | 61,196 | 38,643 |
| **Cash and cash equivalents at 31 December** | 56,161 | 35,845 |

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 2017**

## 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 2017 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 20 February 2018.

### (a) Statement of Compliance

The condensed consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting,* the Corporations Act 2001 and with IAS34 *International Financial Reporting*. They do not include all the information required for a complete set of IFRS 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 2017.

### (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 by Management 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 2017.

## 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 2017.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## 3. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group does not have any operating segments with discrete financial information. The Group does not have any customers, other than the Perth Mint and its bankers, and all the group assets and liabilities are located within Australia. The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

# Notes to the Condensed Consolidated Financial Statements

**For the six months ended 31 December 2017**

## 4. Finance Income and Expenses

| | 31 December 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| Interest income | 381 | 333 |
| Change in fair value of listed investments | - | 5,815 |
| **Finance Income** | 381 | 6,148 |
| | | |
| Change in fair value of listed investments | (731) | - |
| Interest expense on financial liabilities | (71) | (287) |
| **Finance Costs** | (802) | (287) |
| **Net Finance Income/(Costs)** | (421) | 5,861 |

## 5. Exploration, Evaluation and Development Expenditure

During the period ended 31 December 2017 the Group incurred and capitalised the following on exploration, evaluation and development expenditure:

| **Exploration and evaluation phase** | 31 December 2017 $'000 | 30 June 2017 $'000 |
|---|---|---|
| Cost brought forward | 15,018 | 14,198 |
| Capitalised during period | 4,294 | 9,538 |
| Impairment | - | (4,661) |
| Expensed during period | (1,586) | (2,557) |
| Transferred to development phase | (2,170) | (1,500) |
| **Balance at period end** | 15,556 | 15,018 |
| | | |
| **Development phase** | | |
| Cost brought forward | 8,886 | 45,897 |
| Expenditure during the period | 348 | 1,315 |
| Transferred from exploration and evaluation phase | 2,170 | - |
| Transferred to production phase | (2,170) | (38,326) |
| **Balance at period end** | 9,234 | 8,886 |
| | | |
| **Production phase** | | |
| Cost brought forward | 75,158 | 63,798 |
| Transferred from development phase | 2,170 | 38,326 |
| Expenditure during the year | 25,822 | 33,584 |
| Disposed during the year | - | (4,726) |
| Amortisation expense | (30,188) | (55,824) |
| **Balance at period end** | 72,962 | 75,158 |
| **Total** | 97,752 | 99,062 |

### 6. 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 2017.

Hedging

At 31 December 2017, the Company had a total of 124,000 ounces left to be delivered under its hedging programmes (at an average forward price of A$1,710/ounce).

The sale of gold under these hedges is accounted for using the 'own use exemption' under AASB 139 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.

### 7. Subsequent Events

No material events have occurred between the reporting date and the date of signing this report.