

Silver Lake Resources Ltd  
(ABN 38 108 779 782)

Interim Financial Report  
For the Six Months Ended 31 December 2012

### Directors

Paul Chapman (Non-Executive Chairman)  
Les Davis (Managing Director)  
Chris Banasik (Executive Director - Exploration & Geology)  
Brian Kennedy (Non-Executive Director)  
Peter Johnson (Non-Executive Director)  
David Griffiths (Non-Executive Director)

### Chief Financial Officer and Company Secretary

Peter Armstrong

### Registered and Principal Office

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South Perth Esplanade,  
South Perth WA 6151

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ABN: 38 108 779 782

### Solicitors to the Company

Gilbert & Tobin  
1202 Hay Street  
West Perth WA 6005

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

### Auditor

KPMG  
235 St George's Terrace  
Perth WA 6000

### Banker

National Australia Bank  
Level 14, 100 St Georges Terrace  
Perth WA 6000

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The directors of Silver Lake Resources Limited (“Silver Lake” or “the Company”) present their report together with the consolidated interim financial report for the six months ended 31 December 2012 and the review report thereon.

## Directors

The directors of the Company at any time during or since the end of the interim period are:

<b>Name</b>	<b>Period of Directorship</b>
<b>Non-Executive</b>	
Paul Chapman - Chairperson	20 April 2004
Brian Kennedy - Non-Executive Director	20 April 2004
Peter Johnston - Non-Executive Director	25 May 2007
David Griffiths - Non-Executive Director	25 May 2007
<b>Executive</b>	
Les Davis - Managing Director	25 May 2007
Chris Banasik - Director Exploration & Geology	25 May 2007

### Overview

Silver Lake is a large, all-Australian, ASX 200 gold producing and exploration company with multiple mines and multiple treatment plants operating in the Eastern Goldfields and Murchison districts of Western Australia.

Silver Lake's land position in Western Australia covers 5,000 sqkm of highly prospective under explored tenements containing gold, silver and copper.

Silver Lake currently has JORC Resources and JORC Ore Reserves containing:

- 6.6 million ounces of gold inclusive of 1.8 million ounces of reserve;
- 10.4 million ounces of silver; and
- 140,000 tonnes of copper.

Silver Lake's Mount Monger Operation contains the Daisy Milano, Daisy East, Rosemary & Haoma underground mines and the Wombola Dam open pit mine located 50 km south east of Kalgoorlie.

Mount Monger has additional multi mine potential underpinned by emerging open pit production from the Wombola Pit and Magic deposits.

Gold ore from Mount Monger is transported to Silver Lake's Lakewood treatment plant located 5 km south east of Kalgoorlie and 45 km from the Daisy Milano mine. This facility has been expanded to 900,000 tonnes per annum, in prior periods.

In the Murchison, Silver Lake has commenced mining and commissioning of the 1.2 million tonne per annum treatment plant with production of first gold already commenced. Provision has also been made at the treatment plant for the addition of a base metals circuit.

Nearby to the Murchison project is the Eelya Complex, which is prospective for gold and base metals. A high grade copper/gold discovery has already been made at the Hollandaire deposit which contains copper, gold & silver. A pre-feasibility study is underway at Hollandaire.

In the Great Southern, Silver Lake owns the large Kundip and Munglinup exploration projects covering over 2,500 sqkm. Post development of the Murchison in 2013, Silver Lake will increase regional gold exploration at Kundip with the view of establishing a third gold mining centre (with potential copper and silver credits).

Silver Lake and Integra Mining Limited (ASX: IGR, "Integra") announced on 6 August 2012 that they had reached agreement to combine the two companies and create a substantial gold company with multiple Australian operating mines and treatment plants.

The transaction was completed with Silver Lake shares issued to Integra shareholders on 11 January 2013. The Financial Report for the period ending 31 December 2012, included in this report, have consolidated Integra's balance sheet as at 31 December 2012.

The acquisition of Integra increases processing capacity, with the addition of the 1.2 million tonne per annum Randalls treatment plant at Mount Monger. Feed for the plant is currently sourced from the Maxwells open pit and from the drawdown of large surface stockpiles.

Silver Lake has a compelling project pipeline and has commenced the process of optimising the combined Mount Monger projects and is considering a range of options including:

- the treatment of high and low grade ore sources through the Lakewood & Randalls treatment plants;
- expanding Randalls treatment plant which could be fed from multiple open pit and underground ore sources;
- sharing mains power allotments;
- realising operational efficiencies through shared technical services providers and consolidated corporate activities; and
- optimising overall exploration expenditure through a more targeted programme across the expanded tenement package.

Silver Lake has a commitment to long term exploration, targeting 10 million ounces Au over time.

### Safety

Unfortunately a lost time injury occurred during the period. An experienced fitter severed the top of his finger whilst servicing an underground jumbo drill rig. The 12 month moving average Lost Time Injury Frequency Rate ("LTIFR") has reduced to 2.1

### Mine Production

#### Underground Production & Development - Mount Monger

##### *Production:*

Total production was 278,127 tonnes at an average grade of 5.2 g/t Au for 46,833 oz.

Production during the period was sourced mainly from the Daisy Milano and Haoma deposits. Production for the corresponding period also included ore from the high grade Daisy East deposit. Accordingly, this period saw higher volumes mined and milled at lower grades compared to the previous corresponding period

Ore tonnes hoisted from underground sources was 33% higher than the previous corresponding period and gold in ore production from underground sources was 9% higher than the previous corresponding period.

Mined grade for the period was 5.2 g/t Au which is reflecting high volumes of ore development throughout the underground operations. Ore development for the period totalled 2,492 metres and is continuing on the 35 level at Daisy Milano and the 28,29,30 & 36 levels at Haoma in readiness for stoping activities. Stopping ore from Haoma becomes the primary ore source in H2 2013 and currently has multiple levels developed with drill stocks for long hole stoping well advanced.

##### *Waste Development:*

530 metres of ore access development were undertaken during the period developing to the 7 level at Daisy Milano and the 28,29 & 36 levels at Haoma.

455 metres of capital development were undertaken during the period.

#### Open Pit Production & Development - Wombola Dam

##### *Production:*

Gold in ore production from Wombola Pit produced 212,958 tonnes at 1.7 g/t Au for 11,560 ounces with mining suspended as at the end of the September 2012 quarter. Processing of stockpiles continued throughout the December 2012 quarter and mining will be reviewed as part of the optimisation programme.

##### *Waste Development:*

1.05 million tonnes of waste material was removed from Wombola Pit during the quarter ended 30 September 2012.

### Processing

Lakewood treatment plant availability during the period was high at over 97%.

## Review of Operations Continued

Underground ore milled for the period totalled 309,451 tonnes at 4.9 g/t Au for 46,162 recovered ounces. Hard rock low grade stockpiles fed for the period totalled 29,945 at 2.6 g/t Au for 2,322 recovered ounces. Open pit ore milled for the period totalled 72,395 tonnes at 1.7 g/t Au for 3,452 recovered ounces. Combined milled production for the quarter totalled 411,791 tonnes at 4.2 g/t Au for 51,936 recovered ounces.

The treatment plant is capable of 700,000tpa of hard rock and 900,000tpa of blended rock. Mill feed for the quarter was mainly hard rock. The facility can be operated at 1.0mtpa rates upon construction of a ROM bin and installation of a new tailings storage facility. This project has been deferred pending the outcomes of the business optimisation for the combined Mount Monger project pipeline to be announced in the June 2013 quarter.

Ore stocks available for mill feed at the end of the quarter are -404,000 tonnes containing 29,900 ounces.

### Gold In Circuit & Bullion On Hand

Gold in circuit at the end of the period totalled 5,307 oz and bullion on hand totalled 4,272 oz (Includes Randalls treatment plant gold in circuit of 2,262 ounces and 3,194 ounces bullion on hand). Both of these items are reflected in the accounts as gold in circuit within inventories. Gold in circuit is shown at cost within the accounts, with the exception of Randalls treatment plant, which is carried at fair value.

### Gold Sales

Gold sales for the period were 52,410 oz an increase of 27% compared to the previous corresponding period (refer to table 2). The average realised sale price received during the period was A\$1,633/oz.

Mount Monger	Units	Half Year to 31 Dec 2012	Half Year to 31 Dec 2011
<u>Underground</u>			
Ore hoisted	Tonnes	278,127	185,476
Mined grade	g/t Au	5.2	7.1
Gold in ore hoisted	Oz	46,833	42,568
<u>Open Pit</u>			
Ore hoisted	Tonnes	212,958	88,191
Mined grade	g/t Au	1.7	2.20
Gold in ore hoisted	Oz	11,560	6,330
<b>Total Ore hoisted</b>	<b>Tonnes</b>	<b>491,085</b>	<b>273,667</b>
<b>Mined Grade</b>	<b>g/t Au</b>	<b>3.7</b>	<b>5.6</b>
<b>Gold in ore hoisted</b>	<b>Oz</b>	<b>58,393</b>	<b>48,898</b>

Table 1: Mine production statistics



## Review of Operations Continued

Lakewood Treatment Plant	Units	Half Year to 31 Dec 2012	Half Year to 31 Dec 2011
Ore Milled	Tonnes	411,791	201,261
Head grade	g/t Au	4.2	6.4
Contained gold	Oz	56,227	41,227
Recovery	%	92	94
Gold produced	Oz	51,936	38,574
Gold sold	Oz	52,410	41,120

Table 2: Processing statistics

## Financial Result

The profit of the Company for the financial period, after providing for income tax amounted to \$5,125,000 (2011: \$17,177,000), while the net cash flow generated from operations was \$35,783,000 (2011: \$33,353,000) during the period. Despite higher volumes mined and milled at lower grades compared to the previous corresponding period, the average gross profit margins and unit cost of sales have been maintained. However, the profit was reduced due to the inclusion of \$15,348,000 of business combination expenses relating to the Integra acquisition. Non cash transactions affecting profit during the period included depreciation and amortisation of \$9,579,000 (2011: \$7,143,000) and impairment adjustments of \$2,003,000 (2011: \$80,000).

## Business Development

### Acquisitions

During the period, Silver Lake made two significant acquisitions:

- Silver Lake entered into an agreement with Phillips River Mining Ltd (ASX PRH: "Phillips River") to acquire all the assets of Phillips River. The assets contain a resource of 1 million oz Au, 10 million oz Ag and 95,000 tonnes of Cu. The acquisition was completed on 4 July 2012 with the issuing of 5,229,412 Silver Lake shares. The assets are now collectively known as the Great Southern Gold Project ("Great Southern") and provide an exciting advanced exploration project for Silver Lake. Great Southern has two discrete exploration projects, Kundip and Munmlinup covering 2,500 sqkm of tenements located in south east of Western Australia.

Post ramp up of Mount Monger and development of the Murchison in 2013, Silver Lake will be ramping up regional gold exploration in the Kundip area with the view of establishing a third gold mining centre (with potential copper and silver credits). This is expected to be funded from internal cash flows. This work will also assess a low capital operating scenario with a standard processing circuit.



## Review of Operations Continued

- Silver Lake and Integra announced on 6 August 2012 that they had reached agreement to combine the two companies and create a substantial gold company with multiple Australian operating mines and treatment plants. Important dates in the process were:
  - Announcement date : 6 August 2012
  - Acquisition date : 21 December 2012
  - Directors change : 01 January 2013
  - Shares issued : 14 January 2013

The transaction was completed on 11 January 2013 with 150,108,264 Silver Lake shares being issued to Integra shareholders on 14 January 2013. The capital structure of Silver Lake now consists of 379 million fully paid ordinary shares with no outstanding options.

As outlined in the Scheme Booklet and as announced to the ASX on 16 November 2012 the merger of the two companies is expected to deliver operational and corporate synergies of \$30-\$40 million per annum. These synergies flow from the proximity of the operating mines, treatment plants and tenement holdings at the combined Mount Monger Operations in the Eastern Goldfields of Western Australia.

The acquisition of Integra increases processing capacity, with the addition of the 1.2 million tonne per annum Randalls treatment plant at Mount Monger. Feed for the plant is currently sourced from the Maxwells open pit and from the drawdown of large surface stockpiles.

The attached Financial Accounts have consolidated Integra's statement of financial position as at 31 December 2012.

### Murchison Goldfield

Significant progress was made during the period on the construction and commissioning of the 1.2 million tonnes per annum treatment plant. Dry commissioning of the crushing circuit commenced in late December 2012 and is now fully commissioned. The first gold pour occurred in mid February 2013 after allowing for a build-up of gold in circuit stocks following completion of wet commissioning. Open pit mining commenced during the period with ~9,000 ounces (including historic stocks) available for mill feed on the ROM pad.

### Exploration

During the period Silver Lake increased its gold resource inventory to 69.6 million tonnes at 3.0 g/t Au for 6.6 million ounces (refer to table 3) including an ore reserve of 22.4 million tonnes at 2.5 g/t for 1.8 million ounces (refer to table 3).

Silver Lake also has a resource of 10 million ounces of silver and 140,000 tonnes of copper.

Key focus areas for Mount Monger during 2012 are delineating resources located within 600 metres to the east and west of the Daisy Milano infrastructure. During the period, extensional and infill diamond drilling was undertaken at Haoma, Haoma West and other structures to the west of Daisy Milano and the results from these programmes will be included in the resource update in July 2013.

In the Murchison the focus is on extending strike and depth extensions to resources at the planned underground deposits of Tuckabianna West and Caustons. Furthermore infill drilling is in progress at the Pinnacles deposit to determine the potential for a fifth underground mine in the Murchison.

At the Eelya Complex, part of the Murchison project, surface geophysics has located seven large electromagnetic conductors at Hollandaire, Colonel, Mount Eelya and Eelya South. Silver Lake commenced drilling at the Eelya Complex in September 2011 and since then mineralisation has been intercepted along a 10 km mineralised corridor including Hollandaire, Mount Eelya and Colonel.

Key focus areas include:

- Complete metallurgical test work results;
- Update resource model & resource inventory; and
- Complete pre-feasibility study
  - Mineable inventory - open pit & underground
  - Capital estimates for adding on grinding, flotation and filtering circuit to the Murchison gold treatment plant to produce a copper, gold and silver concentrate
  - Initial discussions regarding concentrate sales

Results from the pre-feasibility study are expected to be announced in the June 2013 quarter

Silver Lake is targeting to increase its gold resource base from 6.6 million ounces to 10 million ounces over time.

## Review of Operations Continued

### Resources

The JORC Gold Resource as at June 2012 totalled 6.6 million ounces inclusive of 1.8 million ounces in ore reserves as detailed below.

Deposit	Measured Resources			Indicated Resources			Inferred Resources			Total Resources		
	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s	Ore t '000s	Grade g/t Au	Total Oz Au '000s
Total Mount Monger	3,371.5	4.3	466.6	21,528.3	3.2	2,191.3	9,093.3	3.8	1,098.9	33,993.1	3.4	3,756.8
Hollandaire	-	-	-	-	-	-	1,100.0	0.5	18.0	1,100.0	0.5	18.0
Total Murchison	36.0	0.6	0.7	8,474.0	3.2	879.0	11,960.0	2.7	1,028.0	20,470.0	2.9	1,907.7
Total Great Southern	310.0	2.4	23.9	10,140.0	1.9	617.7	4,730.0	2.0	311.7	15,180.0	2.0	952.3
Total	3,717.5	4.1	491.2	40,142.3	2.9	3,688.0	25,783.3	2.9	2,438.6	69,643.1	3.0	6,616.8

	Proved Reserves			Probable Reserves			Total Reserves		
	Ore tonnes '000s	Grade	Total '000s	Ore tonnes '000s	Grade	Total '000s	Ore tonnes '000s	Grade	Total '000s
Mount Monger	2,415.7	1.7	129.6	7,564.4	3.3	793.4	9,980.1	2.9	923.0
Murchison	77.0	1.0	2.5	4,871.3	2.7	424.8	4,948.3	2.7	427.3
Great Southern	310.0	2.2	22.0	7,130.0	1.8	420.1	7,440.0	1.8	442.1
Total Ore Reserve	2,802.7	1.7	154.1	19,565.7	2.6	1,638.3	22,368.4	2.5	1,792.4

Table 3: JORC Gold Resources & Ore Reserves as of June 2012. *Rounding may give rise to unit discrepancies in this table*

	Measured Resources					Indicated Resources					Inferred Resources					Total Resources					
	Ore tonnes '000s	Grade	Increment	Total '000s	Unit	Ore tonnes '000s	Grade	Increment	Total '000s	Unit	Ore tonnes '000s	Grade	Increment	Total '000s	Unit	Ore tonnes '000s	Grade	Increment	Total '000s	Unit	
Kundip Project																					
Silver	-	-	g/t Ag	-	oz	4,390.0	2.5	g/t Ag	353.9	oz	4,550.0	2.1	g/t Ag	314.2	oz	8,940.0	2.3	g/t Ag	668.1	oz	
Copper	-	-	% Cu	-	t	4,390.0	0.4	% Cu	15.6	t	4,550.0	0.3	% Cu	14.7	t	8,940.0	0.3	% Cu	30.2	t	
Trilogy Project																					
Silver	310.0	41.2	g/t Ag	406.6	oz	5,750.0	48.0	g/t Ag	8,859.6	oz	180.0	12.0	g/t Ag	73.4	oz	6,240.0	47.0	g/t Ag	9,339.7	oz	
Copper	310.0	0.3	% Cu	0.9	t	5,750.0	1.1	% Cu	62.3	t	180.0	0.8	% Cu	1.4	t	6,240.0	1.0	% Cu	64.6	t	
Hollandaire																					
Silver	-	-	-	-	oz	-	-	-	-	oz	2,800.0	5.0	g/t Ag	457.8	oz	2,800.0	5.0	g/t Ag	457.8	oz	
Copper	-	-	-	-	t	-	-	-	-	t	2,800.0	1.6	% Cu	45.1	t	2,800.0	1.6	% Cu	45.1	t	
Total Resource																					
Silver	310.0	40.8	g/t Ag	406.6	oz	10,140.0	28.3	g/t Ag	9,213.5	oz	4,730.0	2.5	g/t Ag	386.6	oz	17,980.0	18.1	g/t Ag	10,465.5	oz	
Copper	310.0	0.3	% Cu	0.9	t	10,140.0	0.8	% Cu	77.8	t	7,530.0	0.8	% Cu	61.2	t	17,980.0	0.8	% Cu	140.0	t	

Table 4: September 2012 base metal resource

*Rounding may give rise to unit discrepancies in this table*

## Review of Operations Continued

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### *Notes to table 3 and 4*

1. The figures quoted represent the geological resource. No "Modifying Factors" have been applied as per the 2004 edition of the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* ("JORC Code").
2. The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Christopher Banasik who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Banasik is a full time employee of Silver Lake Resources Ltd, and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 edition of the JORC Code. Mr Banasik has given his consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.
3. Information that relates to exploration targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral

The lead auditor's independence declaration is set out on page 13 and forms part of the directors' report for the six months ended 31 December 2012.

The Company is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth this twenty eighth day of February 2013.

Signed in accordance with a resolution of the directors:



Les Davis  
Director

## Lead Auditor's Independence Declaration

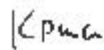


***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

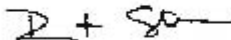
To: the directors of Silver Lake Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 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



Brent Steadman  
*Partner*

Perth

28 February 2013

## Interim Statement of Comprehensive Income



For the six months ended 31 December 2012  
In thousands of AUD

	<i>Notes</i>	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenue		85,605	67,596
Cost of sales		(56,392)	(41,570)
<b>Gross profit</b>		<u>29,213</u>	<u>26,026</u>
Gain on dilution of investment		2,003	-
Administration expenses	7	(3,603)	(2,096)
Business combination expense	8	(15,348)	-
<b>Results from operating activities</b>		<u>12,265</u>	<u>23,930</u>
Net finance income/(expense)	9	(913)	641
<b>Profit before income tax</b>		<u>11,352</u>	<u>24,571</u>
Income tax expense		(6,227)	(7,394)
<b>Profit for the period</b>		<u>5,125</u>	<u>17,177</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<u>5,125</u>	<u>17,177</u>
<b>Total comprehensive income attributable to: Owners of the Company</b>		<u>5,125</u>	<u>17,177</u>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	10	<u>2.27</u>	<u>9.37</u>
Diluted earnings per share (cents per share)	10	<u>2.19</u>	<u>8.46</u>

*The notes on pages 18 to 26 are an integral part of these consolidated interim financial statements.*



## Interim Statement of Financial Position

As at 31 December 2012  
In thousands of AUD

	Notes	31 Dec 2012 \$'000	30 Jun 2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		20,692	68,249
Trade and other receivables		6,447	2,945
Inventories	11	100,609	24,075
Prepayments		174	78
<b>Total Current Assets</b>		<b>127,922</b>	<b>95,347</b>
<b>Non-Current Assets</b>			
Exploration, evaluation and development expenditure	12	386,825	120,691
Property, plant and equipment	13	173,965	55,322
Trade and other receivables		-	7,486
Investments		3,273	-
Equity accounted investee		3,433	-
Goodwill	8	123,039	-
Deferred tax assets		3,300	-
<b>Total Non-Current Assets</b>		<b>693,835</b>	<b>183,499</b>
<b>Total Assets</b>		<b>821,757</b>	<b>278,846</b>
<b>Current Liabilities</b>			
Trade and other payables		76,545	36,925
Income tax payable		4,457	3,098
Interest bearing liabilities		772	938
Derivative financial instruments		2,722	-
Employee benefits		1,983	708
<b>Total Current Liabilities</b>		<b>86,479</b>	<b>41,669</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability		28,505	24,594
Rehabilitation and restoration provision		11,104	7,799
Interest bearing liabilities		10,595	10,821
<b>Total Non-Current Liabilities</b>		<b>50,204</b>	<b>43,214</b>
<b>Total Liabilities</b>		<b>136,683</b>	<b>84,883</b>
<b>Net Assets</b>		<b>685,074</b>	<b>193,963</b>
<b>Equity</b>			
Share capital	14	143,823	127,676
Reserves	8	469,839	13
Retained earnings		71,412	66,274
<b>Total equity</b>		<b>685,074</b>	<b>193,963</b>

The notes on pages 18 to 26 are an integral part of these consolidated interim financial statements.

## Interim Statement of Changes in Equity



In thousands of AUD

	Notes	Share Capital \$'000	Share Reserve \$'000	Option Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at 1 July 2011</b>		56,261	-	150	34,962	91,373
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	-	17,177	17,177
<b>Transactions with owners, recorded directly in equity</b>						
Issue of ordinary shares (net of costs and income tax)		66,308	-	-	-	66,308
Share options exercised		6,238	-	(137)	137	6,238
Vesting of employee options		-	-	-	-	-
<b>Balance at 31 December 2011</b>		<u>128,807</u>	<u>-</u>	<u>13</u>	<u>52,276</u>	<u>181,096</u>
<b>Balance at 1 July 2012</b>		127,676	-	13	66,274	193,963
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	-	5,125	5,125
<b>Transactions with owners, recorded directly in equity</b>						
Issue of ordinary shares (net of costs and income tax)		15,113	-	-	-	15,113
Shares to be issued for acquisition of subsidiary	7	-	469,839	-	-	469,839
Share options exercised		1,034	-	(13)	13	1,034
Vesting of employee options		-	-	-	-	-
<b>Balance at 31 December 2012</b>		<u>143,823</u>	<u>469,839</u>	<u>-</u>	<u>71,412</u>	<u>685,074</u>

*The notes on pages 18 to 26 are an integral part of these consolidated interim financial statements.*



## Interim Statement of Cash Flows

In thousands of AUD

For the six months ended 31 December 2012

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	85,605	67,596
Cash paid to suppliers and employees	(48,865)	(34,243)
Income tax paid	(957)	-
<b>Net cash from operating activities</b>	<u>35,783</u>	<u>33,353</u>
<b>Cash flows from investing activities</b>		
Interest received	773	725
Acquisition of plant and equipment	(57,990)	(8,234)
Proceeds from sale of exploration assets and plant & equipment	-	1,840
Cash acquired on acquisition	7,547	-
Acquisition of investment	(500)	-
Acquisition of investment in associate	(1,169)	-
Business combination expenditure	(348)	-
Exploration, evaluation and development expenditure	(39,253)	(21,771)
Refund of/(deposit for) environmental bonds	7,486	(313)
<b>Net cash used in investing activities</b>	<u>(83,454)</u>	<u>(27,753)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital (net of costs)	-	65,703
Proceeds from exercise of options	1,034	6,238
Payment of funding facility fee	(500)	-
Proceeds from borrowings	-	22
Repayment of borrowings	(392)	(206)
Interest paid	(28)	(84)
<b>Net cash from/(used in) financing activities</b>	<u>114</u>	<u>71,673</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(47,557)	77,273
Cash and cash equivalents at 1 July	68,249	16,085
<b>Cash and cash equivalents at 31 December</b>	<u>20,692</u>	<u>93,358</u>

The notes on pages 18 to 26 are an integral part of these consolidated interim financial statements.

# Notes to the Consolidated Interim Financial Statements



## 1. Reporting Entity

Silver Lake Resources Limited ("Silver Lake" or "the Company") is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

## 2. Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Silver Lake for the year ended 30 June 2012 and any public announcements made by Silver Lake and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2013.

## 3. Basis of Preparation

The financial report is prepared in Australian dollars.

The financial report is presented on the historical cost basis except for the following material items in the statement of financial position which are measured at fair value:

- Derivative financial instruments;
- Available-for-sale financial assets;
- Share based payments; and
- Assets and liabilities acquired through business combinations.

The preparation of a financial report in conformance with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 4. Significant Accounting Policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2012. The following are new accounting policies that have been adopted during the period:

### A. *Business Combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; less
- The net recognised amount (generally fair value) of the identifiable assets and liabilities assumed.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

### B. *Goodwill*

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 4A.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

### C. *Non-derivative financial assets - available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

### D. *Investments in associates and jointly controlled entities (equity-accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustment to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discounted except to the extent that the Group has an obligation or has made payments on behalf of the investee.

## Notes to the Consolidated Interim Financial Statements Continued



### *E. Derivative financial instruments*

The Group occasionally uses derivative financial instruments such as gold options and gold forward contracts to manage the risks associated with commodity price.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value. Changes in the fair value of derivatives are recorded in the statement of comprehensive income.

The fair value of derivative financial instruments that are traded on an active market is based on quoted market prices at the statement of financial position date. The fair value of financial instruments not traded on an active market is determined using appropriate valuation techniques.

### 5. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2012.

With the acquisition of Integra Mining Limited (Integra), the Company acquired outstanding gold forward contracts. Gold forward contracts are remeasured at their fair value at each reporting date. Movements in the fair value are accounted for through profit and loss for the period.

Gold forward contracts remaining as at 31 December 2012 total 10,200 ounces at an average price of \$1,359 per ounce.

### 6. Segment Reporting

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are managed separately as they require different processes. The Managing Director reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Production*. Includes mining and treatment of gold.
- *Exploration*. Includes the exploration for mineral resources.

#### Information about reportable segments For the six months ended 31 December

	Production		Exploration		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
External revenues	85,605	67,596	-	-	85,605	67,596
Interest expense	(28)	(84)	-	-	(28)	(84)
Depreciation and amortisation	(9,579)	(7,143)	-	-	(9,579)	(7,143)
Reportable segment profit before income tax	29,971	26,022	(441)	(80)	29,530	25,942
Reportable segment assets	577,460	96,771	219,595	37,614	797,055	134,385

## Notes to the Consolidated Interim Financial Statements Continued



### Reconciliation of reportable segment revenue

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Total revenue for reportable segments	85,605	67,596
Consolidated revenue	<u>85,605</u>	<u>67,596</u>

### Reconciliation of reportable segment profit

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Total profit for reportable segments	29,530	25,942
Unallocated amounts:		
Business combination expense	(15,348)	-
Interest income	773	725
Other corporate expenses	(3,603)	(2,096)
Consolidated profit before income tax	<u>11,352</u>	<u>24,572</u>

### Reconciliation of reportable segment assets

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Total assets for reportable segments	797,055	134,385
Unallocated amounts:		
Cash and cash equivalents	20,692	93,358
Corporate assets	738	315
Investments	3,273	-
Consolidated total assets	<u>821,758</u>	<u>228,058</u>

## 7. Administration Expenses

The following administration expenses were incurred during the period:

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Salaries and on costs	1,742	863
Consultants	625	582
Professional fees	54	4
Travel and accommodation	174	155
Rental expense	314	161
Other	694	331
Total	<u>3,603</u>	<u>2,096</u>

## Notes to the Consolidated Interim Financial Statements Continued



The following personnel expenses were incurred during the period:

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Wages and salaries	7,882	3,914
Other associated personnel expenses	474	235
Superannuation contributions	732	366
Increase in liability for annual leave	307	80
<b>Total</b>	<u>9,395</u>	<u>4,595</u>

Personnel expenses included in cost of goods sold is \$6,431,000 (2011: \$3,185,000).

### 8. Acquisition of Subsidiary - Provisional

On 21 December 2012 the Group obtained control of Integra by acquiring 100 percent of the shares and voting interests in that company. No revenue or profit from Integra was recognised for the period ending 31 December 2012.

If the acquisition had occurred on 1 July 2012, management estimates that the consolidated revenue would have been \$134,691,000, compared to \$85,605,000 and consolidated profit would have been \$2,636,000, compared to \$5,125,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2012.

The following summarises the fair value of assets and liabilities acquired at the acquisition date. The fair value accounting has been recorded on a provisional basis:

#### *Consideration Transferred*

	\$'000
Equity Instruments Issued (150,108,264 fully paid ordinary shares)	<u>469,839</u>

#### *Equity instruments issued*

The fair value of the fully paid ordinary shares issued was based on the closing share price of the Company at 21 December 2012 of \$3.13 per share, being the date of acquisition. As at 31 December 2012 these shares had not been issued, as such they are included within the share reserve.

## Notes to the Consolidated Interim Financial Statements Continued



### *Identifiable assets acquired and liabilities assumed*

	Note	31 Dec 2012 \$'000
Cash and cash equivalents		7,547
Trade and other receivables		3,437
Inventories	11	70,398
Property plant and equipment	13	55,879
Exploration, evaluation and development		
Production phase - Mineral interests	12	42,506
Exploration and evaluation phase - exploration interests	12	180,447
Available for sale investments		2,614
Deferred tax assets		3,300
Trade and other payables		(12,251)
Employee provisions		(968)
Derivative financial instrument		(2,722)
Rehabilitation provision		(3,387)
<b>Total net identifiable assets</b>		<u>346,800</u>

The fair value of the exploration, evaluation and development assets, property, plant and equipment and inventories have been determined on a provisional basis with the fair value, and any tax effect, to be finalised pending completion of an independent valuation and further internal review.

### *Goodwill*

Goodwill was recognised as a result of the acquisition as follows:

	31 Dec 2012 \$'000
Total consideration transferred	469,839
Fair value of identifiable net assets	<u>(346,800)</u>
<b>Goodwill</b>	<u>123,039</u>

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Integra into the Group's existing mining operations. None of the goodwill recognised is expected to be deductible for tax purposes.

### *Provisional acquisition-related costs*

The Group incurred provisional acquisition related costs of \$15,348,000 as follows:

	31 Dec 2012 \$'000
Stamp duty expense	14,000
Legal and consulting fees	1,348
<b>Total business combination expenses</b>	<u>15,348</u>

The costs have been included in business combination expenses in the Group's consolidated statement of comprehensive income.

## Notes to the Consolidated Interim Financial Statements Continued



### 9. Finance Income and Expenses

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Interest Income	773	725
Impairment on listed investment	(1,595)	-
Unwind of discount on provision	(63)	(62)
Interest expense	(28)	(22)
<b>Net finance income/(expense)</b>	<b>(913)</b>	<b>641</b>

### 10. Earnings Per Share

The earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of \$5,125,000 (2011: \$17,177,000) and the weighted average number of ordinary shares at 31 December 2012 of 225,474,099 (2011: 183,273,865). The diluted earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of \$5,125,000 (2011: \$17,177,000) and the weighted average diluted number of ordinary shares outstanding at 31 December 2012 of 233,676,627 (2011: 203,048,539).

### 11. Inventories

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Materials and Supplies - at cost	1,607	1,551
Materials and Supplies - at fair value <sup>1</sup>	3,638	-
Ore stocks - at cost	24,499	17,966
Ore stocks - at fair value <sup>1</sup>	57,655	-
Gold in circuit - at cost	2,543	2,086
Gold in circuit - at fair value <sup>1</sup>	3,771	-
Gold bullion - at cost	1,562	2,472
Gold bullion - at fair value <sup>1</sup>	5,334	-
<b>Total</b>	<b>100,609</b>	<b>24,075</b>

<sup>1</sup> Inventory acquired within business combinations is recorded at fair value, refer to note 8 for details.



## Notes to the Consolidated Interim Financial Statements Continued



### 12. Exploration, evaluation and development expenditure

The exploration, evaluation and development assets as at 31 December 2012 are reconciled for movements during the period as follows:

	31 Dec 2012 \$'000
<b>Exploration and Evaluation Phase</b>	
Cost brought forward	28,150
Capitalised during the period	8,936
Acquired during the period	194,447
Expenditure impairment	(441)
Transfer to development phase	(11,496)
<b>Balance at end of period</b>	<b>219,596</b>

The ultimate recoupment of deferred exploration and evaluation expenditure carried forward is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

	31 Dec 2012 \$'000
<b>Development Phase</b>	
Costs brought forward	32,692
Transfer from exploration phase	11,496
Expenditure during the period	9,258
Transferred to production phase	(10,254)
<b>Balance at end of period</b>	<b>43,192</b>

	31 Dec 2012 \$'000
<b>Production Phase</b>	
Costs brought forward	59,849
Transfer from development phase	10,254
Expenditure during the period	8,613
Acquired during the period	42,506
Development ahead of production*	8,328
Amortisation expense	(5,513)
<b>Balance at end of period</b>	<b>124,037</b>
<b>Total</b>	<b>386,825</b>

\* Relates to deferred mining on open pit mines and normal development ahead of production in underground mines.

# Notes to the Consolidated Interim Financial Statements Continued



## 13. Property, Plant and Equipment

### *Acquisitions*

During the six months ended 31 December 2012 the Company acquired assets with a total cost of \$122,545,000 including assets acquired through a business combination (see note 8).

### *Disposals:*

There were no asset disposals during the period.

## 14. Share Capital

	Number	\$'000
<b>Movement in Issued Capital</b>		
Balance as at 30 June 2012	220,264,064	127,676
Issue of share capital (net of costs)	5,229,412	15,113
Exercise of options	3,447,010	1,034
<b>Balance as at 31 December 2012</b>	<b>228,940,486</b>	<b>143,823</b>

## 15. Commitments

No material commitments as at 31 December 2012.

## 16. Related Parties

Other than for normal salaries and directors' fees, there were no other transactions or outstanding balances with Key management personnel.

## 17. Bank Facilities

The Company has a bank facility in place with National Australia Bank Ltd for \$75 million consisting of a Performance Bond facility of \$20 million, an Asset Purchase facility of \$20 million and a Cash facility of \$35 million. As at 31 December 2012, the company had utilised \$7.5 million of the Performance Bond facility on performance bonds on tenements required by the Department of Mines and Petroleum.

Integra has a bank facility in place with BNP Paribas and Westpac Banking Corporation for \$25 million consisting of a Performance Bond facility of \$5 million and a Cash facility of \$20 million. As at 31 December 2012, Integra had utilised \$3.5 million of the Performance Bond facility on performance bonds on tenements required by the Department of Mines and Petroleum. The facilities acquired through the Integra acquisition are intended to be closed out during the March 2013 quarter.

## 18. Subsequent event

Silver Lake and Integra announced on 6 August 2012 that they had reached agreement to combine the two companies and create a substantial gold company with multiple Australian operating mines and treatment plants.

The transaction was completed on 11 January 2013 with Silver Lake shares issued to Integra shareholders on 14 January 2013. The Financial Accounts for the period ending 31 December 2012, included in this report, have consolidated Integra's balance sheet as at that date.

In the opinion of the directors of Silver Lake:

1. the financial statements and notes set out on pages 14 to 26, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the six month period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this twenty eighth day of February 2013.

Signed in accordance with a resolution of the directors:



Les Davis  
Director



## Independent auditor's review report to the members of Silver Lake Resources Limited

### Report on the financial report

We have reviewed the accompanying interim financial report of Silver Lake Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the half-year 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* and 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*

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 2012 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 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.

#### *Independence*

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



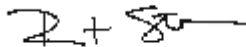
*Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Bront Steedman  
*Partner*

Perth  
28 February 2013