

APPENDIX 4D (Rule 4.2A.3.) HALF YEAR REPORT for the period ending 31 December 2011

Results for Announcement to the Market

Current reporting period: 6 months ended 31 December 2011
 Previous corresponding reporting period: 6 months ended 31 December 2010

	31 December 2011 (AU\$'000)				
Revenues from ordinary activities	up	65.9%	from	40,736	to 67,596
Profit from ordinary activities after tax attributable to members	up	185.4%	from	6,018	to 17,177
Net profit for the period attributable to members	up	185.4%	from	6,018	to 17,177

Revenues from ordinary activities increased by 65.9% due to increased gold sales of 41,120 oz (2010: 29,796 oz) at an increased average realised price of \$1,644/oz (2009: \$1,363/oz). The increased revenue was the main reason for the Group achieving a 185.4% increase in Profit for the period.

Dividend Information

The Company has not proposed to pay any dividend.

	31 Dec 2011	31 Dec 2010
Net tangible assets per security*	\$0.60	\$0.30

*Exploration and evaluation phase assets have been treated as intangible assets.

Control gained or lost over entities during the period

There have been no acquisitions or losses of control over entities of the group in the 6 month period ending 31 December 2011.

Associate and joint venture entities

There are no associate 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.

Silver Lake Resources Ltd
(ABN 38 108 779 782)

Interim Financial Report
For the Six Months Ended 31 December 2011

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

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

Contact Details

PO Box 876
South Perth WA 6951
Telephone: +61 8 6313 3800
Fax: +61 8 6313 3888
Email: contact@silverlakeresources.com.au
Website: www.silverlakeresources.com.au
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

Table of Contents



	Page
Directors' Report	4
Review of Operations	5
Lead Auditors Independence Declaration	12
Interim Statement of Comprehensive Income	13
Interim Statement of Financial Position	14
Interim Statement of Changes in Equity	15
Interim Statement of Cash Flows	16
Notes to the Consolidated Interim Financial Statements	17
Directors' Declaration	23
Independent Review Report	24

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 2011 and the review report thereon.

Directors

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

Name	Period of Directorship
Non-Executive	
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
Executive	
Les Davis - Managing Director	25 May 2007
Chris Banasik - Director Exploration & Geology	25 May 2007

Overview

Silver Lake Resources Limited ("Silver Lake" or "the Company") is an ASX 200 gold producing and exploration company with a resource base of 3.3 million oz in highly prospective regions including the Mount Monger goldfield and the Murchison. Silver Lake's strategy is to develop large production centres at Mount Monger and at the Murchison with multiple mines at each centre.

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 Gold Processing Facility located 5 km south east of Kalgoorlie and 45 km from the Daisy Milano mine. This facility has been expanded to 700,000 tonnes per annum and is currently being expanded to 1 million tonnes per annum by September 2012 quarter.

In the Murchison, Silver Lake is developing a second mining operation with multiple mines feeding a central processing facility. A 1.2 million tonne per annum mill has been acquired for this project and production is expected to commence in the March 2013 quarter.

At the Eelya Complex, part of the Murchison project, a high grade Copper discovery has been made at Hollandaire. The Hollandaire deposit contains copper, gold & silver with grades up to 45% Cu, 5.5 g/t Au and 256 g/t Ag.

Silver Lake has entered into an agreement with Phillips River Mining Ltd (ASX PRH: "Phillips River") to merge the Phillips River's assets into Silver Lake by a Scheme of Arrangement ("Scheme"). The assets contain a resource of 1 million oz Au, 10 million oz Ag and 95,000 tonnes of Cu. The scheme is expected to be completed in the June 2012 quarter.

Silver Lake's exploration programme is targeting 10 million oz Au in resource over time.

Safety

Unfortunately there were two Lost Time Injuries ("LTI") during the period. A miner received a laceration to his thigh muscle that required sutures, while a mill operator received a laceration to his leg above the knee which required sutures. The 12 month moving average Lost Time Injury Frequency Rate ("LTIFR") stands at 9.8.

Mine Production

Underground Production & Development - Mount Monger

Production:

Underground gold in ore production during the period was sourced from four underground mines, Daisy Milano, Daisy East, Haoma & Rosemary totalling 185,476 tonnes at an average grade of 7.1 g/t Au for 42,568 oz (refer to Table 1).

Gold in ore production from underground sources was 28% higher than the previous corresponding period at a grade of 7.1 g/t.

Ore development for the period totalled 2,546 metres.

Stoping activities are continuing on multiple levels in Daisy East and above the 30 level at Daisy Milano.

Review of Operations Continued

Waste Development:

502 metres of ore access development were undertaken during the period developing to the 32 & 33 levels at Daisy Deeps and the 33 & 34 levels at Haoma.

890 metres of capital decline development were undertaken during the period developing the Daisy Deeps decline, 600 return airway and decline development to Haoma. At the end of the period the Daisy Deeps decline was 40 metres from the 35 level cross cut.

Open Pit Production & Development - Wombola Dam

Production:

Gold in ore production from the starter pit commenced in mid-September 2011 and during the period produced 88,191 tonnes at 2.2 g/t Au for 6,330 ounces (refer to table 1). To date the pit is at a vertical depth of 25 metres.

The starter pit is predominantly transitional/fresh(hard) rock and will produce ~13,000 recovered ounces over a nine month period at an average strip ratio of 4.8:1 (waste:ore) and at a cash operating cost of \$A432 per ounce.

The majority of the ore has been stockpiled in readiness for feeding the upgraded capacity at the Lakewood Gold Processing Facility on completion of the upgrade.

Waste Development:

640,180 tonnes of waste material was removed during the period including the initial pre-strip.

Processing

During the period the Lakewood Gold Processing Facility performed well exceeding throughput by 20% and ounces produced by 37% compared to the previous corresponding period (refer Table 2). 201,261 tonnes were milled during the period at a head grade of 6.4 g/t Au resulting in 38,574 recovered ounces (refer to table 2).

Ore sources fed for the period consisted of all hard rock and the mill operated at >400,000tpa hard rock capacity. Ore stocks at the end of the period totalled ~206,000 tonnes containing ~21,700 ounces.

Stage 1 upgrade of Lakewood Gold Processing Facility to 700,000tpa was completed on time and on budget.

Stage 2 upgrade to 1mtpa in the September 2012 quarter is in progress and tracking to plan.

Gold In Circuit & Bullion On Hand

Gold in circuit at the end of the period totalled 1,844 oz and bullion on hand totalled 1,014 oz. Both of these items are reflected in the accounts as gold in circuit at cost within inventories.

Gold Sales

Gold sales for the period were 41,120 oz an increase of 38% compared to the previous corresponding period (refer to table 2). The average realised sale price received during the period was \$A1,644/oz.

Review of Operations Continued

Mount Monger	Units	Half Year to 31 Dec 2011	Half Year to 31 Dec 2010
<u>Underground</u>			
Ore hoisted	Tonnes	185,476	145,858
Mined grade	g/t Au	7.1	7.1
Gold in ore hoisted	Oz	42,568	33,219
<u>Open Pit</u>			
Ore hoisted	Tonnes	88,191	62,074
Mined grade	g/t Au	2.20	1.8
Gold in ore hoisted	Oz	6,330	3,591
Total Ore hoisted	Tonnes	273,667	207,932
Mined Grade	g/t Au	5.6	5.5
Gold in ore hoisted	Oz	48,898	36,810

Table 1: Mine production statistics

Lakewood Gold Processing Facility	Units	Half Year to 31 Dec 2011	Half Year to 31 Dec 2010
Ore Milled	Tonnes	201,261	168,077
Head grade	g/t Au	6.4	5.5
Contained gold	Oz	41,227	29,816
Recovery	%	94	95
Gold produced	Oz	38,574	28,242
Gold sold	Oz	41,120	29,796

Table 2: Processing statistics

Financial Result

The profit of the Group for the financial period, after providing for income tax amounted to \$17,177,000 (2010: \$6,018,000), while the net cash flow generated from operations was \$33,353,000 (2010: \$14,420,000) during the period. Non cash transactions affecting profit during the period included depreciation and amortisation of \$7,143,000 (2010: \$4,540,000).

Corporate

A capital raising of A\$70 million was undertaken during the period to fund development of the Murchison Gold Project and to accelerate copper exploration activities at the Eelya Complex.

The company was admitted to the ASX 200 on 16 December 2011.

Business Development

Mount Monger Goldfield

Silver Lake continues to review its options for open pit ore feed to blend with underground ore sources once the Wombola Dam starter pit ore is depleted. The Wombola Pit mining study is currently being finalised and a decision to mine is expected in the March 2012 quarter. Mining studies are also in progress for Wombola Dam Big Pit and the Magic deposit.

Murchison Goldfield

Silver Lake is developing a second gold mining operation for a low forecast capital outlay of A\$65 million with multiple mines feeding a central processing facility. Production is expected to commence in the March 2013 quarter ramping up to 100,000 ounces per annum in 2014. The base case production plan has ore being sourced from 14 open pit and 4 underground mines for an 8 to 10 year mine life. The project has a payback period of less than 2 years at a gold price of A\$1,400 per oz.

Progress during the period included:

- appointment of Mining Manager and Mill Project Manager;
- Project Management Plan and Works Approval submitted to regulatory authorities;
- contract awarded to NT Link for construction of 250 man camp in Cue;
- contract awarded to Pacer Engineers for relocation, refurbishment, plant design & reconstruction of the company owned 1.2 million tonne per annum milling infrastructure located in Leonora;
- contract awarded for air charter services to Network Aviation from Perth to Cue; and
- site visits for underground and open pit tenderers.

Great Southern Gold Project

Silver Lake has entered into an agreement with Phillips River Mining Ltd (ASX PRH: "Phillips River") to merge the Phillips River's assets into Silver Lake by a Scheme of Arrangement ("Scheme"). The assets contain a resource of 1 million oz Au, 10 million oz Ag and 95,000 tonnes of Cu. The scheme is expected to be completed in the June 2012 quarter.

Post-merger the Phillips River assets will be collectively known as the Great Southern Gold Project ("Great Southern") and provide an exciting advanced exploration project for Silver Lake. Great Southern has two

Review of Operations Continued

discrete exploration projects, Kundip and Munglinup 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 will be funded from internal cash flows. This work will also assess a low capital operating scenario with a simple and straight forward processing circuit.

Rothsay

During the period Silver Lake sold the Rothsay mining and exploration tenements ("Rothsay Project") located 300km north of Perth, Western Australia, to Auricup Resources Limited ("Auricup"), an Australian unlisted public company.

Consideration for the Rothsay Project was A\$1.2 million cash plus strategically located tenements in the Eelya Complex adjoining Silver Lake's Murchison project.

Exploration

During the period Silver lake increased its resource inventory to 20.8 million tonnes at 4.4 g/t Au for 3.3 million ounces (refer to table 3) an increase of 17% from the June 2011 inventory.

The December 2011 resource inventory is calculated after allowing for the previous six months mining depletion of 48,898 ounces from Mount Monger Operations and the sale of the Rothsay project in August 2011 containing 132,900 ounces.

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 and step out drilling in the Wombola area.

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 nine large electromagnetic conductors at Hollandaire, Colonel, Mount Eelya and Eelya South. The initial 9 hole diamond drill programme at Hollandaire confirmed the deposit as a high grade copper deposit. During 2012 step out drilling is planned at Hollandaire targeting high grade massive sulphide zones along with diamond drilling of the remaining 8 electromagnetic conductors.

Silver Lake is targeting to increase its gold resource base from 3.3 million ounces to 10 million ounces over time.

Review of Operations Continued

Resources

The JORC Resource as at 30 December 2011 totalled 3.3 million ounces 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
Daisy Milano	181.5	30.6	178.6	562.2	17.2	310.9	326.0	12.3	128.9	1,069.7	18.0	618.4
Daisy East	41.0	41.4	54.6	21.4	15.5	10.7	25.9	15.9	13.2	88.3	27.6	78.5
Christmas Flat	-	-	-	338.6	4.1	44.1	448.5	6.3	91.3	787.1	5.3	135.4
Haoma	-	-	-	-	-	-	238.9	30.6	235.0	238.9	30.6	235.0
Costello	-	-	-	-	-	-	111.0	4.0	14.3	111.0	4.0	14.3
Lorna Doone	-	-	-	-	-	-	128.0	3.1	12.8	128.0	3.1	12.8
Magic	-	-	-	749.2	4.1	98.3	1,071	5.2	178.0	1,820.2	4.7	276.3
Wombola Pit	-	-	-	161.2	3.0	15.7	299.0	2.8	26.6	460.2	2.9	42.3
Wombola Dam	-	-	-	202.8	4.1	26.7	230.2	3.8	27.8	433.0	3.9	54.5
Total Mount Monger	222.5	32.6	233.1	2,035.4	7.7	506.4	2,878.5	7.9	727.9	5,136.4	8.9	1,467.4
Tuckabianna - OP	-	-	-	4,000.0	2.2	280.0	4,220.0	2.1	290.0	8,220.0	2.2	570.0
Tuckabianna - UG	-	-	-	1,070.0	4.4	150.0	1,360.0	3.7	160.0	2,430.0	4.0	310.0
Comet - OP	36.0	0.6	0.69	2,390.0	2.7	210.0	670.0	1.9	40.0	3,070.0	2.5	250.0
Comet - UG	-	-	-	850.0	5.1	140.0	250.0	3.7	30.0	1,100.0	5.1	180.0
Moyagee - OP	-	-	-	840.0	2.2	60.0	1,130.0	2.5	90.0	1,980.0	2.4	150.0
Moyagee - UG	-	-	-	70.0	4.4	10.0	1,500.0	3.9	190.0	1,570.0	4.0	200.0
Murchison - OP	36.0	0.6	0.69	7,230.0	2.4	550.0	6,030.0	2.1	410.0	13,270.0	2.3	970.0
Murchison - UG	-	-	-	1,980.0	4.7	300.0	3,120.0	3.8	380.0	5,100.0	4.1	680.0
Total Murchison	36.0	0.6	0.69	9,210.0	2.9	850.0	9,150.0	2.7	790.0	18,370.0	2.8	1,650.0
Rothsay	-	-	-	-	-	-	591.2	7.0	132.9	591.2	7.0	132.9
Total Silver Lake	258.5	28.1	233.8	11,245.4	3.8	1,356.4	12,619.7	4.1	1,650.8	24,097.6	4.2	3,250.7

Table 3: December 2011 Resource Inventory

Rounding may give rise to unit discrepancies in this table

Notes to table 3

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

Review of Operations Continued

Resource. The information on exploration targets are based on a conceptual range of targets as follows:

Tonnage range: 50 million to 100 million tonnes

Grade range: 3 g/t Au to 8 g/t Au

Ounces: 5 million to 10 million

The lead auditor's independence declaration is set out on page 12 and forms part of the directors' report for the six months ended 31 December 2011.

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 2011.

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 2011 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.

A handwritten signature in blue ink, appearing to read "R. Gambirca".

KPMG

A handwritten signature in blue ink, appearing to read "R. Gambirca".

R Gambirca
Partner

Perth
28 February 2012

Interim Statement of Comprehensive Income



For the six months ended 31 December 2011
In thousands of AUD

	<i>Notes</i>	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Revenue		67,596	40,736
Cost of sales		(41,570)	(31,306)
Gross profit		26,026	9,430
Administration expenses		(2,096)	(1,329)
Results from operating activities		23,930	8,101
Net finance income	7	641	514
Profit before income tax		24,571	8,615
Income tax expense		(7,394)	(2,597)
Profit for the period		17,177	6,018
Other comprehensive income		-	-
Total comprehensive income for the period		17,177	6,018
Total comprehensive income attributable to:			
Owners of the Company		17,177	6,018
Earnings per share			
Basic earnings per share (cents per share)	8	9.37	3.33
Diluted earnings per share (cents per share)	8	8.46	3.01

The notes on pages 17 to 22 are an integral part of these consolidated interim financial statements.

Interim Statement of Financial Position

As at 31 December 2011
 In thousands of AUD

	<i>Notes</i>	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Current Assets			
Cash and cash equivalents		93,358	16,085
Trade and other receivables		1,304	1,342
Inventories	9	15,306	14,798
Assets held for sale		-	1,250
Prepayments		32	122
Total Current Assets		110,000	33,597
Non-Current Assets			
Exploration evaluation and development expenditure	10	93,999	75,857
Property, plant and equipment	11	21,382	16,165
Trade and other receivables		2,677	2,364
Total Non-Current Assets		118,058	94,386
Total Assets		228,058	127,983
Current Liabilities			
Trade and other payables		20,818	17,213
Income tax payable		2,544	-
Interest bearing liabilities		182	352
Employee benefits		653	573
Total Current Liabilities		24,197	18,138
Non-Current Liabilities			
Deferred tax liability		18,079	13,834
Rehabilitation and restoration provision		4,646	4,584
Interest bearing liabilities		40	54
Total Non-Current Liabilities		22,765	18,472
Total Liabilities		46,962	36,610
Net Assets		181,096	91,373
Equity			
Share capital	12	128,807	56,261
Reserves		13	150
Retained earnings		52,276	34,962
Total equity		181,096	91,373

The notes on pages 17 to 22 are an integral part of these consolidated interim financial statements.

Interim Statement of Changes in Equity



In thousands of AUD

	Share Capital \$'000	Option Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2010	56,224	182	19,139	75,545
Total comprehensive income for the period				
Profit for the period	-	-	6,019	6,019
Other comprehensive income	-	-	-	-
Transactions with owners, recorded directly in equity				
Issue of ordinary shares (net of costs)	-	-	-	-
Share options exercised	37	(32)	32	37
Vesting of employee options	-	-	-	-
Balance at 31 December 2010	56,261	150	25,190	81,601
Balance at 1 July 2011	56,261	150	34,962	91,373
Total comprehensive income for the period				
Profit for the period	-	-	17,177	17,177
Other comprehensive income	-	-	-	-
Transactions with owners, recorded directly in equity				
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	-	-	-	-
Balance at 31 December 2011	128,807	13	52,276	181,096

The notes on pages 17 to 22 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 2011

	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts from customers	67,596	41,932
Cash paid to suppliers and employees	(34,243)	(27,512)
Net cash from operating activities	33,353	14,420
Cash flows from investing activities		
Interest received	725	568
Acquisition of plant and equipment	(8,234)	(4,171)
Proceeds from sale of exploration assets and plant & equipment	1,840	-
Exploration, evaluation and development expenditure	(21,771)	(18,617)
Deposit for environmental bonds	(313)	(88)
Net cash used in investing activities	(27,753)	(22,308)
Cash flows from financing activities		
Proceeds from the issue of share capital (net of costs)	65,703	-
Proceeds from exercise of options	6,238	38
Proceeds from borrowings	22	23
Repayment of borrowings	(206)	(178)
Interest paid	(84)	(20)
Net cash from/(used in) financing activities	71,673	(137)
Net increase in cash and cash equivalents	77,273	(8,025)
Cash and cash equivalents at 1 July	16,085	29,503
Cash and cash equivalents at 31 December	93,358	21,478

The notes on pages 17 to 22 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") and its subsidiaries is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

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 2011 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 28th February 2012.

3. Basis of Preparation

The financial report is prepared in Australian dollars.

The financial report is presented on the historical cost basis except for share based payments measured at fair value.

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 2011.

Notes to the Consolidated Interim Financial Statements Continued



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 2011.

There are no outstanding forward gold contracts.

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
External revenues	67,596	40,736	-	-	67,596	40,736
Interest expense	(84)	(20)	-	-	(84)	(20)
Depreciation and amortisation	(7,143)	(4,540)	-	-	(7,143)	(4,540)
Reportable segment profit before income tax	26,022	9,474	(80)	(98)	25,942	9,376
Reportable segment assets	96,771	61,200	37,614	27,800	134,385	89,000

Reconciliation of reportable segment revenue

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Total revenue for reportable segments	67,596	40,736
Consolidated revenue	67,596	40,736

Notes to the Consolidated Interim Financial Statements Continued



Reconciliation of reportable segment profit

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Total profit for reportable segments	25,942	9,376
Unallocated amounts:		
Interest income	725	568
Other corporate expenses	(2,096)	(1,329)
Consolidated profit before income tax	<u>24,572</u>	<u>8,615</u>

Reconciliation of reportable segment assets

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Total assets for reportable segments	134,385	89,000
Unallocated amounts:		
Cash and cash equivalents	93,358	21,478
Corporate assets	315	167
Consolidated total assets	<u>228,058</u>	<u>110,645</u>

7. Finance income and expenses

	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Interest Income	725	568
Unwind of discount on provision	(62)	(34)
Interest expense	(22)	(20)
Net finance income	<u>641</u>	<u>514</u>

8. Earnings per share

The earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of \$17,177,000 (2010: \$6,018,000) and the weighted average number of ordinary shares at 31 December 2011 of 183,273,865 (2010: 178,795,202). The diluted earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of \$17,177,000 (2010: \$6,018,000) and the weighted average diluted number of ordinary shares outstanding at 31 December 2011 of 203,048,539 (2010: 199,786,412).

9. Inventories

	31 Dec 2011 \$'000	30 Jun 2011 \$'000
Materials and Supplies - at cost	954	821
Ore stocks - at cost	11,715	8,579
Gold in circuit - at cost	1,697	4,135
Gold bullion - at cost	940	1,263
Total	<u>15,306</u>	<u>14,798</u>

Notes to the Consolidated Interim Financial Statements Continued



10. Exploration, evaluation and development expenditure

The exploration, evaluation and development assets as at 31 December 2011 are reconciled for movements during the period as follows:

	31 Dec 2011 \$'000
Exploration and Evaluation Phase	
Cost brought forward	37,274
Capitalised during the period	14,232
Acquired during the period	425
Expenditure impairment	(80)
Transfer to Development phase	(14,237)
Balance at end of period	37,614

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 2011 \$'000
Development Phase	
Costs brought forward	0
Transfer from Exploration phase	14,237
Expenditure during the period	0
Transferred to Production phase	(5,261)
Balance at end of period	8,976

	31 Dec 2011 \$'000
Production Phase	
Costs brought forward	38,583
Transfer from Development phase	5,261
Expenditure during the period	7,114
Deferred Mining *	1,046
Amortisation expense	(4,595)
Balance at end of period	47,409
Total	93,999

* Relates solely to deferred mining on Wombola Dam open pit.

Notes to the Consolidated Interim Financial Statements Continued



11. Property, plant and equipment

Acquisition Costs

During the six months ended 31 December 2011 the Company acquired assets with a total cost of \$8,234,000 which related to:

	31 Dec 2011
	\$'000
Lakewood upgrade	7,117
Lakewood tailings dam	513
Other capital work in progress	257
Other Assets	347
Total	8,234

Total capital work in progress amounted to \$8,427,000 as at the end of the period.

Disposals

Assets with a carrying value of \$1,790,000 were sold during the period for \$1,840,000. The Rothsay Exploration Project was the major asset sold during the period for \$1,250,000.

12. Share capital

	Number	\$'000
Movement in Issued Capital		
Balance as at 30 June 2011	178,882,838	56,261
Issue of share capital (net of costs)	20,588,235	66,308
Exercise of Employee options	20,792,990	6,238
Balance as at 31 December 2011	220,264,063	128,807

13. Commitments

During the period the Group committed to expanding the Lakewood Gold Processing facility from 700,000 tpa to 1,000,000 tpa and also committed to building a processing facility in the Murchison to treat 1.2mtpa ore from the Murchison leases.

Contracts to commence both these projects will be issued early in the 2012 calendar year.

Notes to the Consolidated Interim Financial Statements Continued



14. Related parties

Transactions with key management personnel

During the period the six Directors sold 4,000,000 unlisted options each to investment institutions, the Directors no longer hold any unlisted options.

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

15. Subsequent event

On 24th January 2012 The Group announced that an agreement had been reached with Phillips River Mining Ltd (ASX PRH: "Phillips River") to merge the assets of Phillips River into Silver Lake by a Scheme of Arrangement ("Scheme"). The scheme is expected to be completed in the June 2012 quarter with Silver Lake issuing approximately 5,660,740 shares in Silver Lake for all the issued shares in Phillips River.

The agreement also includes a Convertible Note Facility where Silver Lake will provide Phillips River with funding up to \$1,300,000 for operational expenditure in exchange for Convertible Notes in Phillips River each with a face value of \$0.18.

In the opinion of the directors of Silver Lake:

1. the financial statements and notes set out on pages 13 to 22, 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 2011 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 eight day of February 2011.

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 half-year financial report of Silver Lake Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period 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 entity it controlled at the half-year's end or from time to time during the period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year 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 half-year 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 half-year 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 2011 and its performance for the half-year period 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.

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 half-year financial report of Silver Lake Resources Limited 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 2011 and of its performance for the half-year period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



R Giambitta
Partner

Perth
28 February 2012