silverlake RESOURCES

APPENDIX 4D
HALF YEAR REPORT
Period ended 31 December 2019

Name of entity: Silver Lake Resources Limited
Current reporting period: 6 months ended 31 December 2019
Previous corresponding reporting period: 6 months ended 31 December 2018

		31 Dec 2019 A$'000	31 Dec 2018 A$'000
Revenues from ordinary activities	up 116%	258,804	119,821
Profit from ordinary activities after tax attributable to members	up 1,014%	44,586	4,002

Dividend information

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

Net tangible assets per share

	31 Dec 2019	31 Dec 2018
Net tangible assets per share	$0.56	$0.41

Control gained or lost over entities during the period

Silver Lake's takeover offer for Egan Street Resources Limited (Egan Street) closed on 13 December 2019 with Silver Lake holding a relevant interest of 97.3% at 31 December 2019. Subsequent to period end, Silver Lake proceeded to compulsory acquisition, which was completed in January 2020. The financial statements of Egan Street have been recorded as a subsidiary in the Interim Financial Report.

As at 31 December 2019, the Group has the following interests in unincorporated joint operations:

Joint Operation	Joint Operation Parties	SLR Interest 31 Dec 2019	SLR Interest 31 Dec 2018
Horse Well JV	SLR/Alloy Resources	40.0%	-
Peter's Dam	SLR/Rubicon	-	71.6%

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 2019

Corporate Directory

Directors

David Quinlivan	Non-executive Chairman
Luke Tonkin	Managing Director
Kelvin Flynn	Non-executive Director
Peter Alexander	Non-executive Director

Company Secretaries

David Berg
Liz Hough

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

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

Auditors

KPMG
235 St George's Terrace
Perth WA 6000

Internet Address

www.silverlakeresources.com.au

ABN 38 108 779 782

ASX Code: SLR

Directors' Report

The Directors present their report for the half year ended 31 December 2019.

DIRECTORS

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

David Quinlivan	Non-executive Chairman	Appointed 25 June 2015
Luke Tonkin	Managing Director	Appointed 14 October 2013
Kelvin Flynn	Non-executive Director	Appointed 24 February 2016
Peter Alexander	Non-executive Director	Appointed 5 April 2019
Leigh Junk	Non-executive Director	Appointed 5 April 2019, Resigned 12 July 2019
Les Davis	Non-executive Director	Appointed 25 May 2007, Resigned 22 November 2019

PRINCIPAL ACTIVITIES

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

The Group currently has 6 mines and 2 processing facilities in operation across its Deflector and Mount Monger operations with significant potential for organic growth from its portfolio of highly endowed and prospective tenement holdings.

GROUP FINANCIAL OVERVIEW

The Group recorded a net profit after tax for the period of $44.6 million (1H FY19: $4.0 million) and an EBITDA (before significant items) of $116.8 million (1H19 FY: $24.7 million). A reconciliation between the statutory profit after tax and the Group's underlying operating results is tabled on page 10. This reconciliation is an unaudited non-IFRS measure that, in the opinion of the Board, provides useful information to assess the operating performance of the Group.

Revenue for the period totalled $258.8 million from the sale of 127,459 ounces of gold equivalent[1] at an average realised gold sale price of A$2,011/oz and copper price of A$8,475/t compared with revenue of $119.8 million from 69,947 ounces (@ A$1,713/oz) in the previous corresponding period. The increase in revenue reflects the contribution of the Deflector Operation since its acquisition in April 2019 and improved commodity prices.

Cost of sales increased to $194.5 million in the period (1H FY19: $106.6 million) reflecting the inclusion of costs associated with the Deflector Operation. The All-in Sustaining Cost (AISC) for the half year of A$1,223/oz (1H FY19: A$1,467/oz) reflects the strong production results during the period across both mining operations.

Operating cash flow for the period was $98.6 million (1H FY19: $29.7 million) and resulted in an increased cash and bullion balance at 31 December 2019 of $186.1 million. Investing activities for the period included:

- Capital expenditure of $29.2 million
- $13.2 million expenditure on exploration.

1 All gold equivalency calculations assume a gold price of A$2,100/oz, copper price of A$8,400/t and a 10% payability reduction for treatment and refining charges

Directors' Report

Review of operations

Mount Monger Operation

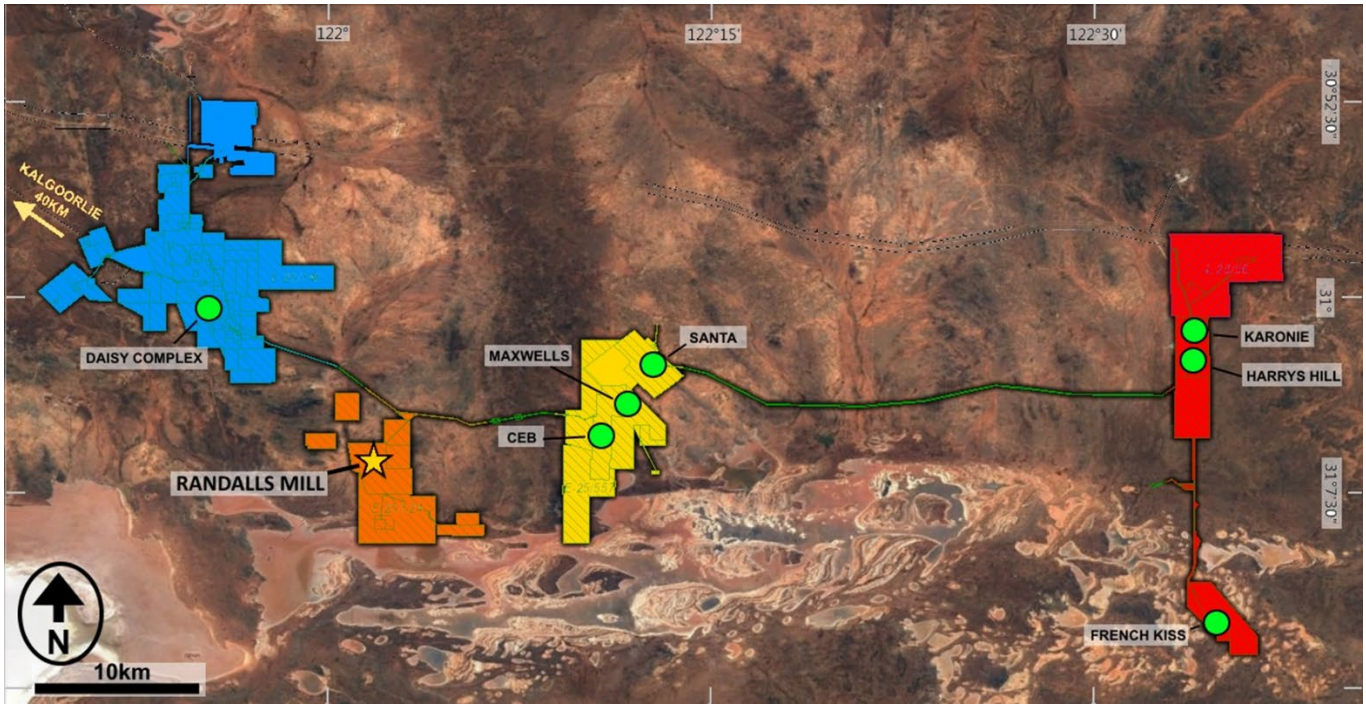

Figure 1: Location of Mount Monger Camp Mining Centres and the centralised Randalls Mill.

Mining

Ore mined from the three Mount Monger Mining Centres totalled 956,674 tonnes at a grade of 3.2 g/t Au for 99,358 contained ounces (1H FY19: 526,174 tonnes at a grade of 4.1 g/t Au for 70,088 contained ounces).

Underground Mining

Mount Monger underground mine production for the period totalled 316,735 tonnes at 5.7 g/t for 58,337 ounces (1H FY19: 349,745 tonnes at a grade of 5.3 g/t Au for 59,130 contained ounces).

The Daisy Complex produced 143,313 tonnes at 6.1 g/t for 27,951 contained ounces, with production sourced from the Haoma West, Lower Prospect and remnant mining areas. Development to access the Easter Hollows lodes located ~350 metres to the west of existing underground development has commenced with the target area expected to be reached towards the end of Q4 FY20. Once established, the Easter Hollows zone will provide a shallower mining front at the Daisy Complex and provides a significant exploration opportunity, with 1,000 metres of known plunge extent and improved drill access to target infill and extensional opportunities.

The Mount Belches underground mines (Maxwells and Cock-eyed Bob) produced 173,422 tonnes at 5.4 g/t for 30,386 contained ounces, representing 52% of the underground mine ounces at Mount Monger. In Q4 FY20, development of the Santa underground will commence. The mine will result in the introduction of a third shallow underground ore source in the Mount Belches area with production in FY21 expected to be ~26,000 ounces, increasing production from the Mount Belches Mining Centre to 70,000 – 75,000 ounces in FY21. Once underground access is established at Santa, ongoing RC and diamond drilling will focus on infilling

and further extending the identified high-grade zones immediately to the north, south and below the current mine plan and outside the 2019 Santa Ore Reserve.

Open Pit Mining

Open pit mining at Harrys Hill and French Kiss totalled 639,939 tonnes at 2.0 g/t for 41,021 contained ounces (1H FY19: 176,429 tonnes at a grade of 1.9 g/t Au for 10,958 contained ounces). The increased production reflects the deeper higher grade zones of the Harrys Hill pit and commencement of production at French Kiss in the period.

The Harrys Hill strip ratio continued to decline and averaged 3.1:1 for the period with total material movement of 685,492 bcm for production of 497,296 tonnes at 2.0 g/t and 31,692 ounces. Mining at Harrys Hill is expected to be completed during Q3 FY20.

At French Kiss, material movement was 944,533 bcm for 142,643 tonnes at 2.0 g/t and 9,329 ounces. Ore tonnages and grades will progressively increase in the second half of the financial year as waste stripping reduces, with the French Kiss pit hosting the highest grades of the Aldiss open pit Ore Reserves at 3.6 g/t.

Pre-stripping of the Karonie open pit has been scheduled to dovetail with the completion of mining at French Kiss and Harrys Hill towards the end of Q3 FY20. The Karonie pit is located ~350 m to the north of the Harrys Hill pit and is expected to produce ~86,000 ounces over a 18 month period with a life of mine strip ratio of ~8:1.

Processing

Gold ore from the Mount Monger Operation is treated at the centrally located Randalls Gold Processing Facility. Ore milled for the period totalled 610,167 tonnes at a blended grade of 4.1 g/t Au for 75,912 recovered ounces. The high grade underground mines provided ~52% of the mill feed with the balance sourced from the lower grade open pit mines.

Mining and production statistics for the Mount Monger Operation for the period ended 31 December 2019 are detailed in Table 1 and Table 2.

Directors' Report

DEFLECTOR OPERATION

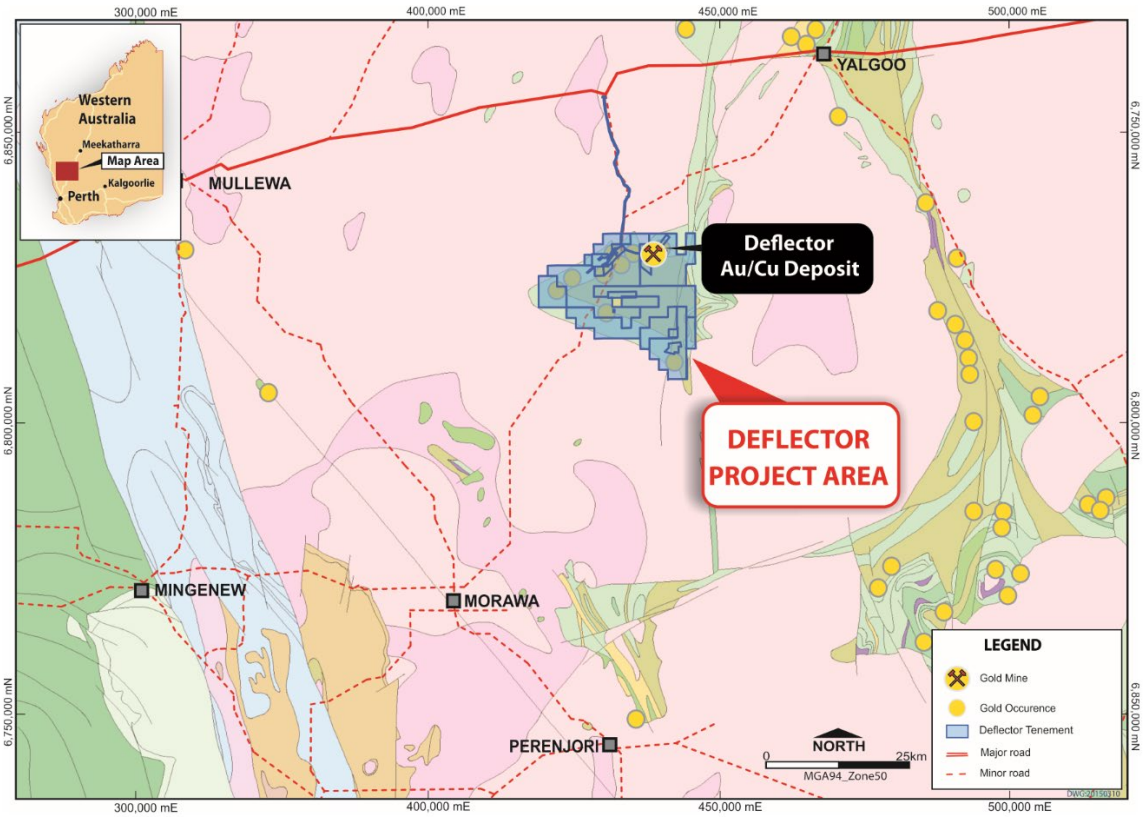

Figure 2: Location of the Deflector Mining Operation.

Mining

Physical and financial results from Deflector have been included in the consolidated Group result from the acquisition date of 5 April 2019. Deflector mine production for the period totalled 345,278 tonnes at 5.6 g/t gold and 0.46% copper. Production was sourced from the Link, Central and Western Lodes, with ~56% of mined ore tonnes sourced from stoping. Mining rates during the period have benefited from the utilisation of a third production drill rig which increased available production fronts, improving mine productivity.

Processing

Deflector mill throughput was 326,480 tonnes at an average gold grade of 5.5 g/t and copper grade of 0.5%. Total gold recovery was 89.6% with copper recovery of 93.2%.

Concentrate production totalled 7,737 tonnes with an average gold grade of 61 g/t gold and 18% copper.

Production for the period totalled 51,839 ounces gold and 1,424 tonnes copper.

Directors' Report

Group Mining and Production Statistics

Mount Monger Mining	Units	1H FY20	1H FY19
Underground			
Ore mined	Tonnes	316,735	349,745
Mined grade	g/t Au	5.7	5.3
Contained gold	Oz	58,337	59,130
Open Pit			
Ore mined	Tonnes	639,939	176,429
Mined grade	g/t Au	2.0	1.9
Contained gold	Oz	41,021	10,958
Deflector Mining			
Underground			
Ore mined	Tonnes	345,278	-
Mined grade	g/t Au	5.6	-
Contained gold	Oz	62,107	-
Copper grade	%	0.5	-
Contained copper	Tonnes	1,589	-
Group Mining			
Total ore mined	Tonnes	1,301,952	526,174
Mined grade	g/t Au	3.9	4.1
Contained gold	Oz	161,465	70,088
Copper grade	%	0.5	-
Contained copper	Tonnes	1,589	-

Table 1

Mount Monger Processing	Units	1H FY20	1H FY19
Ore milled	Tonnes	610,167	601,739
Head grade	g/t Au	4.1	3.7
Recovery	%	93.9	95.0
Gold produced	Oz	75,912	66,966
Gold sold	Oz	72,971	69,947
Deflector Processing			
Ore milled	Tonnes	326,480	-
Gold grade	g/t Au	5.5	-
Copper grade	%	0.5	-
Gold recovery	%	89.6	-
Copper recovery	%	93.2	-
Gold produced	Oz	51,839	-
Gold sold	Oz	49,785	-
Copper recovered	Tonnes	1,424	-
Copper sold	Tonnes	1,306	-
Group Processing			
Ore milled	Tonnes	936,647	601,739
Gold grade	g/t Au	4.61	3.7
Copper grade	%	0.5	-
Gold produced	Oz	127,751	66,966
Gold sold	Oz	122,757	69,947
Copper recovered	Tonnes	1,424	-
Copper sold	Tonnes	1,306	-

Table 2

Directors' Report

EXPLORATION

Silver Lake invested $13.2 million in exploration during the period to advance the high-grade projects within established and proven mineralised corridors proximal to established infrastructure.

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

Deflector

At Deflector, Ore Reserves increased 75% net of FY19 mine production to 343,000 ounces, with the entire Ore Reserve within the current 600m strike footprint. Beyond the Ore Reserve and Mineral Resources drilling has extended mineralisation 300m immediately to the south of the 30 June 2019 Mineral Resource limits and mineralisation remains open. Exploration development has been approved to access the south west Deflector area to test the target lodes, providing important data for both Resource definition and mine planning purposes, whilst also providing a drill platform to target the broader south west Deflector lodes.

Deflector Ore Reserves and Mineral Resources have grown to the highest level in Deflector's history and increased confidence in the potential to add further exploration success with planned work programs.

Mount Monger

At Mount Monger, Ore Reserves increased 24% to 492,000 ounces with a maiden Ore Reserve declared at Santa, an initial Mineral Resources declared at Tank South and the inclusion of the Easter Hollows lodes in Inferred Mineral Resources at the Daisy Complex for the first time. These new Resources provide the opportunity to upgrade Inferred Mineral Resources to Indicated Resources and ultimately Reserves.

Daisy Complex

Following encouraging infill drilling results between the 520RL and 660RL at Easter Hollows, development to access the Easter Hollows area commenced in Q3 FY20. Development level drives and access ramps will provide important data for both Mineral Resource definition and mine scheduling, whilst also providing exploration drilling platforms to target the broader Easter Hollows lode system which has been defined over 1,000 metres of plunge extent.

Aldiss Mining Centre

At the Aldiss Mining Centre infill drilling commenced at Tank South to convert Inferred Mineral Resources to Indicated Mineral Resources. In addition, an infill and extensional drill program targeting the historical Tank Open Pit Resource commenced during the period with the program designed to infill the current Resource to 20m x 20m spacing and test for extensions to the north of the current Resource. The increase in drilling at Tank South will increase the available data to assess optimal development strategies with the potential for development to extract both open pit and underground mineralisation at the Tank area.

Mount Belches Mining Centre

Exploration success was reported at Santa with high-grade mineralisation intersected outside and adjacent to the current mine plan. These results demonstrate the potential to extend mining at depth and in areas immediately adjacent to the existing Ore Reserve. Silver Lake has a proven track record of extending and converting Mineral Resources at the established BIF hosted Maxwells and Cock-eyed Bob mines at Mount Belches.

Directors' Report

STRATEGY

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

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

Exploration success has embedded a pipeline of high value, near-term projects at Mount Monger including Easter Hollows, Santa and Tank, all of which have the potential to produce sustainable higher margin ounces over the next 12-24 months. The ability to consider multiple development options is the result of the deliberate operating and investment strategy over the past four years at Mount Monger. This strategy has established three independent Mining Centres and diversified the sources of high-grade feed to the Randalls mill.

Mining activity at Deflector commenced in FY17, and FY20 will mark the first time the Deflector operation is mill constrained which allows for the assessment of value creation opportunities to optimise the flowsheet and mill feed. In addition to in-mine exploration opportunities which are prevalent in an early stage underground mine, the FY20 exploration focus will be on infilling and extending mineralisation identified by the successful FY19 exploration program which extended Deflector style mineralisation to the south and west beyond the current Mineral Resource envelope. The southern extent of Deflector, which remains open, has the potential to add to the current 4 year base case Deflector mining schedule which is supported by Measured and Indicated Mineral Resources.

The Rothsay project is now under the stewardship of Silver Lake, with commencement of development subject to final Board approval. Site service infrastructure is tentatively scheduled to be completed in Q1 FY21 with mine development scheduled to commence from surface in Q2 FY21. In parallel to the Rothsay mine infrastructure and development works, a CIP circuit will be added to the Deflector plant with associated upgrades to existing process infrastructure, TSF and accommodation facilities. Ore from Rothsay is tentatively scheduled to form part of the Deflector feed from Q1 FY22. Ore from Rothsay will enhance financial returns from the upgrade of processing infrastructure at Deflector to support the growing operation and mine life.

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

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

Directors' Report

Review of Financial Performance

The Group recorded an after tax profit for the financial period of $44.6 million (1H FY19: $4.0 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	**1H FY20 $'000**	**1H FY19 $'000**
Statutory profit after tax for the period:	44,586	4,002
Adjustments for:		
Depreciation & amortisation	61,484	18,068
Business combination expenses	4,108	-
Net finance costs (includes change in fair value of listed investments)	1,215	1,350
Exploration expensed/impaired	5,385	1,296
EBITDA (excluding significant items) *	**116,779**	**24,716**

* Non-IFRS measure

Significant Changes in the State of Affairs

Silver Lake's takeover offer for Egan Street Resources Limited closed on 13 December 2019 with Silver Lake holding a relevant interest of 97.3% at 31 December 2019. Subsequent to period end, Silver Lake proceeded to compulsory acquisition, which was completed in January 2020.

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 2019. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

Subsequent Events

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

Signed in accordance with a resolution of the Directors.

Luke Tonkin
Managing Director
24 February 2020

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 2019 and of its performance for the six month period then ended; and
   ii) Complying with Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration is signed in accordance with a resolution of the Board of Directors.

Luke Tonkin
Managing Director
24 February 2020

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 2019 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
24 February 2020

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 2019 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 2019.
- 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 11 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
- 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 2019 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

24 February 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
Revenue		258,804	119,821
Cost of sales	5	(194,465)	(106,610)
Gross profit		64,339	13,211
Profit on sale of assets		58	-
Exploration expenditure	7	(5,385)	(1,296)
Business combination expenses	4	(4,108)	-
Administrative expenses		(9,103)	(6,563)
Results from operating activities		45,801	5,352
Finance income		658	549
Finance expenses		(1,873)	(1,899)
Net finance costs	6	(1,215)	(1,350)
Profit before income tax		44,586	4,002
Income tax expense		-	-
Profit for the period		44,586	4,002
Other comprehensive income		-	-
Total comprehensive income for the period		44,586	4,002
Profit and comprehensive income attributable to:			
Owners of the Company		44,595	4,002
Non-controlling interest		(9)	-
		44,586	4,002

	Cents Per Share	Cents Per Share
Earnings per share		
Basic earnings per share	5.40	0.79
Diluted earnings per share	5.35	0.78

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 2019

	Notes	31 December 2019 $'000	30 June 2019 $'000
Current Assets			
Cash and cash equivalents		179,440	125,073
Trade and other receivables		6,025	4,497
Inventories		71,811	49,661
Prepayments		98	630
Total Current Assets		257,374	179,861
Non-Current Assets			
Inventories		1,868	1,868
Exploration, evaluation and development expenditure	4,7	263,646	217,600
Property, plant and equipment		98,324	75,950
Investments		5,211	6,591
Goodwill		90,695	90,695
Total Non-Current Assets		459,744	392,704
Total Assets		717,118	572,565
Current Liabilities			
Trade and other payables	8	62,856	53,650
Finance lease liabilities	9	11,342	284
Employee benefits		4,254	3,722
Rehabilitation and restoration provision		1,900	-
Total Current Liabilities		80,352	57,656
Non-Current Liabilities			
Finance lease liabilities	9	14,493	431
Rehabilitation and restoration provision		39,697	40,260
Total Non-Current Liabilities		54,190	40,691
Total Liabilities		134,542	98,347
Net Assets		582,576	474,218
Equity			
Share capital		1,021,413	960,075
Reserves		3,200	2,475
Accumulated losses		(443,737)	(488,332)
Equity attributable to owners		580,876	474,218
Non-controlling interests		1,700	-
Total Equity		582,576	474,218

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 2019

	Share Capital $'000	Option Reserve $'000	Accumulated Losses $'000	Non-Controlling interests $'000	Total Equity $'000
Balance at 1 July 2018	699,564	1,650	(494,832)	-	206,382
Total comprehensive profit for the period	-	-	4,002	-	4,002
Transactions with owners, recorded directly in equity					
Equity settled share based payment	-	308	-	-	308
Balance at 31 December 2018	699,564	1,958	(490,830)	-	210,692
Balance at 1 July 2019	960,075	2,475	(488,332)	-	474,218
Total comprehensive income for the period	-	-	44,595	(9)	44,586
Transactions with owners, recorded directly in equity					
Issue of securities (Note 4)	52,883	-	-	-	52,883
Equity settled share based payment	-	725	-	-	725
Total contributions and distributions	52,883	725	-	-	53,608
Changes in ownership interests					
Acquisition of subsidiary with NCI (Note 4)	-	-	-	10,164	10,164
Acquisition of non-controlling interest	8,455	-	-	(8,455)	-
Total transactions with owners of the Company	61,338	725	-	1,709	63,772
Balance at 31 December 2019	1,021,413	3,200	(443,737)	1,700	582,576

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 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
Cash flow from operating activities			
Cash receipts from customers		257,276	115,871
Cash paid to suppliers and employees		(158,632)	(86,199)
Net cash from operating activities		98,644	29,672
Cash flow from investing activities			
Interest received		658	549
Sale of investments		668	-
Cash acquired on acquisition		90	-
Acquisition of plant and equipment		(8,253)	(5,357)
Acquisition of investment		(503)	(159)
Exploration, evaluation and development expenditure		(31,789)	(26,184)
Net cash used in investing activities		(39,129)	(31,151)
Cash flow from financing activities			
Repayment of lease liabilities	2	(5,120)	-
Interest paid		(28)	(9)
Net cash from financing activities		(5,148)	(9)
Net increase/(decrease) in cash and cash equivalents		54,367	(1,488)
Cash and cash equivalents at 1 July		125,073	97,959
Cash and cash equivalents at 31 December		179,440	96,471

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 2019

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 2019 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 24 February 2020.

(a) Statement of Compliance

The condensed consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

(b) Functional and Presentation Currency

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

(c) Use of Judgements and Estimates

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

The significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

2. Significant Accounting Policies

Except as noted below, 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 2019.

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

(a) AASB 16 Leases

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). AASB 16 replaces the previous leases Standard, AASB 117 *Leases*, and related Interpretations. AASB 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position.

The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The Group leases assets including properties and equipment. As a lessee, the Group previously classified leases as operating or financial leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right of use assets and lease liabilities for some of these leases – i.e. they are on-balance sheet.

The Group presents right of-use assets in 'Property, plant and equipment" together with assets that it owns. The Group presents lease liabilities separately in the statement of financial position.

The accounting policy changes have been outlined below.

i. Definition of a lease

In accordance with AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period in exchange for consideration. On transition to AASB 16, the Group elected to apply the practical expedient (where applicable) to grandfather the assessment of lease transactions and applied AASB 16 only to contracts entered or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease and is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any changes to lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

iii. Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification to an index or rate, a change in the residual value guarantee, or changes in the assessment of whether a purchase, extension or termination option will be exercised.

The lease payments include fixed monthly payments, variable lease payments and amounts expected to be paid under residual value guarantees less any incentives received. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period it was incurred. The lease payment also includes the exercise price, or termination price, of a purchase option in the event the lease is likely to be extended, or terminated, by the Group. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of these

options will impact the lease term and therefore affects the amount of lease liabilities and right-of-use assets recognised.

iv. Impact on financial statements

On transition to AASB 16, the Group recognised additional right-of-use assets of $30.2 million and lease liabilities of $30.2 million. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted the lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 4.2%. There was no impact on opening retained earnings at 1 July 2019.

On initial application	**$'000**
Operating lease commitments at 30 June 2019	33,292
Discounted on initial application using the incremental borrowing rate	30,220
Lease liability recognised at 1 July 2019	30,220

At 31 December 2019	**$'000**
Right of use assets (including property, plant and equipment)	25,652
Finance lease liabilities	25,835

In addition, the Group has recognised depreciation and interest costs, instead of operating lease expenses. For the period ended 31 December 2019, the Group recognised $5.1 million of lease liability repayments, $5.3 million of depreciation charges and $0.6 million of interest costs in relation to these leases.

3. Segment Reporting

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

i) Mount Monger Operation
ii) Deflector Operation

The Group's segments are all located in Western Australia, with the Mount Monger Operation producing gold bullion and Deflector producing gold bullion and gold-copper concentrate. The Rothsay project (recently acquired as part of the Egan Street transaction – refer Note 4) is included in the Deflector Operation segment.

Financial information for the reportable segments for the period ended 31 December 2019 is as follows:

	Mount Monger $'000	Deflector $'000	Unallocated[2] $'000	Total $'000
Revenues	145,145	113,659	-	258,804
EBITDA (excluding significant items)[1]	65,176	60,220	(8,617)	116,779
Capital expenditure[3]	18,568	10,369	13,207	42,144

[1] A reconciliation between the statutory profit after tax and the Group's EBITDA (excluding significant items) is tabled on page 10
[2] Unallocated items comprise exploration expenditure, business development and corporate costs
[3] Rothsay information reported is from the acquisition date of 21 November 2019. The acquisition value of $63m is not included in the above table.

Comparative information for 1H FY19 is not disclosed as the Group only had one reportable segment, the Mount Monger Operation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

4. Acquisition of Subsidiary

On 21 November 2019 the Group obtained control of Egan Street Resources Limited ("EGA") by acquiring 84.1% of the shares and voting interests in that company. The Group's ownership interest increased to 97.3% by 31 December 2019. On 8 January 2020, the Group completed the compulsory acquisition process of the EGA.

The acquisition of EGA will allow Silver Lake to consolidate an additional JORC Resource of 454,000 ounces and JORC Reserve of 200,000 ounces at the Rothsay Gold Project and provide a near term development opportunity to introduce a new high-grade ore source to an upgraded Deflector processing facility.

The Group incurred acquisition-related costs of $4.1 million including legal fees, estimated stamp duty and due diligence costs. These costs have been included in the Statement of Profit and Loss under business combination expenses.

The following summarises the consideration transferred, and the fair value of assets and liabilities acquired at the acquisition date:

Consideration Transferred

	$'000
Equity Instruments Issued (50,481,300 fully paid ordinary shares)	52,883

The fair value of the fully paid ordinary shares issued was based on the share price of the Company at 21 November 2019 of $1.05 per share, being the date of acquisition.

Identifiable assets acquired and liabilities assumed

	$'000
Cash and cash equivalents	90
Trade and other receivables	329
Prepayments	18
Property plant and equipment	1,410
Exploration and evaluation expenditure	62,716
Trade and other payables	(1,400)
Employee provisions	(116)
Total net identifiable assets	63,047

The value of assets acquired, and liabilities assumed has been measured on a provisional basis. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

	$'000
Total consideration on acquisition	52,883
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Egan Street	10,164
Fair value of identifiable net assets	63,047

The fair value of the fully paid ordinary shares issued was based on the share price of the Company at 21 November 2019 of $1.05 per share, being the date of acquisition.

Acquisition of Non-controlling interest

During the period from 21 November 2019 to 31 December 2019, the Group increased its interest in EGA from 84.1% ownership to 97.3%. This increase resulted in the issue of an additional $8.5 million of additional equity in Silver Lake, reducing the non-controlling interest in EGA to 2.7% at 31 December 2019.

Accounting Policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

5. Cost of Sales

	31 December 2019 $'000	31 December 2018 $'000
Mining and processing costs	103,733	72,220
Amortisation	47,038	12,912
Depreciation	14,446	5,156
Salaries and on-costs	20,745	12,622
Royalties	8,503	3,700
	194,465	106,610

Accounting Policies

Mining and processing costs

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

Amortisation

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

The Group uses ounces mined over mineable inventory as its basis for depletion of mine properties. In the absence of Reserves, the Group believes this is the best measure as evidenced by historical conversion of

Resources to Reserves. The Group applies applicable factoring rates when adopting the units of production method to reflect the risk of conversion from the inferred and indicated categories to mineable inventory.

Depreciation

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

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

	Period
Buildings	7-10 Years
Haul roads	3-5 Years
Plant and equipment	3-10 Years
Office furniture and equipment	3-15 Years
Motor vehicles	3-5 Years

Capital work in progress is not depreciated until it is ready for use.

6. Finance Income and Expenses

	31 December 2019 $'000	31 December 2018 $'000
Interest income	658	549
Finance Income	658	549
Accretion of rehabilitation provision	-	(236)
Change in fair value of listed investments	(1,272)	(1,654)
Interest expense on financial liabilities	(601)	(9)
Finance Costs	(1,873)	(1,899)
Net Finance Costs	(1,215)	(1,350)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

7. Exploration, Evaluation and Development Expenditure

During the period ended 31 December 2019 the Group incurred and capitalised the following on exploration, evaluation and development expenditure:

	31 December 2019 $'000	30 June 2019 $'000
Exploration and evaluation phase		
Cost brought forward	49,597	17,263
Acquired in a business combination (Note 4)	62,716	24,687
Capitalised during period	9,488	11,476
Expensed/impaired during period	(5,385)	(2,355)
Transferred to development phase	(7,097)	(1,474)
Balance at period end	109,319	49,597
Development phase		
Cost brought forward	5,190	10,004
Transferred from exploration and evaluation phase	7,097	1,474
Transferred to production phase	(7,097)	(6,288)
Balance at period end	5,190	5,190
Production phase		
Cost brought forward	162,813	52,321
Transferred from development phase	7,097	6,288
Acquired in a business combination	-	111,672
Expenditure during the year	23,821	40,863
Rehabilitation asset adjustment	1,405	665
Amortisation expense	(45,999)	(48,996)
Balance at period end	149,137	162,813
Total	263,646	217,600

8. Trade and other payables

	31 December 2019 $'000	30 June 2019 $'000
Trade payables	46,313	39,053
Other payables	16,543	14,597
Total	62,856	53,650

Accounting Policies

Trade payables are recognised at the value of the invoice received from a supplier. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and generally paid between 30-45 days of recognition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2019

9. Finance Lease Liabilities

Finance Lease Liabilities	31 December 2019 $'000	30 June 2019 $'000
Current lease liabilities	11,342	284
Non-current lease liabilities	14,493	431
Total lease liabilities	25,835	715

As a result of the application of AASB16 (refer to Note 2(a)) the Group has recognised an additional $25.8 million of lease liabilities as at 31 December 2019.

10. 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 2019.

Hedging

At 31 December 2019, the Company had a total of 154,532 ounces left to be delivered under its hedging programmes at an average forward price of A$1,900/ounce.

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

11. Subsequent Events

SLR completed the compulsory acquisition of Egan Street Resources Limited on 8 January 2020.

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