

# APPENDIX 4D HALF YEAR REPORT Period ended 31 December 2013

#### Results for Announcement to the Market

Name of entity:Silver Lake Resources LimitedCurrent reporting period:6 months ended 31 December 2013Previous corresponding reporting period:6 months ended 31 December 2012

				A\$'000
Revenues from ordinary activities	up	103%	to	174,094
Loss from ordinary activities after tax attributable to members	down	Note 1	to	(47,044)
Loss for the period attributable to members	down	Note 1	to	(47,044)

Note 1 - The Group reported an after tax profit of \$5.125 million in the previous reporting period. In the current period, the Group reported a loss after tax of \$47.044 million after recording impairments of \$43.130 million on inventories and other non-current assets. A percentage decrease in profit after tax is therefore not considered meaningful.

#### Key points:

- Asset impairments of \$43.130 million resulting in a statutory loss of \$47.044 million
- EBITDA (excluding significant items) of \$20.369 million (2012: \$35.189 million)
- Revenue of \$174.094 million (2012: \$85.605 million)
- Gold Sales of 123,175 ounces (2012: 52,410 ounces)
- Average realised gold price of A\$1,409/oz
- All in sustaining cash cost of A\$1,016/oz for the Mount Monger Operations
- Murchison Gold Operations will be placed on care and maintenance in the June 2014 quarter.

The Group recorded an after tax loss for the financial period of \$47.044 million. This loss includes a number of significant items, such as the impairment of non-current assets that, in the opinion of the directors, need adjustment to enable shareholders to obtain an understanding of the results from operations. Excluding these significant items, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) was \$20.369 million for the period (2012: \$35.189 million). The EBITDA result was significantly impacted by a lower average gold price (as compared to the prior corresponding period) and a poor operating result from the Murchison Gold Operations (which contributed a loss of \$11.257 million to the EBITDA result). The Mount Monger Operations recorded a strong operating result, contributing \$38.785 million to the Group's first half EBITDA. A reconciliation between the statutory loss after tax and the Group's underlying operating result is tabled on page 11 of the Interim Financial Report.

#### **Dividend information**

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

#### Net tangible assets per share

		31 Dec 2013	31 Dec 2012
Net tangible assets per share *	down 13%	\$0.69	\$0.79**

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

\*\*The net tangible assets (NTA) per security at 31 December 2012 of \$1.31 included assets from the acquisition of Integra Mining Limited, but excluded securities issued on 14 January 2013 relating to the acquisition. Therefore, a more representative comparison would be to include the issue of these securities in the 31 December 2012 NTA/security calculation. This results in a NTA of \$0.79 per security.



#### Control gained or lost over entities during the period

#### Associate

During the period the Group's investment in Paringa Resources Ltd was diluted from 33% to approximately 17% as of 16 October 2013. As a result, the Group changed its accounting treatment from an associate entity being equity accounted to an investment carried at fair value.

There have been no other acquisitions or losses of control over entities of the Group in the 6 month period ended 31 December 2013.

#### Joint Ventures

The Group has the following interests in unincorporated joint ventures at 31 December 2013:

Name	Joint Venture Parties	Silver Lake Interest		
Musgrave Joint Venture	Silver Lake/Troy Resources	50%		
Cowarna Joint Venture	Silver Lake/Alacer Gold	90%		
Glandore Joint Venture	Silver Lake/Alacer Gold	90%		
Newcrest Joint Venture	Silver Lake/Newcrest	85%		
Peter's Dam Joint Venture	Silver Lake/Rubicon	51% earning up to 100%		
Erayinia Joint Venture	Silver Lake/Image Resources	70% earning up to 90%		
Queen Lapage Joint Venture	Silver Lake/Rubicon	51% earning up to 100%		
Traka Joint Venture	Silver Lake/Traka Resources	33% earning up to 90%		

The joint ventures are not separate legal entities and do not hold any assets. They are contractual arrangements between participants for the sharing of costs and outputs and do not in themselves generate revenue and profit. The joint ventures 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 venture 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 2013



# **Corporate Directory**

# Directors

Paul Chapman Les Davis Chris Banasik David Griffiths Peter Johnston Brian Kennedy Luke Tonkin

Non-Executive Chairman Managing Director Executive Director - Exploration and Geology Non-Executive Director Non-Executive Director Non-Executive Director Executive Director - Operations

# **Company Secretary**

Peter Armstrong

# **Principal Office**

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# **Registered Office**

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

# **Solicitors**

Gilbert & Tobin 1202 Hay Street West Perth WA 6005

## **Share Register**

Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153

# **Auditors**

KPMG 235 St George's Terrace Perth WA 6000

## **Internet Address**

www.silverlakeresources.com.au

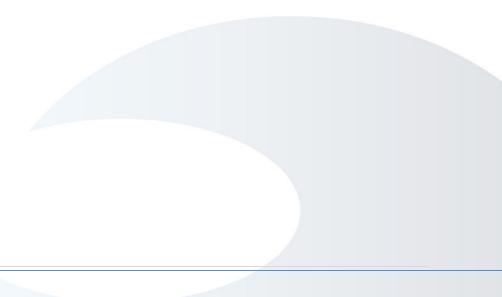
# ABN 38 108 779 782

ASX Code: SLR



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The Directors present their report on the consolidated entity consisting of Silver Lake Resources Limited ("Silver Lake" or "the Company") and the entities it controlled at the end of, or during the six months ended 31 December 2013 ("the Group").

# 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.

Paul ChapmanNon-Executive ChairmanLes DavisManaging DirectorChris BanasikExecutive Director - Exploration & GeologyDavid GriffithsNon-Executive DirectorPeter JohnstonNon-Executive DirectorBrian KennedyNon-Executive DirectorLuke TonkinExecutive Director - Operations

Appointed 20 April 2004 Appointed 25 May 2007 Appointed 25 May 2007 Appointed 25 May 2007 Appointed 22 May 2007 Appointed 20 April 2004 Appointed 14 October 2013

# **PRINCIPAL ACTIVITIES**

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

# **OPERATING OVERVIEW**

Silver Lake is an all-Australian, ASX 200 listed 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:

- 6.4 million ounces of gold inclusive of 1.7 million ounces of reserve;
- 10.5 million ounces of silver; and
- 133,500 tonnes of copper.

(For further details on JORC Resources and JORC Ore Reserves, refer to ASX Announcement dated 31 July 2013).

On 21 December 2012, Silver Lake acquired Integra Mining Limited. Comparative financial information in this report therefore includes all Integra operations since acquisition date.

In the second half of FY2013, Silver Lake completed construction of the Murchison mill, with commercial production declared from 1 June 2013. Contributions to the Profit or Loss from the Murchison operations commence from the date of commercial production.



# Group Financial Overview

The Group recorded a net loss after tax for the period of \$47.044 million (2012: profit of \$5.125 million).

The result was significantly impacted by a lower average gold price (as compared to the prior period), \$43.130 million of asset impairments and inventory write-downs and a poor operating result from the Murchison Gold Operations. Full details of the asset impairments can be found in the notes to the Financial Statements.

A reconciliation between the statutory loss after tax and the Group's underlying operating results is tabled on page 11. This reconciliation is an unaudited non-IFRS measure that, in the opinion of the Board, provides useful information to assess the operating performance of the Group. As noted in the table, the Group's EBITDA (before significant items) was \$20.369 million for the period (2012 \$35.189 million). The decrease in EBITDA (before significant items) is primarily due to:

- A lower average gold price as compared to the prior period. The average realised sale price for the period was A\$1,409/oz (2012: A\$1,633/oz)
- The underperformance of the Murchison Gold Operations which will be placed on care and maintenance in the June 2014 quarter (refer Subsequent Events Note). The operations contributed a loss of \$11.257 million to the half year EBITDA result.

The Mount Monger Operations recorded a strong operating result in the half year, contributing \$38.785 million to the Group's first half EBITDA.

Gold sales for the period was 123,175 oz (2012 52,410 oz), an increase of 135% compared to the previous corresponding period. Mining and production statistics for the Group for the period ended 31 December 2013 are detailed in Table 1 and Table 2.

## **Overview of Operations**

## Mount Monger Operations

Silver Lake's Mount Monger Operation contains the Daisy Complex and Cock-eyed Bob underground mines and the Maxwells open pit mine. The Mount Monger Operation also includes significant ore stockpiles from the Salt Creek and Maxwells mines.

Mount Monger has additional multi-mine potential underpinned by work programmes to advance the following deposits towards production:

- Majestic open pit followed by Imperial underground mine;
- Wombola Dam open pit;
- Expanded capacity from Cock-eyed Bob underground mine;
- Maxwells underground mine;
- Upper areas to the east and west of Daisy Milano;
- Lorna Doone open pit; and
- Magic underground mine.

Gold ore from the Mount Monger Operation is transported to either the Lakewood treatment plant, located 5 km south east of Kalgoorlie, or to the Randalls treatment plant, located 60 km south east of Kalgoorlie. The Lakewood facility has a capacity of 0.8 million tonnes per annum with the Randalls facility able to process 1.2 million tonnes per annum.

Mining and production statistics for the Mount Monger Operations for the period ended 31 December 2013 are detailed in Table 3 and Table 4.



# Murchison Gold Operations

As announced to the ASX on 27 February 2014, the Murchison Gold Operations will be placed on care and maintenance in the June 2014 quarter. This will preserve a number of strategic options for the Group, including recommencing operations in the event of a higher sustainable gold price. Refer to Subsequent Events note for further details. Mining and production statistics for the Murchison Gold Operations for the period ended 31 December 2013 are detailed in Table 5 and Table 6.

## Great Southern

In the Great Southern, Silver Lake owns the large Kundip and Munglinup exploration projects covering over 2,500 sqkm. Over the coming years, Silver Lake intends to increase regional gold exploration in the area with the view of establishing a third gold mining centre (with potential copper and silver credits).

## Safety

There were three lost time injuries during the period. All incidents were thoroughly investigated and preventative measures put in place to reduce the likelihood of similar occurrences. The 12 month moving average Lost Time Injury Frequency Rate ("LTIFR") was 2.45 (2012 2.1), less than the gold industry average of 3.6.

Group Operations - Mining	Units	1H FY2014	1H FY2013
Underground			
Ore mined	Tonnes	229,515	278,127
Mined grade	g/t Au	6.1	5.2
Contained gold in ore	Oz	44,644	46,833
Open Pit			
Ore mined	Tonnes	1,036,347	212,958
Mined grade	g/t Au	2.0	1.7
Contained gold in ore	Oz	67,067	11,560
Total ore mined	Tonnes	1,265,862	491,085
Mined grade	g/t Au	2.7	3.7
Contained gold in ore	Oz	111,711	58,393

## **Gold Mining and Production Statistics**

Table 1

Group Operations - Processing	Units	1H FY2014	1H FY2013
Ore Milled	Tonnes	1,618,599	411,791
Head grade	g/t Au	2.5	4.2
Contained gold in ore	Oz	129,416	56,227
Recovery	%	94	92
Gold produced	Oz	121,054	51,936
Gold refined and sold	Oz	123,175	52,410

Table 2



Mount Monger - Mining	Units	1H FY2014	1H FY2013
Underground			
Ore mined	Tonnes	229,515	278,127
Mined grade	g/t Au	6.1	5.2
Contained gold in ore	Oz	44,644	46,833
Open Pit			
Ore mined	Tonnes	406,233	212,958
Mined grade	g/t Au	2.7	1.7
Contained gold in ore	Oz	35,133	11,560
Total ore mined	Tonnes	635,748	491,085
Mined grade	g/t Au	3.9	3.7
Contained gold in ore	Oz	79,777	58,393

Table 3

Mount Monger - Processing	Units	1H FY2014	1H FY2013
Ore Milled	Tonnes	1,008,427	411,791
Head grade	g/t Au	3.1	4.2
Contained gold in ore	Oz	99,523	56,227
Recovery	%	95	92
Gold produced	Oz	94,500	51,936

Table 4

Murchison - Mining	Units	1H FY2014	1H FY2013
<u>Open Pit</u>			
Ore mined	Tonnes	630,114	-
Mined grade	g/t Au	1.6	-
Contained gold in ore	Oz	31,934	-
Total ore mined	Tonnes	630,114	-
Mined grade	g/t Au	1.6	-
Contained gold in ore	Oz	31,934	-

Table 5

Murchison - Processing	Units	1H FY2014	1H FY2013
Ore Milled	Tonnes	610,172	
Head grade	g/t Au	1.5	-
Contained gold in ore	Oz	29,893	-
Recovery	%	89	-
Gold produced	Oz	26,554	-

Table 6



# Exploration

During the period Silver Lake updated its gold resource inventory to 66.4 million tonnes at 3.0 g/t Au for 6.4 million ounces including an ore reserve of 20.3 million tonnes at 2.6 g/t for 1.7 million ounces (Table 7).

Silver Lake also has a resource of 10.5 million ounces of silver and 134,500 tonnes of copper (Table 8).

A key focus area for the Mount Monger operation has been to prioritise exploration targets across the merged Silver Lake and Integra businesses and drill test compelling targets. 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 are included in the resource update of July 2013.

A significant auger and soil sampling campaign continues across the Great Southern leases. Reprocessing of historic geophysical data and geological field mapping of anomalies has also provided several targets for drill testing.

The plan for the second half of FY2014 is to focus on near term future production sources at Mount Monger. These include Majestic, Magic, Lorna Doone, Cock-eyed Bob and Maxwells.

## **STRATEGY**

The Group's short term strategy is to maximise cash flow thereby strengthening the balance sheet and improving liquidity. This will be achieved by:

- Maximising free cashflow from the low cost, high grade Mount Monger Operations
- Placing the Murchison Gold Operations on care and maintenance in the June 2014 quarter
- Completion of a fully underwritten capital raising as announced to the market on 27 February 2014
- Directing exploration expenditure to high impact, cash generating projects.

Placing the Murchison Gold Operations on care and maintenance in the June 2014 quarter will preserve a number of strategic options for the Group, including recommencing operations in the event of a higher sustainable gold price.

As a low cost, high margin operation, Mount Monger provides Silver Lake with significant growth opportunities. The Lakewood & Randalls mills have a combined capacity of 2.0mtpa and are being fed with underground ore from the Daisy Complex, Cock-eyed Bob, open pit ore from Maxwells and surface stockpiles. The year to date unaudited all-in sustaining cash costs at Mount Monger is A\$1,016/oz.

Silver Lake has multiple near term options to develop the Mount Monger Operations that are under review including:

- Majestic open pit followed by Imperial underground mine;
- Wombola Dam open pit;
- Expanded capacity from Cock-eyed Bob underground mine;
- Maxwells underground mine;
- Upper areas to the east and west of Daisy Milano;
- Lorna Doone open pit; and
- Magic underground mine.



These deposits have work programmes in place to advance towards production and are in various stages of evaluation. Production rates at the Mount Monger Operations may be increased subject to the outcomes of these final evaluations.

Key risks in being able to deliver 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 majority of the Group's sales will provide for payment in Australian dollars with reference to the US dollar gold price, while the majority of costs will be in Australian dollars. Therefore, revenue will be related to the US dollar gold price and may be affected by the AUD:USD foreign exchange rate
- Reserves and Resources The Mineral Resources and Ore Reserves for the Group's assets (refer Tables 7 & 8) are estimates only and no assurance can be given that any particular recovery level will in fact be realised
- Operations The Group's gold mining operations are subject to operating risks that could result in decreased production, increased costs and reduced revenues. Operational difficulties may impact the amount of gold produced, delay deliveries or increase the cost of mining for varying lengths of time.





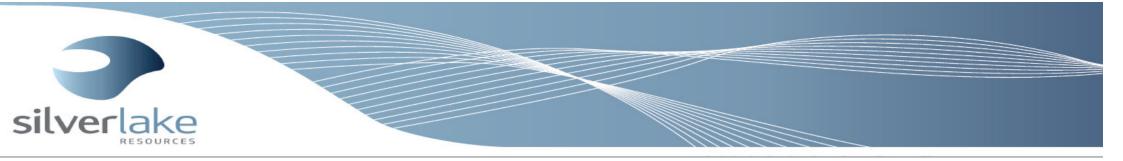
# Resources

The JORC Gold Resource as at June 2013 totalled 6.4 million ounces inclusive of 1.7 million ounces in ore reserves as detailed below (Refer to 31 July 2013 ASX Announcement).

2013	Meas	ured Reso	urces	Indic	ated Reso	urces	Inferre	ed Resou	irces	Tot	tal Resour	ces
	Ore	Grade	Total	Ore	Grade	Total	Ore	Grade	Total	Ore	Grade	Total
Deposit	t	g/t Au	Oz Au	t	g/t Au	Oz Au	t	g/t Au	Oz Au	t	g/t Au	Oz Au
	'000s		'000s	'000s		'000s	'000s		'000s	'000s		'000s
Mount Monger	629.9	8.4	171.1	4,236.1	6.0	812.8	7,283.8	5.4	1,268.0	12,149.9	5.8	2,251.9
Randalls	155.0	2.1	10.5	7,014.0	2.5	569.3	3,228.0	2.5	257.2	10,397.0	2.5	837.0
Aldiss				6,605.0	2.1	450.9	247.0	2.9	22.8	6,852.0	2.2	473.7
Total Eastern Goldfields	784.9	7.2	181.6	17,855.1	3.2	1,833.0	10,758.8	4.5	1,548.0	29,398.9	3.8	3,562.6
Tuckabianna				5,525.4	2.8	491.2	6,435.4	2.6	530.0	11,960.8	2.7	1,021.2
Comet				3,227.8	3.2	32.9	1,064.0	3.2	108.4	4,291.8	3.2	441.4
Moyagee				1,034.4	2.2	73.8	3,039.2	3.2	309.8	4,073.6	2.9	383.6
Eelya Complex				473.0	1.4	20.9	215.9	1.9	13.4	688.9	1.5	34.3
Total Murchison				10,260.6	2.8	918.8	10,754.5	2.8	961.7	21,015.2	2.8	1,880.5
Kundip				4,390.0	3.4	481.3	4,550.0	2.1	307.	8,940.0	2.7	788.5
Trilogy	310.0	2.4	23.9	5,750.0	0.7	136.4	981.7	1.7	53.4	7,041.7	0.9	213.8
Total Great Southern	310.0	2.4	23.9	10,140.0	1.9	617.7	5,531.7	2.0	360.6	15,981.7	2.0	1,002.3
Total Silver Lake	1,094.9	5.8	205.5	38,255.8	2.7	3,369.6	27,045.0	3.3	2,870.3	66,395.7	3.0	6,445.4

2013	Pi	roved Reserve	25	Probable Reserves				Total Reserves		
	Ore	Grade	Total	Ore	Grade	Total	Ore	Grade	Total	
Deposit	t	g/t Au	Oz Au	t	g/t Au	Oz Au	t	g/t Au	Oz Au	
	'000s		'000s	'000s		'000s	'000s		'000s	
Mount Monger	332.7	1.7	18.4	2,838.9	5.0	457.1	3,171.6	4.7	475.5	
Randalls	1,331.9	1.3	54.1	2,680.0	2.5	217.0	4,011.9	2.1	271.0	
Aldiss				1,135.0	2.4	86.5	1,135.0	2.4	86.5	
Tuckabianna	126.7	0.8	3.1	1,765.6	3.3	185.0	1,892.2	3.1	188.1	
Comet	51.4	0.8	1.3	1,691.3	3.0	162.9	1,742.7	2.9	164.2	
Moyagee				342.6	2.2	24.7	342.6	2.2	24.7	
Eelya				574.0	0.8	14.0	574.0	0.8	14.0	
Great Southern	310.0	2.2	22.0	7,130.0	1.8	420.1	7,440.0	1.8	442.1	
Total	2,152.7	1.4	98.9	18,157.4	2.7	1,567.2	20,310.1	2.6	1,666.0	

Table 7



2013	N	Neasured	Resources			Ir	ndicated	Resources			I	nferred	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	οz
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 Project																				
Silver	-	-	-	-	oz	1,926.0	6.2	-	386.4	oz	727.9	4.6	g/t Ag	108.8	oz	2,653.9	5.8	g/t Ag	495.2	OZ
Copper	•	•	•	-	t	1,891.3	2.0	· ·	37.1	t	122.4	1.4	% Cu	1.6		2,013.7	1.9	% Cu	38.7	t
Total Resource																				
Silver	310.0	40.8	g/t Ag	406.6	oz	12,066.0	24.7	g/t Ag	9,599.9	oz	4,730.0	2.5	g/t Ag	386.6	oz	17,833.9	18.3	g/t Ag	10,502.9	oz
Copper	310.0	0.3	% Cu	0.9	t	12,031.3	1.0	% Cu	114.9	t	4,852.4	0.4	% Cu	17.7	t	17,193.7	0.8	% Cu	133.5	t

#### Table 8

Notes to Tables 7 and 8

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, Mineral Resources and Ore Reserves 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 and production 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 Resource.

4. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.



# **REVIEW OF FINANCIAL CONDITION**

The Group recorded an after tax loss for the financial period of \$47.044 million (2012: profit of \$5.125 million). This loss includes a number of significant items, such as the impairment of non-current assets, 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/Loss after Tax to EBITDA (excluding significant items)	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Statutory (loss)/profit after tax for the period:	(47,044)	5,125
Adjustments for:		
Income tax	-	6,227
Net finance costs	905	913
Depreciation and amortisation	24,919	9,579
Impairment of inventories	1,576	-
Other impairment losses	41,554	-
Gain on dilution of investment	(1,847)	(2,003)
Business combination expense	306	15,348
EBITDA (excluding significant items)	<u>20,369</u>	<u>35,189</u>

At 31 December 2013 the Group had \$8.089 million in cash (30 June 2013: \$12.673 million) and \$8.742 million in gold bullion (30 June 2013: \$6.518 million) measured at fair value.

## **DIVIDENDS**

No dividend has been paid or declared by the Company up to the date of this report.

# SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Subsequent to period end, the Group announced it was placing the Murchison Gold Operations into care and maintenance in the June 2014 quarter. Refer to Subsequent Events note for further disclosure.

Other than noted elsewhere in this report, there were no other 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 2013. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.



# SUBSEQUENT EVENTS

The following material events have occurred between the reporting date and the date of signing this report:

## Capital Raising

On 27 February 2014, the Group announced it was raising \$39.4 million (before costs) by way of a institutional placement. The capital raising, which is fully underwritten by UBS AG, Australia Branch, is structured as a placement of 65.6 million shares to institutional and other sophisticated investors at an issue price of \$0.60 per share. The placement is expected to be completed on 28 February 2014.

Net proceeds from the capital raising will be used for working capital, further optimisation of the Mount Monger Operations and placing the Murchison Gold Operations on care and maintenance in the June 2014 quarter.

The fulfillment of the Underwriting Agreement is conditional upon certain termination events not occurring. The Directors believe these termination events are acceptable and market practice for underwriting agreements and are confident that the placement will be completed.

# Murchison Gold Operations to be placed on Care and Maintenance

On 20 January 2014, Silver Lake announced a strategic review of its Murchison Gold Operations.

The fall in gold price in mid-2013 resulted in the deferment of capital required to access higher grade, underground reserves and focus production on lower grade open pit reserves. To date production costs from the Murchison have been disappointing and given the prevailing gold price environment, the Murchison Operations diverts both human and financial capital from higher value, lower risk projects in the Mount Monger region.

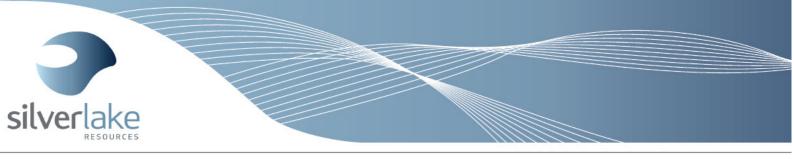
Several options were evaluated as part of the strategic review culminating in the decision to place the Murchison Gold Operations on care and maintenance in the June 2014 quarter. This will preserve a number of strategic options for the Group, including recommencing operations in the event of a higher sustainable gold price. Further details of the cessation of operations are included in the 27 February 2014 announcement to the ASX.

The estimated cost to place the Murchison Gold Operations on care and maintenance is A\$7.5 million for redundancy payments and mining contract restructuring expenses. The ongoing care & maintenance cost for the Murchison Gold Operations is estimated at approximately A\$120,000 per month.

The decision to place the operations on care and maintenance was an indicator of asset impairment at 31 December 2013. As a result of the assessment, the Company has recorded an impairment charge of \$41.6 million for the period. Full details of the impairments are included in the notes to the financial statements.

Signed in accordance with a resolution of the Directors.

Les Davis Managing Director 27 February 2014

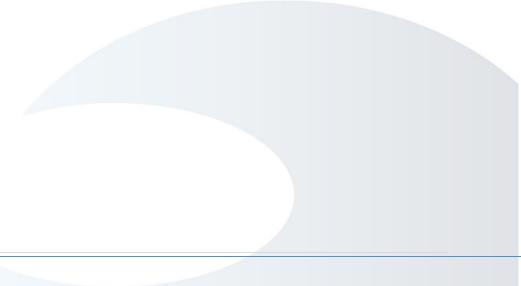


# **Directors' Declaration**

- 1. In the opinion of the Directors:
  - a) The financial statements and notes of the Company 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 2013 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.

Les Davis Managing Director 27 February 2014





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

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 2013 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.

Kpue

KPMG

Brent Steedman Partner Perth

27 February 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



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

We have reviewed the accompanying interim financial report of Silver Lake Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, 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 16 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 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* 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 2013 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 an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

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

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Liability limited by a scheme approved under Professional Standards Legislation.



# 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 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 2013 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.

# Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, we draw attention to Note 2(c) of the interim financial report. The matters set forth in Note 2(c) indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

KPuc

KPMG

Brent Steedman Partner

Perth 27 February 2014



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

For the six months ended 31 December 2013

		31 December	31 December
		2013	2012
	Notes	\$'000	\$'000
Revenue		174,094	85,605
Cost of sales		(175,898)	(56,392)
Gross (loss)/profit		(1,804)	29,213
Other income		179	-
Gain on dilution of investment		1,847	2,003
Business combination expense		(306)	(15,348)
Administrative expenses		(4,501)	(3,603)
Impairment losses	9	(41,554)	-
Results from operating activities		(46,139)	12,265
Finance income		238	773
Finance costs		(1,143)	(1,686)
Net finance (costs)/income	5	(905)	(913)
(Loss)/profit before income tax		(47,044)	11,352
Income tax benefit/(expense)	6	-	(6,227)
(Loss)/profit for the period		(47,044)	5,125
Total comprehensive income/(loss) for the period		(47,044)	5,125
(Loss)/Profit attributable to:			
Owners of the Company		(47,044)	5,125
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(47,044)	5,125
		Cents Per	Cents Per
Earnings/(loss) per share		Share	Share
Basic earnings/(loss) per share	7	(11.29)	2.27
Diluted earnings/(loss) per share	7	(11.29)	2.19

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 2013

Current Assets8,08912,67Cash and cash equivalents8,08912,67Trade and other receivables8,2743,44Inventories848,27455,210Drease reserve ante5220
Cash and cash equivalents8,08912,673Trade and other receivables8,2743,442Inventories848,27455,214
Trade and other receivables8,2743,442Inventories848,27455,214
Inventories 8 48,274 55,210
Prepayments 52 394
Total Current Assets64,68971,725
Non-Current Assets
Exploration evaluation and development expenditure 9 267,032 269,134
Property, plant and equipment 10 89,665 130,932
Investments 5,513 838
Investments in equity accounted investee - 2,722
Deferred tax assets 6 53,142 53,142
Total Non-Current Assets415,352456,766
Total Assets         480,041         528,490
Current Liabilities
Trade and other payables43,99162,851
Interest bearing liabilities 11 12,506 53,23
Employee benefits2,2872,493
Total Current Liabilities58,784118,583
Non-Current Liabilities
Interest bearing liabilities 11 20,066 9,619
Rehabilitation and restoration provision39,51239,629
Total Non-Current Liabilities59,57849,248
Total Liabilities         118,362         167,831
Net Assets 361,679 360,66
Equity
Share capital         12         661,660         613,662
Reserves 65
Retained earnings (300,046) (253,001
Total Equity 361,679 360,66

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 2013

	Notes	Share Capital \$'000	Share Reserve \$'000	Option Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2012		127,676	-	13	66,274	193,963
Total comprehensive income for the period Profit		-	-	-	5,125	5,125
Total comprehensive income		-	-	-	5,125	5,125
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Issue of ordinary shares net of costs and tax Shares to be issued for acquisition of		15,113	-	-	-	15,113
subsidiary		-	469,839	-	-	469,839
Exercise of share options		1,034	-	(13)	13	1,034
Total contributions by and distributions to						
owners of the Company		16,147	469,839	(13)	13	485,986
Balance at 31 December 2012		143,823	469,839	-	71,412	685,074
For the six months ended 31 December 2013						
Balance at 1 July 2013		613,662	-	-	(253,002)	360,660
Total comprehensive income for the period						
Loss		-	-	-	(47,044)	(47,044)
Total comprehensive loss		-	-	-	(47,044)	(47,044)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the Company						
Issue of ordinary shares net of costs	12	47,998	-	-	-	47,998
Share based payment transactions	13			65	-	65
Total contributions by and distributions to						
owners of the Company		47,998	-	65	-	48,063
Balance at 31 December 2013		661,660		65	(300,046)	361,679

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to these consolidated financial statements.

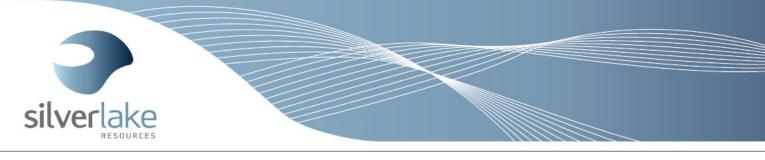


# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013

Cash flows from operating activities	Notes	31 December 2013 \$'000	31 December 2012
	Notes		
			\$'000
		<u> </u>	+ • • • •
Cash receipts from customers		169,056	85,605
Cash paid to suppliers and employees		(151,611)	(48,865)
Income tax paid		(131,011)	(40,003)
Net cash from operating activities	-	17,445	35,783
net cash nom operating activities	-	17,445	55,765
Cash flow from investing activities			
Interest received		131	773
Acquisition of plant and equipment		(5,507)	(57,990)
Exploration, evaluation and development expenditure		(18,923)	(39,253)
Refund of/(deposit for) environmental bonds		-	7,486
Cash acquired on acquisition of subsidiary		-	7,547
Acquisition of investment		-	(500)
Acquisition of investment in associate		-	(1,169)
Business combination expenditure		-	(348)
Net cash used in investing activities	-	(24,299)	(83,454)
Cash flows from financing activities			
Proceeds from the issue of share capital		47,998	-
Proceeds from exercise of options		-	1,034
Payment of funding facility fee		-	(500)
Repayment of borrowings		(44,573)	(392)
Interest paid		(1,155)	(28)
Net cash from financing activities	-	2,270	114
Net (decrease)/increase in cash and cash equivalents		(4,584)	(47,557)
Cash and cash equivalents at 1 July		12,673	68,249
Cash and cash equivalents at 31 December	=	8,089	20,692

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the consolidated financial statements.



# 1. Reporting Entity

Silver Lake Resources Limited ("Silver Lake" or "the Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 4, Level 3, South Shore Centre, 85 South Perth Esplanade, South Perth WA 6151. The condensed consolidated financial statements of the Company as at and for the six months ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities") and the Group's interests in associates. The Group is primarily involved in the production and exploration of gold in Western Australia.

## 2. Basis of Preparation

#### (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 IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2013.

The condensed consolidated financial statements were approved by the Board of Directors on 27 February 2014.

## (b) Use of Estimates and Judgements

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

## (c) Financial Position

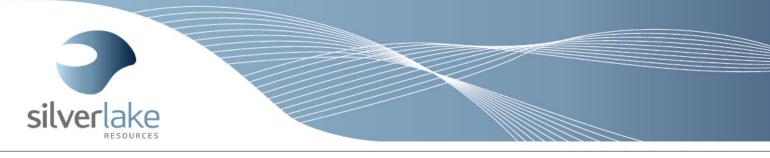
The interim financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Subsequent to period end, the Group announced that the Murchison Gold Operations will be placed on care and maintenance in the June 2014 quarter. This will incur an estimated cost of A\$7.5 million in redundancy payments and mining contract restructuring expenses with ongoing care & maintenance costs estimated of approximately A\$120,000 per month. The Board acknowledges its net working capital position and its future funding requirements to meet these care and maintenance commitments and believes that the going concern basis is appropriate for the following reasons:

## Capital Raising

On 27 February 2014, the Group announced it was raising \$39.4 million (before costs) by way of an institutional placement. The capital raising, which is fully underwritten by UBS AG, Australia Branch, is structured as a placement of 65.6 million shares to institutional and other sophisticated investors at an issue price of \$0.60 per share. The placement is expected to be completed on 28 February 2014.

Net proceeds from the capital raising will be used for working capital, further optimisation of the Mount Monger Operations and placing the Murchison Gold Operations on care and maintenance in the June 2014 quarter.



The fulfillment of the Underwriting Agreement is conditional upon certain termination events not occurring. The Directors believe these termination events are acceptable and market practice for underwriting agreements. The key termination events beyond the control of the Company are as follows:

- Indices fall the ASX/S&P 200 Index falls by 10% or more at any time from its level at market close on the business day immediately preceding the date of the Underwriting Agreement
- Investigations proceedings, applications, declarations or public announcements relating to an investigation or inquiry into the placement are made by a Government Authority, Regulatory Body, court or tribunal
- Quotation on ASX the ASX announces that the Company's shares will be delisted, removed from quotation or suspended, or unconditional approval is not obtained from the ASX for the placement shares to be issued
- Adverse change an event occurs which gives rise, or is likely to give rise, to any materially adverse change or development in the assets, liabilities, earnings, financial position, performance or business affairs of the Group from that existing at the date of the Agreement
- Event of insolvency an event of insolvency occurs in respect of the Company or any of its subsidiaries
- Legal confirmation the underwriter does not receive all required legal sign off necessary to complete the placement
- Change in Act or policy: There is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (including a policy of the Reserve Bank of Australia) or in the United States or United Kingdom
- Market conditions a suspension or material limitation in trading on the ASX, London Stock Exchange or New York Stock Exchange occurs or a general moratorium or material disruption occurs to commercial banking in Australia, the United States of America or the United Kingdom. Further, any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, the United States of America, the United Kingdom or the international financial markets.

The Underwriting Agreement also includes a number of procedural type conditions and termination events including regulatory approvals, which will need to be fulfilled.

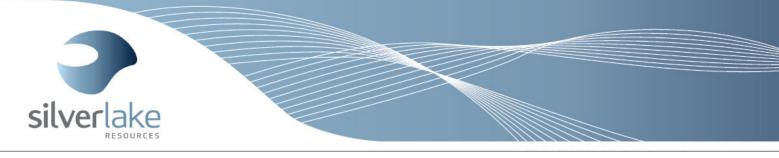
Notwithstanding these conditions, the Directors are confident that the placement will be completed.

Inclusive of the above funding, the Group's operating cash flow forecasts support the Directors' opinion that the Group's working capital position will remain positive in future years. These cash flow forecasts are subject to standard risk factors including price and demand for gold, exchange rates, and the ability of the Group to meet its operational forecasts.

Should the Group not be successful in achieving its forecasts or completing the placement or alternative funding, there may be a material uncertainty which may cast doubt as to the ability of the Group to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

# 3. Significant Accounting Policies

Except as described 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 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.



# Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 Consolidated Financial Statements (2011) AASB 11 Joint Arrangements (2011) AASB 13 Fair Value Measurement (2011) AASB 119 Employee Benefits (2011) Annual Improvements to Australian Accounting Standards 2009-2011

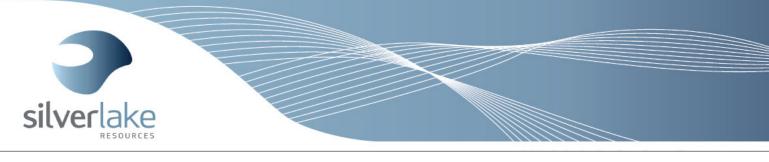
These revised standards have had no impact on the Group's Interim Financial Report.

# 4. Segment Reporting

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

# 5. Finance Income and Expenses

	31 December 2013 \$'000	31 December 2012 \$'000
Interest income	131	773
Change in fair value of investments	107	-
Finance Income	238	773
Impairment of listed investment Interest expense on financial liabilities Unwind of discount on provision Finance Costs Net Finance Income/(Costs)	- (1,143) - (1,143) (905)	(1,595) (28) (63) (1,686) (913)



6. Taxes

At 30 June 2013 the Company had \$174.640 million of tax losses that are available for offset against future taxable profits of the Company of which \$86.862 million (\$26.059 million tax effected) have been recorded within the deferred tax asset balance of \$53.142 million. No further deferred tax assets have been recorded for the current period.

# 7. Earnings Per Share

## Basic earnings per share

The earnings per share at 31 December 2013 was based on the loss attributable to ordinary shareholders of \$47.044 million (2012: profit of \$5.125 million) and the weighted average number of ordinary shares outstanding as at 31 December 2013 of 416,607,793 (2012: 225,474,099).

31 December 2013	31 December 2012
379,048,750	220,264,064
37,559,043	5,172,260
-	37,775
416,607,793	225,474,099
	379,048,750 37,559,043 -

# Diluted earnings per share

The diluted earnings per share at 31 December 2013 was based on the loss attributable to ordinary shareholders of \$47.044 million (2012: profit of \$5.125 million) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 416,607,793 (2012: 233,676,627).

	31 December 2013	31 December 2012
Weighted Average Number of Ordinary Shares		
Basic weighted average number of ordinary shares	416,607,793	225,474,099
Effect of share options on issue	-	8,202,528
Total	416,607,793	233,676,627

## 8. Inventories

During the period, as a result of the underperformance of the Murchison Gold Operations, the Group impaired \$1.576 million (2012: nil) of inventory using its policy of valuing at the lower of cost and net realisable value. This impairment has been included within cost of sales.

# 9. Exploration, Evaluation and Development Expenditure

A regular review is undertaken of each area of interest within exploration and evaluation to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine the technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. As a result of this impairment review for the six months ended 31 December 2013, exploration and evaluation assets with a carrying value of \$1.666 million were written off.



In assessing whether mine properties, mine development costs and property plant and equipment have been impaired, the carrying amount of the CGU is compared with its recoverable amount. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs to sell and value in use.

# Impairment Testing for Murchison Operation Cash-Generating Unit (CGU)

The Murchison CGU comprises mine properties, mine development assets and property plant and equipment associated with the Murchison Gold Operations. Due to disappointing production costs to date and the prevailing gold price environment, it was determined that the Murchison CGU was impaired at 31 December 2013. Subsequent to period end, the Company has decided to place the Murchison Gold Operations on care and maintenance in the June 2014 quarter (refer Note 16 Subsequent Events). In determining the impairment, the Group has adopted fair value less costs to sell. Fair value was determined using an independent valuation of the Murchison Processing Facility (due to disappointing production costs to date and the prevailing gold price environment, no fair value was assigned to the Murchison's mine property assets). The independent valuation provided a range of values, with management adopting the lower end of the range due to the negative conditions previously mentioned. As a result of this review, an impairment charge of \$39.888 million has been recorded against the Murchison CGU at 31 December 2013. This impairment expense is reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and is summarised below:

	31 December
	2013
	\$'000
Mine production assets	5,100
Property, plant and equipment (Refer Note 10)	34,788
Total Impairment for Murchison CGU	39,888

Total impairment losses of \$41.554 million in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income therefore represents the \$39.888 million impairment on the Murchison CGU and \$1.666 million impairment on exploration assets.

# 10. Property, Plant and Equipment

During the period, the Company impaired \$34.788m of plant and equipment as a result of the decision to place the Murchison Gold Operation on care and maintenance in the June 2014 quarter. Refer to Note 9 for further details.



11. Interest Bearing Liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
Current Liability		
Finance lease - Cue mining camp <sup>1</sup>	1,451	1,214
Equipment loan - Motor Vehicles	8	22
Stamp Duty <sup>2</sup>	3,047	-
NAB Facility	8,000	51,999
	12,506	53,235
Non-Current Liability		
Finance lease - Cue mining camp <sup>1</sup>	8,807	9,618
Equipment loan - Motor Vehicles	-	1
Stamp Duty <sup>2</sup>	11,259	-
	20,066	9,619
Total	32,572	62,854

<sup>1</sup> The Group has entered into arrangements for the hire of a mining camp facility which is considered a finance lease. The recognition of the Cue mining camp finance lease liability is a requirement under accounting standards. The camp is not legally owned or operated by the Company. The recognition of the liability is required due to the transfer of the majority of risks and rewards associated with the asset.

<sup>2</sup> The stamp duty liability is payable over four years and incurs 10.7% interest per annum.

# 12. Share Capital

	Number	\$'000
Movements in Issued Capital		
Balance as at 30 June 2013	379,048,750	613,662
Shares issued by capital raising net of costs	58,546,008	47,998
Balance as at 31 December 2013	437,594,758	661,660

58,546,008 shares were issued during the period to fund the repayment of bank facilities. All issued shares are fully paid.

All issued shares are fully paid and the holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.



# 13. Share-Based Payments

# Employee options (equity-settled)

On 14 October 2013 the Group granted Mr Luke Tonkin, Executive Director of Operations, a total of 2,000,000 employee options as part of his employment agreement which were approved by shareholders at the AGM on 15 November 2013. The total expense recognised in the Statement of Profit or Loss for these options for the period ended 31 December 2013 was \$65,000.

## 14. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 30 June 2013.

# 15. Related Parties

During the period, 2,000,000 incentive options were issued to Mr. Luke Tonkin, Executive Director of Operations, as part of his employment agreement. See Note 13 for further details of this related party transaction.

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

# 16. Subsequent Events

The following material events have occurred between the reporting date and the date of signing this report:

## Capital Raising

On 27 February 2014, the Group announced it was raising \$39.4 million (before costs) by way of a institutional placement. The capital raising, which is fully underwritten by UBS AG, Australia Branch, is structured as a placement of 65.6 million shares to institutional and other sophisticated investors at an issue price of \$0.60 per share. The placement is expected to be completed on 28 February 2014.

Net proceeds from the capital raising will be used for working capital, further optimisation of the Mount Monger Operations and placing the Murchison Gold Operations on care and maintenance in the June 2014 quarter.

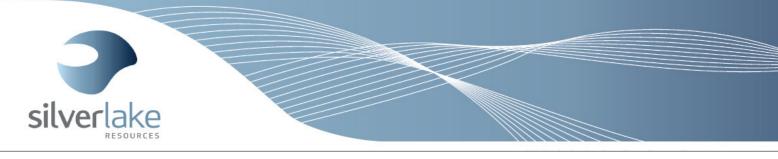
The fulfillment of the Underwriting Agreement is conditional upon certain termination events not occurring. The Directors believe these termination events are acceptable and market practice for underwriting agreements and are confident that the placement will be completed (refer to Note 2(c) for further details in relation to these).

## Murchison Gold Operations to be placed on Care and Maintenance

On 20 January 2014, Silver Lake announced a strategic review of its Murchison Gold Operations.

The fall in gold price in mid-2013 resulted in the deferment of capital required to access higher grade, underground reserves and focus production from lower grade open pit reserves.

Several options were evaluated as part of the strategic review culminating in the decision to place the Murchison Gold Operations on care and maintenance in the June 2014 quarter. This will preserve a number



of strategic options for the Group, including recommencing operations in the event of a higher sustainable gold price.

The estimated cost to place the Murchison Gold Operations on care and maintenance is A\$7.5 million for redundancy payments and mining contract restructuring expenses. The ongoing care & maintenance cost for the Murchison Gold Operations is estimated at approximately A\$120,000 per month.

The decision to place the operations on care and maintenance was an indicator of asset impairment at 31 December 2013. As a result of the assessment, the Company has recorded an impairment charge of \$41.6 million for the period. Full details of the impairments are included in Note 9.

