

APPENDIX 4E

FULL YEAR REPORT

Year ended 30 June 2017

Name of entity: Silver Lake Resources Limited
Current reporting period: 12 months ended 30 June 2017
Previous corresponding reporting period: 12 months ended 30 June 2016

		FY2017 A\$'000	FY2016 A\$'000
Revenues from ordinary activities	up 9%	227,491	209,497
Profit from ordinary activities after tax attributable to members	down 54%	2,032	4,413

Financial Results

The following Appendix 4E reporting requirements are found in the attached Annual Financial Report which has been audited by KPMG:

Requirement	Title	Reference
Review of results	Directors' Report	Page 6
A statement of comprehensive income	Statement of Profit or Loss & Other OCI	Page 34
A statement of financial position	Statement of Financial Position	Page 35
A statement of changes in equity	Statement of Changes in Equity	Page 36
A statement of cash flows	Statement of Cash Flows	Page 37
Earnings per security	Statement of Profit or Loss & Other OCI	Page 34
Independent audit report	Independent Audit Report	Page 29

Dividend information

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

Net tangible assets per share

	30 June 2017	30 June 2016
Net tangible assets per share	\$0.38	\$0.36

Control gained or lost over entities during the period

There have been no changes in control over entities in the 12 month period ended 30 June 2017.

Joint Operations

The Group has the following interests in unincorporated joint operations:

Joint Operation	Joint Operation Parties	SLR Interest 30 June 2017	SLR Interest 30 June 2016
Cue Project	SLR/Musgrave Minerals Ltd	60.0%	-
West Tuckabianna	SLR/George Petersons	90.0%	90.0%
Peter's Dam	SLR/Rubicon	69.2%	69.2%
Bandalup Gossan	SLR/Traka Resources Ltd	-*	80.0%

* Terminated during the period

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.

Silver Lake Resources Limited

(ABN 38 108 779 782)

Annual Financial Report For the Year Ended 30 June 2017

Corporate Directory

Directors

David Quinlivan
Luke Tonkin
Les Davis
Kelvin Flynn
Brian Kennedy

Non-executive Chairman
Managing Director
Non-executive Director
Non-executive Director
Non-executive Director

Company Secretary

David Berg

Principal Office

Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
South Perth WA 6151
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Fax: +61 8 6313 3888
Email: contact@silverlakeresources.com.au

Registered Office

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85 South Perth Esplanade
South Perth WA 6151

Share Register

Security Transfer Australia 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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Directors' Report

The directors submit their report for the year ended 30 June 2017.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

David Quinlivan

BApp Sci, Min Eng, Grad Dip Fin Serv, FAusImm, FFINSA, MMICA

Non-executive Chairman

Appointed Non-executive Director on 25 June 2015 and Chairman on 30 September 2015

Mr Quinlivan is a Mining Engineer with significant mining and executive leadership experience having 11 years of service at WMC Resources Ltd, followed by a number of high-profile mining development positions. Since 1989, Mr Quinlivan has served as Principal of Borden Mining Services, a mining consulting services firm, where he has worked on a number of mining projects in various capacities. He has served as Chief Executive Officer of Sons of Gwalia Ltd (post appointment of administrators), Chief Operating Officer of Mount Gibson Iron Ltd, President and Chief Executive Officer of Alacer Gold Corporation and Chairman of Churchill Mining PLC.

Mr Quinlivan has held no other Directorships in public listed companies in the last three years.

Luke Tonkin

BEng, Min Eng, MAusImm

Managing Director

Appointed 14 October 2013

Mr Tonkin is a Mining Engineering graduate of the Western Australian School of Mines and his extensive operations and management career spans over 30 years within the minerals and mining industry. He is a past Chairman of the Western Australian School of Mines Advisory Board. Mr Tonkin has held senior management roles at WMC Resources Ltd, Sons of Gwalia Ltd and was Managing Director of Mount Gibson Iron Ltd for 7 years and more recently Chief Executive Officer and Managing Director of Reed Resources Ltd.

Mr Tonkin joined the Company in October 2013 as Director of Operations and was appointed as Managing Director on 20 November 2014.

Mr Tonkin has held no other Directorships in public listed companies in the last three years.

Les Davis

MSc (Min Econs)

Non-executive Director

Appointed 25 May 2007

Mr Davis has over 35 years' industry experience including 17 years' hands-on experience in mine development and narrow vein mining. Mr Davis' career incorporates 13 years' senior management experience including roles as Mine Manager, Technical Services Manager, Concentrator Manager, Resident Manager and General Manager Expansion Projects with organisations including WMC Resources Ltd, Reliance Mining Ltd and Consolidated Minerals Ltd.

Mr Davis ceased as Managing Director on 20 November 2014 and was subsequently appointed as Non-executive Director. Mr Davis has held no other Directorships in public listed companies in the last three years.

Directors' Report

Kelvin Flynn

B.Com, CA

Non-executive Director

Appointed 24 February 2016

Mr Flynn is a qualified Chartered Accountant with 26 years' experience in investment banking and corporate advisory roles including private equity and special situations investments in the mining and resources sector. He has held various leadership positions in Australia and Asia, having previously held the position of Executive Director/Vice President with Goldman Sachs and Managing Director of Alvarez & Marsal in Asia. He has worked in complex financial workouts, turnaround advisory and interim management. He is the Managing Director of the specialist alternative funds manager Sirona Capital, which focusses on investments in the real estate and real assets sectors.

Mr Flynn is currently a Director of privately held Global Advanced Metals Pty Ltd and a Non-Executive Director of Mineral Resources Limited. Mr Flynn was also a Non-Executive Director of Mutiny Gold Ltd from 31 March 2014 to 31 January 2015 until its successful merger with Doray Minerals Ltd.

Brian Kennedy

Cert Gen Eng

Non-executive Director

Appointed 20 April 2004

Mr Kennedy has operated a successful resource consultancy for over 30 years and has worked in the coal, iron ore, nickel, gold and fertiliser industries. During this time Mr Kennedy managed large-scale mining operations such as Kambalda and Mount Keith on behalf of WMC Resources Ltd. More recently Mr Kennedy was Senior Vice President at Anglo Gold Ashanti Limited.

Mr Kennedy was a founding shareholder and Director of Reliance Mining Ltd, before its takeover by Consolidated Minerals Ltd.

Mr Kennedy has held no other Directorships in public listed companies in the last three years.

COMPANY SECRETARY

David Berg

LLB BComm (General Management)

Appointed 4 September 2014

Mr Berg has worked both in the resources industry and as a lawyer in private practice, advising on corporate governance, M&A, capital raisings, commercial contracts and litigation. Mr Berg has previously held company secretarial and senior legal positions with Mount Gibson Iron Limited and Ascot Resources Limited and legal roles with Atlas Iron Limited and the Griffin Group. Prior to this Mr Berg worked in the corporate and resources groups of Herbert Smith Freehills and King & Wood Mallesons.

Directors' Report

COMMITTEE MEMBERSHIP

As at the date of this report, the Board has an Audit Committee and a Nomination & Remuneration Committee. Those members acting on the committees of the Board during the year were:

Audit	Term	Nomination & Remuneration	Term
Kelvin Flynn (Chairman)	Full Year	Les Davis (Chairman)	Full Year
Les Davis	Full Year	Brian Kennedy	Full Year
David Quinlivan	Full Year	David Quinlivan	Full Year

DIRECTORS' MEETINGS

The number of Directors meetings (including committee meetings) held during the year and the number of meetings attended by each Director are as follows:

	Directors' Meetings		Audit Committee		Nomination & Remuneration Committee	
	A	B	A	B	A	B
David Quinlivan	10	10	2	2	2	2
Luke Tonkin	10	10	-	-	-	-
Les Davis	10	10	2	2	2	2
Kelvin Flynn	10	10	2	2	-	-
Brian Kennedy	9	10	-	-	2	2

A - Number of meetings attended

B - Number of meetings held during the time the Director held office or was a member of the committee during the year

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital as notified by the Directors to the Australian Securities Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Name of Director	Fully Paid Ordinary Shares	Unlisted Options	Unlisted Performance Rights
David Quinlivan	-	-	-
Luke Tonkin	-	2,000,000	3,398,228
Les Davis	1,000,000	-	-
Kelvin Flynn	-	-	-
Brian Kennedy	4,790,746	-	-

Directors' Report

PRINCIPAL ACTIVITIES

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

CORPORATE STRUCTURE

Silver Lake is a company limited by shares and is domiciled and registered in Australia.

OPERATING OVERVIEW

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

Group Financial Overview

In FY2017 Silver Lake achieved its gold sales guidance and delivered on its strategy of focusing its human and investment capital on the Mount Monger Camp to develop lower cost production sources and undertake a significant exploration program focused on shareholder return.

Measures implemented at Mount Monger to deliver consistent cash generative ounces, together with the restructuring of the cost base to match the mine profile, proved successful and generated FY2017 gold sales of 137,000 ounces (FY2016: 132,400 ounces).

Non-core assets in the Murchison and Great Southern were divested, allowing Silver Lake to focus on high value exploration and development in the highly endowed Mount Monger Camp. A total of \$18,527,000 was invested developing the Maxwells underground mine and Imperial/ Majestic open pits, with \$13,150,000 spent on exploration, all internally funded by cash reserves.

The Group recorded a net profit after tax for the period of \$2,032,000 (2016: profit of \$4,413,000) and generated operating cash flow of \$63,995,000 (2016: \$54,992,000).

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. As noted in the table, the Group's EBITDA (before significant items) was \$70,008,000 for the period (2016: \$56,749,000).

The increase in EBITDA (excluding significant items) compared with the previous corresponding period is primarily due to:

- a 3% increase in gold sales from the Mount Monger Camp (137,000 ounces compared with 132,400 ounces in FY2016) primarily due to an increase in open pit production following commencement of the Majestic open pit mine in FY2017 which contributed 54,606 ounces of gold in the period;
- a 5% increase in throughput at the Randalls Mill (1.30mt processed compared with 1.24mt in FY2016);
- a 5% increase in the average realised gold price (A\$1,654/oz compared with A\$1,580/oz).

Directors' Report

Overview of Operations

Mount Monger Camp

A number of new ore sources were introduced at the Mount Monger Camp in FY2017 including the Maxwells underground mine and Imperial/Majestic open pits, with mining activities also occurring at the Daisy Complex and Cock-eyed Bob (CEB) underground mines. Mining at the Santa Area open pits concluded in Q1 FY2017. In total, the mines contributed 1,306,508 tonnes of ore at 3.5g/t for 148,244 contained ounces. All processing occurred at the centralised Randalls Gold Processing Facility with 1,300,152 tonnes processed at a blended grade of 3.5g/t for 135,837 recovered ounces. Ore stockpiles at year end totalled 419,000 tonnes containing 17,000 ounces of gold.

The FY2017 exploration work programs completed by Silver Lake successfully extended and upgraded the gold reserves at the current mining operations, advanced development projects with near-term open pit and underground mining potential, and confirmed the strong potential for new resource growth along the mineralised trends in the Daisy Complex and Mount Belches mining centres. Key exploration highlights included:

- Resource upgrade and decision to recommence mining at Cock-eyed Bob
- Significant extensions and upgrades to existing gold lodes in the Daisy Complex underground mine
- Discovery of two new lodes at the Daisy Complex (Lode 56 and Lode 57)
- New lodes identified north of the North Fault at the Daisy Complex, demonstrating the discovery potential of this large, inadequately tested area proximal to the current underground development
- Drilling at Santa supported the potential for a new underground mine.

Step-out drilling from surface at Daisy North intersected a high-grade structure, confirming significant extensions to Daisy Complex lodes along one of the strong geochemical trends identified by the regional aircore drilling programs.

Mining and production statistics for the Mount Monger Camp for the year ended 30 June 2017 are detailed in Table 1 and Table 2.

Murchison Operation

In June 2017, the Company agreed to sell its Murchison assets to a wholly owned subsidiary of Westgold Resources Limited (ASX: WGX) for a total consideration of approximately \$10 million. The sale assets comprised:

- the Tuckabianna gold processing facility and underlying mining tenure (Tuckabianna Assets); and
- the Company's 40% joint venture interest in the Cue Joint Venture (JV Interest).

The purchase price payable for the Tuckabianna Assets was a cash consideration of \$6 million and 1,250,000 fully paid ordinary shares in Westgold. Completion of this part of the transaction occurred on 30 June 2017.

The sale and purchase of the JV Interest was subject to the Company's joint venture partner, Musgrave Minerals Limited (ASX:MGV), not exercising its pre-emptive right to purchase the JV Interest on equivalent terms. Subsequent to year end, Musgrave exercised the pre-emptive right and, as such, Silver Lake proceeded to complete the transaction with Musgrave on equivalent terms to those previously agreed with Westgold for a cash consideration of \$1.5 million, with completion occurring in August 2017. The Company has now divested its entire interest in the Murchison region.

Directors' Report

Great Southern Project

In July 2016 ACH Minerals Pty Ltd ("ACH") exercised its option to purchase the Great Southern Project ("Project") from Silver Lake for a cash consideration of \$5 million. The acquisition covers Silver Lake's entire tenure in the Great Southern, as well as all mining information, the Ravensthorpe Camp lease and freehold properties held by the Company in the region. Completion of the transaction and receipt of the proceeds occurred in August 2016.

Gold Mining and Production Statistics

Mount Monger - Mining	Units	FY 2017	FY 2016
<u>Underground</u>			
Ore mined	Tonnes	412,736	419,465
Mined grade	g/t Au	6.3	6.4
Contained gold in ore	Oz	84,134	85,741
<u>Open Pit</u>			
Ore mined	Tonnes	893,772	866,731
Mined grade	g/t Au	2.2	2.0
Contained gold in ore	Oz	64,110	55,424
Total ore mined	Tonnes	1,306,508	1,286,196
Mined grade	g/t Au	3.5	3.4
Contained gold in ore	Oz	148,244	141,165

Table 1

Mount Monger - Processing	Units	FY 2017	FY 2016
Ore Milled	Tonnes	1,300,152	1,236,600
Head grade	g/t Au	3.5	3.5
Contained gold in ore	Oz	145,661	137,605
Recovery	%	93%	95%
Gold produced	Oz	135,837	131,109
Gold sold	Oz	137,000	132,400

Table 2

Directors' Report

Exploration

During the year a total of \$13.2 million was spent on exploration primarily on, or in close proximity to, the Daisy Complex and Mount Belches areas. The exploration was focused on highly prospective, near-term gold targets at Mount Monger, proximal to existing mine and processing infrastructure.

Mount Monger is a highly endowed gold field with a large portfolio of exploration targets, which requires exploration expenditure be deployed efficiently and effectively. Accordingly, all exploration targets at Mount Monger are assessed and ranked according to their technical strengths, potential economic return, the probability that the target will become a production source and the priority given to the exploration target having regard to the Company's operating strategy.

Following on from the Company's successful FY2017 exploration program, a FY2018 exploration budget of \$11.8 million has been approved by the Board. The planned exploration continues the focus at the Mount Monger camp, including near-term resource definition and project development opportunities at the Daisy Complex, Maxwells and Cock-eyed Bob underground mines and the Imperial/Majestic and Aldiss mining centres, as well as regional exploration targets across the Daisy Complex and Mount Belches mining centres.

STRATEGY

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

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

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

Directors' Report

REVIEW OF FINANCIAL CONDITION

The Group recorded an after-tax profit for the financial period of \$2,032,000 (2016: profit of \$4,413,000). This profit includes a number of significant items 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	30 June 2017 \$'000	30 June 2016 \$'000
Statutory profit after tax for the year:	2,032	4,413
<i>Adjustments for:</i>		
Depreciation and amortisation	65,874	45,386
Non-current asset impairments	4,661	2,825
Other	(2,559)	4,125
EBITDA (excluding significant items) *	70,008	56,749

* Non-IFRS measure

At the end of the financial year the Group had \$61,196,000 in cash (2016: \$38,643,000), \$7,807,000 in gold bullion (2016: \$3,836,000) and bonds receivable of \$146,000 (2016: \$146,000). In addition, the Group had \$12,386,000 in ASX listed investments at year end (2016: \$4,806,000).

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

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

LIKELY DEVELOPMENTS

The Company will continue to pursue maximising free cashflow and increasing operating margins from its core Mount Monger Camp. This will include directing exploration expenditure to high impact, cash generating projects.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Company's operations hold licences issued by the relevant regulatory authorities. These licences specify limits and regulate the management associated with the operations of the Company. At the date of this report the Company is not aware of any breach of those environmental requirements.

EMPLOYEES

The consolidated entity had 152 employees as at 30 June 2017 (2016: 159). In addition, Silver Lake also engages contractors and consultants as required.

Directors' Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current Directors and Officers against any liability that may arise from their position as Directors and Officers of the Company except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company has paid Directors' & Officers' insurance premiums in respect of liability of any current and future Officers, and senior executives of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Silver Lake has not provided any insurance or indemnity to the auditor of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report there are no leave applications or proceedings brought on behalf of the Group under section 237 of the *Corporations Act 2001*.

CORPORATE GOVERNANCE

In recognising the need for appropriate standards of corporate behavior and accountability, the Directors of Silver Lake have adhered to the principles of good corporate governance. The Company's corporate governance policies are located on the Company's website.

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Report

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for both Executives and Non-executive Directors of Silver Lake Resources Limited.

Contents:

1. Basis of preparation
2. Key management personnel (KMP)
3. Remuneration snapshot
4. Remuneration governance
5. FY2017 Executive remuneration
6. FY2017 Non-executive director (NED) remuneration

1. BASIS OF PREPARATION

This remuneration report has been prepared and audited in accordance with the requirements of the Corporations Act 2001 and the applicable accounting standards. All references to dollars in this remuneration report are to Australian Dollars unless otherwise specified.

2. KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) comprise those persons with authority and responsibility for planning, directing and controlling the activities of the Company. This includes the Executives and Non-executive directors (NEDs) of the Company. In this report, 'Executives' refers to individuals identified as KMP, excluding NEDs and the Chairman.

A list of all NEDs and Executives for FY2017 is set out below:

Name	Position	Term as KMP
David Quinlivan	Chairman	Full year
Luke Tonkin	Managing Director	Full year
Les Davis	Non-executive Director	Full year
Kelvin Flynn	Non-executive Director	Full year
Brian Kennedy	Non-executive Director	Full year
David Berg	General Counsel & Company Secretary	Full year
Diniz Cardoso	Chief Financial Officer	Full year
Matthew O'Hara	General Manager Mount Monger Operations	Full year
Antony Shepherd	Exploration & Geology Manager	Full year

There have been no changes to KMP since the end of the reporting period up to the date on which the financial report was authorised for issue.

Directors' Report

REMUNERATION REPORT - AUDITED

3. REMUNERATION SNAPSHOT

a. FY2017 Remuneration in review

During the year the Company continued its focus on delivering new ore sources that sustain and enhance margins to drive shareholder returns. Highlights for the year from this strategy included the commencement of mining at the Maxwells underground and Majestic/Imperial open pit mines, strong results from the expanded exploration campaign and the inclusion of the Cock-eyed Bob, Harrys Hill and French Kiss projects in the Life of Mine plan. Further information on the link between company performance and KMP remuneration can be found in section 5 (g).

The Board believes that the Company's remuneration framework is aligned with market practice and that Executive remuneration in FY2017 was reasonable, having regard to the performance of the Company, the platform established for ongoing performance improvement and the experience of the Executives.

The following changes to the remuneration structure were made during the year:

Remuneration element	Details
Fixed remuneration	Effective 1 February 2017, Non-executive Director fees increased by 36% with the Non-executive Chairman's fee increasing 14% to bring annual fees in line with the 50 th percentile of the industry benchmarking report. This includes fees associated with roles on sub-committees (the Company does not pay separate committee fees).
Short-term incentive (STI)	STI payments were made to Executives during the period in line with their performance against set targets. Further information on STI payments is included in Section 5(c) of this report.
Long-term incentive (LTI)	In FY2017, 859,899 performance rights were granted to Mr Luke Tonkin and a further 673,930 performance rights were granted to KMP's on the terms approved by shareholders at the 2015 AGM and described further in this report.

b. Key changes to remuneration for FY2018

No significant changes are anticipated to the Executive remuneration framework for FY2018.

4. REMUNERATION GOVERNANCE

a. Board and Nomination & Remuneration Committee responsibility

The Nomination & Remuneration Committee is a subcommittee of the Board. It assists the Board to ensure that the Company develops and implements remuneration policies and practices that are appropriate for a company of the nature, size and standing of the Company.

The Nomination & Remuneration Committee is responsible for making recommendations to the Board on:

- the remuneration arrangements (including base pay, performance targets, bonuses, equity awards, superannuation, retirement rights, termination payments) for senior Executives;
- the remuneration of Non-executive Directors; and
- the establishment of employee incentive and equity-based plans and the number and terms of any incentives proposed to be issued to Executives pursuant to those plans, including any vesting criteria.

Directors' Report

REMUNERATION REPORT - AUDITED

b. Remuneration principles

The Company's remuneration strategy and structure is reviewed by the Board and the Nomination & Remuneration Committee for business appropriateness and market suitability on an ongoing basis.

KMP are remunerated and rewarded in accordance with the Company's remuneration policies (outlined in further detail below).

c. Engagement of remuneration consultants

During the period, the Company did not engage remuneration consultants to provide a "remuneration recommendation" (as that term is defined in the Corporations Act 2001), however independent advice was received when the current remuneration framework was established. This advice was in respect of remuneration reporting and general advice in respect of market practice for long term incentive plans. In addition, the Nomination & Remuneration Committee benchmark KMP salaries annually using external independent industry reports and data to ensure that remuneration levels are competitive and meet the objectives of the Company.

d. 2016 AGM voting outcome and comments

The Company received more than 95% "yes" votes from its shareholders on its Remuneration Report for the 2016 financial year.

5. FY2017 EXECUTIVE REMUNERATION

a. Executive remuneration strategy and policy

In determining Executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain high calibre talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

The Company's approach to remuneration ensures that remuneration is competitive, performance-focused, clearly links appropriate reward with desired business performance, and is simple to administer and understand by Executives and shareholders.

In line with the remuneration policy, remuneration levels are reviewed annually to ensure alignment to the market and the Company's stated objectives.

The Company's reward structure provides for a combination of fixed and variable pay with the following components:

- fixed remuneration in the form of base salary, superannuation and benefits;
- short-term incentives (STI); and
- long-term incentives (LTI).

Directors' Report

REMUNERATION REPORT - AUDITED

In accordance with the Company's objective to ensure that executive remuneration is aligned to Company performance, a portion of Executives' remuneration is placed "at risk". The relative proportion of target FY2017 total remuneration packages split between the fixed and variable remuneration is shown below:

Target remuneration mix

Executive	Fixed remuneration	Target STI	Target LTI
Managing Director	45%	22%	33%
Other Executives	62%	19%	19%

b. Fixed remuneration

Fixed remuneration is set at a level that is aligned to market benchmarks and reflective of Executives' skills, experience, responsibilities and performance.

When positioning base pay, the Company presently aims to position aggregate fixed remuneration at the 50th percentile of the industry benchmarking report. This is to ensure that the Company's remuneration arrangements remain competitive against peer companies to assist with the retention and attraction of key talent.

Executive remuneration is benchmarked annually to ASX-listed companies of similar size (by market capitalisation), revenue base, employee numbers and complexity. Specific reference is also made to peer companies within the mining and exploration sectors.

c. Short-term incentive (STI) arrangements

The purpose of the STI plan is to link the achievement of key Company targets with the remuneration received by those Executives charged with meeting those targets.

The STI plan provides eligible employees with the opportunity to earn a cash bonus if certain financial hurdles and agreed key performance indicators (KPIs) are achieved. The Board has determined that the Company must be cash-flow positive from normal operating and sustaining capital activities (excluding enhancement activities) for the applicable performance period, for any STI to be paid.

All Executives are eligible to participate in the STI plan with awards capped at 100% of the target opportunity.

Each year the Nomination & Remuneration Committee, in conjunction with the Board, set KPI targets for Executives. Ordinarily, the KPIs would include measures relating to the Group and the individual, and include financial, production, safety and risk measures.

For FY2017 the KPIs chosen aligned remuneration with performance and the overall objectives of the Company and included:

- achievement of the FY2017 budget with particular emphasis on safety, cost management, production and cashflow;
- development of a strategic exploration plan with prioritised targets and milestones;
- development of base case and contingency business plans under different assumptions; and
- execution of specified commercial strategies, including crystallising value from non-core assets.

Not all of the above KPIs were assigned to all Executives.

Directors' Report

REMUNERATION REPORT - AUDITED

FY2017 STI outcomes

Executive	Maximum STI opportunity	% STI paid [#]	STI paid
Luke Tonkin (Managing Director)	50% of base salary	82%	\$241,359
David Berg (General Counsel & Company Secretary)	30% of base salary	82%	\$70,182
Diniz Cardoso (Chief Financial Officer)	30% of base salary	82%	\$73,361
Matthew O'Hara (General Manager Mount Monger Operations)	30% of base salary	55%	\$47,468
Antony Shepherd (Exploration & Geology Manager)	30% of base salary	82%	\$61,134

[#] STI not paid is forfeited

d. Long-term incentive (LTI) arrangements

The Board has established the Employee Incentive Plan (Incentive Plan) as a means for motivating senior employees to pursue the long term growth and success of the Company. The Incentive Plan provides the Company with the flexibility to issue Incentives in the form of either options or performance rights which may ultimately vest and be converted into shares on exercise, subject to satisfaction of any relevant vesting conditions. The Incentive Plan was approved by shareholders at the 2015 AGM.

FY17 LTI outcomes

Executive	Maximum LTI opportunity	Number of Performance Rights granted during FY17	Fair value per Performance Right *
Luke Tonkin (Managing Director)	75% of base salary	859,899 (75% of base salary)	\$0.247
David Berg (General Counsel & Company Secretary)	30% of base salary	171,079 (30% of base salary)	\$0.247
Diniz Cardoso (Chief Financial Officer)	30% of base salary	183,299 (30% of base salary)	\$0.247
Matthew O'Hara (General Manager Mount Monger Operations)	30% of base salary	172,912 (30% of base salary)	\$0.247
Antony Shepherd (Exploration & Geology Manager)	30% of base salary	146,640 (30% of base salary)	\$0.247

* Independently valued using a hybrid share option pricing model

During the year the Company issued 1,533,829 Performance Rights to Executives (including 859,899 Performance Rights to Mr Tonkin) in respect of the LTI component of their FY2017 remuneration. These Performance Rights were approved at the 2015 AGM and were issued in September 2016. The number of Performance Rights awarded to each Executive was calculated by dividing the maximum LTI opportunity by the 20 day VWAP of the Company shares as traded on the ASX up to 30 June 2016.

Directors' Report

REMUNERATION REPORT - AUDITED

The Performance Rights for all Executives will not vest (and the underlying shares will not be issued) unless a hurdle, based on relative total shareholder return (TSR), has been satisfied. TSR measures the growth for a financial year in the price of shares plus dividends notionally reinvested in shares.

Relative TSR will be measured by comparing the Company's TSR with that of a comparator group of companies over the respective 3 year vesting period, which for the current award is the period 1 July 2016 to 30 June 2019. The TSR metric measures the share price movement and dividends over this period for both the Company and the comparator group. The Performance Rights will vest based on the Company's relative TSR ranking on the vesting date (30 June 2019) as follows:

Relative TSR Performance	Vesting Outcome
Less than 50 th percentile	0% vesting
Between the 50 th percentile and 75 th percentile	Pro rata straight line from 50% to 100%
At or above the 75 th percentile	100% vesting

Relative TSR performance is calculated at a single point in time and is not subject to re-testing.

The comparator group of companies for all Performance Rights on issue are as follows:

Evolution Mining Ltd; Medusa Mining Ltd; OceanaGold Corporation; Doray Minerals Ltd; Northern Star Resources Ltd; Ramelius Resources Ltd; Kingsgate Consolidated Ltd; Gold Road Resources Ltd; Regis Resources Ltd; Independence Group NL; St Barbara Ltd; Saracen Mineral Holdings Ltd and Tanami Gold NL.

At the discretion of the Board, the composition of the comparator group may change from time to time.

Directors' Report

REMUNERATION REPORT - AUDITED

e. Service agreements

A summary of the key terms of service agreements for Executives in FY2017 is set out below. There is no fixed term for Executive service agreements and all Executives are entitled to participate in the Company's STI and LTI plans. The Company may terminate service agreements immediately for cause, in which case the Executive is not entitled to any payment other than the value of fixed remuneration and accrued leave entitlements up to the termination date.

Name	Term of Agreement	Total Fixed Remuneration	Notice Period by Executive	Notice Period by Silver Lake	Termination Payment
Luke Tonkin (Managing Director)	Open	\$592,200 plus 12% superannuation STI equivalent to 50% of base salary LTI equivalent to 75% of base salary	6 months	6 months	12 months Total Fixed Remuneration
Diniz Cardoso (Chief Financial Officer)	Open	\$300,000 plus 9.5% superannuation STI equivalent to 30% of base salary LTI equivalent to 30% of base salary	6 months	6 months	6 months Total Fixed Remuneration
Antony Shepherd (Exploration & Geology Manager)	Open	\$250,000 plus 9.5% superannuation STI equivalent to 30% of base salary LTI equivalent to 30% of base salary	3 months	3 months	6 months Total Fixed Remuneration
David Berg (General Counsel & Company Secretary)	Open	\$287,000 plus 9.5% superannuation STI equivalent to 30% of base salary LTI equivalent to 30% of base salary	6 months	6 months	6 month Total Fixed Remuneration
Matthew O'Hara (General Manager Mount Monger Operations)	Open	\$290,000 plus 9.5% superannuation STI equivalent to 30% of base salary LTI equivalent to 30% of base salary	2 months	2 months	As per Legislation

Directors' Report

REMUNERATION REPORT - AUDITED

f. Executive remuneration paid

		Short Term			Post-employment	Other		Total	Proportion of remuneration performance related
		Base Emolument	STI Bonus Payments	Total Benefits	Superannuation Benefits	Options/ Performance Rights	(A) Other Benefits		
		\$	\$	\$	\$	\$	\$	\$	%
Luke Tonkin Managing Director	2017	607,895	241,359	849,254	35,282	176,929	32,405	1,093,870	38
	2016	552,971	262,688	815,659	35,282	256,406	41,144	1,148,491	45
Diniz Cardoso (B) Chief Financial Officer	2017	300,000	73,361	373,361	28,500	23,774	8,062	433,697	22
	2016	52,952	15,131	68,083	6,154	449	5,322	80,008	19
Antony Shepherd Exploration & Geology Manager	2017	247,307	61,134	308,441	23,494	22,091	8,294	362,320	23
	2016	240,000	66,960	306,960	28,500	10,018	6,450	351,928	22
David Berg General Counsel & Company Secretary	2017	289,284	70,182	359,466	24,065	24,521	3,660	411,712	23
	2016	282,153	78,120	360,273	21,539	10,435	1,063	393,310	23
Matthew O'Hara GM Mount Monger Camp	2017	288,115	47,468	335,583	27,371	14,236	10,157	387,347	16
	2016	283,000	78,957	361,957	30,685	-	(2,053)	390,589	20
Peter Armstrong (C) Chief Financial Officer	2017	-	-	-	-	-	-	-	-
	2016	250,204	-	250,204	28,968	33,199	191,253	503,624	7
Total	2017	1,732,601	493,504	2,226,105	138,712	261,551	62,578	2,688,946	28
Total	2016	1,661,280	501,856	2,163,136	151,128	310,507	243,179	2,867,950	28

- (A) Represents contractual entitlements (including termination and retirement benefits), annual leave and long service leave entitlements, measured on an accrual basis.
- (B) Mr Cardoso met the definition of Key Management Personnel from 8 April 2016 following his appointment as Chief Financial Officer. Remuneration in the table above is from the date of his appointment.
- (C) Mr Armstrong ceased to meet the definition of Key Management Personnel on 8 April 2016 following his resignation from the Company. Remuneration in the table above is up to the date of resignation.

Directors' Report

REMUNERATION REPORT - AUDITED

g. Link between company performance, shareholder wealth generation and remuneration

The Nomination & Remuneration Committee considers a number of criteria to assess the performance of the Company. Criteria used in this assessment include maximising of cash flows, managing risk, using a stronger balance sheet to undertake cash accretive investments in core assets, execution of development projects, exploration success as well as the following indices in respect of the current and previous financial years.

	2017	2016	2015	2014	2013
Cash and bullion (\$m)	69.1	42.6	28.9	32.2	19.2
Profit/(loss) after tax attributable to shareholders (\$m)	2.0	4.4	(94.0)*	(170.4)*	(319.3)*
Cash from operating activities (\$m)	64.0	55.0	29.5	24.5	53.9
Closing share price at 30 June	\$0.47	\$0.52	\$0.14	\$0.51	\$0.59

* Includes impairments on inventories and other non-current assets

The Company's remuneration practices reflect the achievement of certain of the Company's and KMP's performance objectives. The Company's overall objective has been to maximise cash flow, increase operating margins at its core Mount Monger Camp and crystallise value from its non-core assets.

In assessing KMP performance during the year, the Committee considered the following achievements against objectives set at the start of the year:

- achieving OH&S objectives;
- achieving environmental objectives;
- meeting FY2017 sales guidance;
- 16% increase in cash flow from operations;
- exceeding the targeted end of year cash and bullion balance;
- successful targeted and phased exploration strategy;
- successful development of both the Maxwells underground mine and the Imperial/Majestic open pits;
- implementing and managing a transparent, effective hedging strategy to secure future revenue streams;
- delivery of positive exploration results from infill and extensional resource definition drilling to allow further mines to enter production in future periods; and
- crystallising value from non-core assets including the sale of the Murchison and Great Southern projects.

Directors' Report

REMUNERATION REPORT - AUDITED

6. FY2017 NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

a. NED remuneration policy

The Company's policy is to remunerate NEDs at market rates (for comparable ASX listed companies) for time, commitment and responsibilities. Fees for NEDs are not linked to the performance of the Company.

It is ensured that:

- a) fees paid to NEDs are within the aggregate amount approved by shareholders at the Company's Annual General Meeting;
- b) NEDs are remunerated by way of fees (in the form of cash and superannuation benefits);
- c) NEDs are not provided with retirement benefits other than statutory superannuation entitlements; and
- d) NEDs are not entitled to participate in equity-based remuneration schemes designed for executives without due consideration and appropriate disclosure to the Company's shareholders.

Fees paid to NEDs cover all activities associated with their role on the Board and any sub-committees. No additional fees are paid to NEDs for being a Chair or Member of a sub-committee. However, NEDs are entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform extra services on behalf of the Company. They may also be reimbursed for out of pocket expenses incurred as a result of their Directorships.

b. NED fee pool and fees

The Company's Constitution provides that the NEDs may collectively be paid, as remuneration for their services, a fixed sum not exceeding the aggregate maximum from time to time determined by the Company in a general meeting. Directors' fees payable in aggregate to the NEDs of the Company is currently capped at \$1,000,000 per annum.

FY2017 NED fees

- | | |
|------------|------------------------------------|
| ▪ Chairman | \$173,750 plus 9.5% superannuation |
| ▪ NED | \$115,000 plus 9.5% superannuation |

When positioning base pay for NEDs, the Company presently aims to position fees at the 50th percentile of the industry benchmarking report. Effective 1 February 2017, NED fees were increased by 36% to \$115,000 per annum, with Chairman fees increasing by 14% to \$173,750 per annum.

Directors' Report

REMUNERATION REPORT - AUDITED

c. NED fees paid

Details of the remuneration of each NED for the year ended 30 June 2017 is set out in the following table:

		Short Term	Post-employment	
		Base Emolument \$	Superannuation benefits \$	Total \$
David Quinlivan (A)	2017	160,586	15,256	175,842
Non-executive Chairman	2016	129,111	12,266	141,377
Les Davis	2017	96,522	9,170	105,692
Non-executive Director	2016	77,877	7,398	85,275
Kelvin Flynn (B)	2017	96,522	9,170	105,692
Non-executive Director	2016	29,656	2,817	32,473
Brian Kennedy	2017	96,522	9,170	105,692
Non-executive Director	2016	77,877	7,398	85,275
Paul Chapman (C)	2017	-	-	-
Non-executive Chairman	2016	42,299	4,018	46,317
David Griffiths (D)	2017	-	-	-
Non-executive Director	2016	29,383	2,791	32,174
Total	2017	450,152	42,766	492,918
Total	2016	386,203	36,688	422,891

A. Mr Quinlivan appointed as NED on 25 June 2015 and Chairman on 30 September 2015

B. Mr Flynn appointed as NED on 24 February 2016

C. Mr Chapman resigned as Chairman on 30 September 2015

D. Mr Griffiths resigned as NED on 20 November 2015

Movement in Options

There were no options granted to KMP during FY2017. The movement, during the reporting period, in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially by KMP, including their related parties, is outlined below:

Key Management Personal	Held at 1 July 2016	Granted	Exercised	Held at 30 June 2017	Vested During The Year	Vested & Exercisable at 30 June 2017
Luke Tonkin (i)	2,000,000	-	-	2,000,000	1,000,000	2,000,000

(i) Employee options (equity-settled)

On 18 October 2013 the Group granted Mr Luke Tonkin, (at the time 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 Annual General Meeting on 15 November 2013. The total expense recognised in the Statement of Profit or Loss for these options for the year ended 30 June 2017 was \$54,729 (included within the total \$176,929 value reflected in the remuneration table in Section 5(f)).

Directors' Report

REMUNERATION REPORT - AUDITED

Details of the options are summarised in the following table:

	Tranche A	Tranche B	Tranche C
Number of options	400,000	600,000	1,000,000
Exercise price	\$0.94	\$1.03	\$1.14
Issue date	18 October 2013	18 October 2013	18 October 2013
Vesting date	15 January 2015	15 January 2016	15 January 2017
Expiry date	18 October 2017	18 October 2017	18 October 2017

The inputs used in the measurement of the fair values at grant date were as follow:

	Tranche A	Tranche B	Tranche C
Valuation at grant date	\$0.36	\$0.34	\$0.33
Share price at grant date	\$0.67	\$ 0.67	\$0.67
Volatility	80%	80%	80%
Risk free rate	3.03%	3.03%	3.03%
Expected dividends	-	-	-

The fair value of the options was measured using a binomial option pricing model. A Black Scholes option pricing model was used to validate the valuation prices calculated by the binomial option pricing model. Whilst there are no performance conditions attached to the exercise of these options, the exercise price of the options was set at a premium (between 40%-70%) to the prevailing share price at date of grant.

Movement in Performance Rights

Key Management Person	Held at 1 July 2016	Issued in FY2017	Rights Exercised	Rights Lapsed	Held at 30 June 2017	Vested during the year	Vested & exercisable at 30 June 2017
Luke Tonkin	3,408,932	859,899	-	(870,603)	3,398,228	-	-
David Berg	423,055	171,079	-	-	594,134	-	-
Diniz Cardoso	351,982	183,299	-	-	535,281	-	-
Matthew O'Hara	-	172,912	-	-	172,912	-	-
Antony Shepherd	406,133	146,640	-	-	552,773	-	-
Total	4,590,102	1,533,829	-	(870,603)	5,253,328	-	-

The total expense recognised in the Statement of Profit or Loss for all Executives' Performance Rights for the period ended 30 June 2017 was \$261,551.

Directors' Report

REMUNERATION REPORT - AUDITED

Details of the performance rights are summarised in the following table:

	FY2015 Award	FY2016 Award		FY2017 Award
Number of performance rights*	870,603**	2,161,296	2,538,329	2,058,334
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00
Grant date	20 Nov 2014	1 July 2015	20 Nov 2015	1 July 2016
Vesting period	1 July 2014 - 30 June 2017	1 July 2015 - 30 June 2018	1 July 2015 - 30 June 2018	1 July 2016 - 30 June 2019
Expiry date	1 July 2017	1 July 2018	1 July 2018	1 July 2019

* Represents total performance rights issued, inclusive of awards to other members of management not considered KMP's.

** Lapsed at 30 June 2017

The inputs used in the measurement of the fair values at grant date were as follows:

	FY2015 Award	FY2016 Award		FY2017 Award
Valuation at grant date	\$0.045	\$0.074	\$0.110	\$0.247
Underlying 20 day VWAP	\$0.431	\$0.148	\$0.148	\$0.491
Volatility	20%	22%	22%	20%
Risk free rate	2.56%	2.14%	2.14%	1.52%
Expected dividends	-	-	-	-

The fair value of the performance rights was measured using a hybrid employee share option pricing model (correlation simulation and Monte Carlo model) and was calculated by independent consultants.

Movement in Shares

Key Management Person	Held at 1 July 2016	Shares Acquired	Shares Exercised	Shares Sold	Held at 30 June 2017
David Quinlivan	-	-	-	-	-
Luke Tonkin	-	-	-	-	-
Les Davis	4,525,294	-	-	(3,525,294)	1,000,000
Kelvin Flynn	-	-	-	-	-
Brian Kennedy	4,790,746	-	-	-	4,790,746
David Berg	10,416	-	-	-	10,416
Diniz Cardoso	-	-	-	-	-
Matthew O'Hara	-	-	-	-	-
Antony Shepherd	-	-	-	-	-
Total	9,326,456	-	-	(3,525,294)	5,801,162

Directors' Report

REMUNERATION REPORT - AUDITED

Key Management Person	Held at 1 July 2015	Shares Acquired	Shares Exercised	Shares Sold	Other*	Held at 30 June 2016
David Quinlivan	-	-	-	-	-	-
Luke Tonkin	-	-	-	-	-	-
Les Davis	4,525,294	-	-	-	-	4,525,294
Kelvin Flynn	-	-	-	-	-	-
Brian Kennedy	4,790,746	-	-	-	-	4,790,746
David Berg	10,416	-	-	-	-	10,416
Diniz Cardoso	-	-	-	-	-	-
Antony Shepherd	-	-	-	-	-	-
Peter Armstrong	499,959	-	-	-	(499,959)	-
Paul Chapman	5,334,294	-	-	-	(5,334,294)	-
David Griffiths	4,393,671	-	-	-	(4,393,671)	-
Total	19,554,380	-	-	-	(10,227,924)	9,326,456

* Balance reported is the shareholding on the date of resignation

Directors' Report

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 financial report for the year ended 30 June 2017. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board is satisfied that the provision of non-audit services is compatible with, and did not compromise the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risk and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below:

	2017 \$	2016 \$
Taxation services	20,744	56,760
Audit and review of financial statements	167,708	161,500
Total paid	188,452	218,260

ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information has been rounded off to the nearest thousand dollars, unless otherwise stated.

The Directors' Report is signed in accordance with a resolution of the Directors.



Luke Tonkin
Managing Director
22 August 2017

Directors' Declaration

1. In the opinion of the Directors:
 - a) the consolidated financial statements and notes of the Group and the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001 including:
 - i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
 - ii) Complying with Australian Accounting Standards and Corporations Regulations 2001;
 - b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1;
 - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - d) There are reasonable grounds to believe that the Company and the Group entity identified in Note 34 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and that Group entity pursuant to ASIC Class Order 98/1418.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with s295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2017.

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



Luke Tonkin
Managing Director
22 August 2017



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 audit of for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Rt SA

KPMG

Brent Steedman
Partner

Perth

22 August 2017



Independent Auditor's Report

To the shareholders of Silver Lake Resources Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Silver Lake Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Gold reserves and Resources estimation; and
- Restoration and rehabilitation provision.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Gold reserves and resources estimation

Refer to Note 14 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The estimation of gold reserves and resources is conducted by the Group's internal expert, being a Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves, requiring a number of significant assumptions and interpretations of geological models. In the case of gold reserves, assessments of the commercial and technical feasibility of producing the reserve are made which include assumptions including quantities, grades, recovery rates, production costs, future capital requirements, short and long term commodity prices and foreign exchange rates.</p> <p>These estimates can have a significant impact on the financial report, primarily in the following areas:</p> <ul style="list-style-type: none"> • Capitalisation and classification of expenditure as exploration and evaluation assets or mine development assets; • Valuation of assets and impairment testing; • Calculation of amortisation charges; • The calculation of restoration and rehabilitation provisions; and • Recognition of deferred tax assets, including tax losses. <p>Given the significant and pervasive impact the estimation of gold reserves and resources have across multiple items in the financial statements, we considered it a key audit matter and focused our audit effort accordingly.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Assessed the scope, competence and objectivity of the Group's internal expert involved in the estimation process; • Evaluated the adequacy of the Group's internal expert's work by: <ul style="list-style-type: none"> • Understanding the Group's gold reserves and resources estimation process and controls by meeting with the internal expert and performing a walkthrough of the process; • Assessing the key controls for the reserves and resources estimation process including the review and approval of the reserve and resource statements by the Board of Directors; and • Assessing changes in reserves, both positive and negative revisions, with consideration of other information that we obtained throughout the audit, such as reconciliations of production to budget throughout the year and minutes of Board meetings indicating adjustments to reserves; • We critically evaluated the gold reserve assessment assumptions by: <ul style="list-style-type: none"> • comparing the forecast gold prices and foreign exchange rates applied by the Group to published analyst and broker data about future gold prices and foreign exchange rates; • using our knowledge of historical production levels and the current business model to assess the Group's capacity to achieve future production levels, including quantities, grades and recovery rates; and • analysed the forecasted cash flows to actual cash flows for previous years for operating and capital costs to assess the accuracy of the Group's forecasting to inform our evaluation of the Group's future capital requirements and production costs;

	<ul style="list-style-type: none"> Reconciliation of the gold reserves and resources to the mine plans utilised, amounts disclosed in the financial statements, and to the underlying financial information used by the Group in determining classification of exploration and evaluation assets and mine development assets, calculation of amortisation charges, timing of restoration and rehabilitation provisions and forecast utilisation of deferred tax assets.
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Restoration and rehabilitation provision (A\$16.1m)

Refer to Note 22 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The restoration and rehabilitation provisions relating to the Mount Monger Camp is considered to be a key audit matter. This is due to the inherent complexity for the Group in estimating future environmental restoration and rehabilitation costs and for us in gathering persuasive audit evidence thereon, particularly those that are to be incurred several years in the future.</p> <p>This is influenced by:</p> <ul style="list-style-type: none"> The complexity in current environmental and regulatory requirements, and the impact to completeness of environmental restoration and rehabilitation activities incorporated into the provisions estimate; The expected environmental management strategy of the Group, and the nature of costs incorporated into the provisions estimate; Historical experience and whether this is a reasonable predictor when evaluating forecast costs; and The expected timing of the expenditure which is sometimes long into the future and the associated inflation and discounting of costs in the present value calculation of the provision. <p>The Group uses third party and internal expert advice when assessing their obligations for restoration and rehabilitation activities and associated estimates of future costs.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Comparing the basis for recognition and measurement of the provisions for consistency with environmental and regulatory requirements and criteria in the accounting standards; Obtaining the Group’s historical third party expert reports as well as internal and external underlying documentation for their determination of future required activities, their timing, and associated cost estimations. We compare these to the Group’s strategy, including the nature and quantum of costs contained in the provision balance; Assessing the planned timing of restoration and rehabilitation provisions through comparison to mine plans and reserve and resource statements for completion of mining activities and commencement of subsequent restoration and rehabilitation activities; Assessing the competence, scope and objectivity of the Group’s internal and external experts used in determination of the provisions estimate; Testing the accuracy of historical restoration and rehabilitation provisions by comparing to actual expenditure incurred. We used this to challenge the Group’s current cost estimations; Analysed inflation rate and discount assumptions in the provision calculation to current market data and economic forecasts; Evaluating the completeness of the provisions to the Group’s analysis of each operating location to identify where disturbance requires rehabilitation or restoration and our understanding of the Group’s operations.



Other Information

Other Information is financial and non-financial information in Silver Lake Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The Chairman and Managing Director's Report, Project Report, Exploration Report, Resource and Reserves Report and ASX additional information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Silver Lake Resources Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Brent Steedman
Partner

Perth

22 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	30 June 2017 \$'000	30 June 2016 \$'000
Revenue	3	227,491	209,497
Cost of sales	4	(216,355)	(192,396)
Gross profit		11,136	17,101
Other income		-	3,146
Profit/(loss) on sale of assets		(960)	3,118
Exploration expenditure	14	(2,557)	(3,193)
Impairment losses	17	(4,661)	(2,825)
Administrative expenses	5	(7,002)	(8,878)
Results from operating activities		(4,044)	8,469
Finance income		6,550	482
Finance expenses		(474)	(4,538)
Net finance costs	7	6,076	(4,056)
Profit before income tax		2,032	4,413
Income tax expense	8	-	-
Profit for the year		2,032	4,413
Total comprehensive profit for the year		2,032	4,413
		Cents Per Share	Cents Per Share
Basic profit per share	9	0.40	0.88
Diluted profit per share	9	0.40	0.87

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 \$'000	30 June 2016 \$'000
Current assets			
Cash and cash equivalents	10	61,196	38,643
Trade and other receivables	12	9,531	2,317
Inventories	13	18,937	20,708
Assets held for sale	17	1,500	10,056
Prepayments		112	91
Total current assets		91,276	71,815
Non-current assets			
Inventories	13	1,868	2,052
Exploration evaluation and development expenditure	14	99,062	123,893
Property, plant and equipment	15	38,251	50,675
Investments	16	12,386	4,806
Total non-current assets		151,567	181,426
Total assets		242,843	253,241
Current liabilities			
Trade and other payables	18	32,956	30,914
Interest bearing liabilities	19	2,125	3,937
Liabilities held for sale	17	-	5,056
Rehabilitation and restoration provision	22	-	1,158
Employee benefits	20	1,874	1,697
Total current liabilities		36,955	42,762
Non-current liabilities			
Interest bearing liabilities	19	-	2,125
Rehabilitation and restoration provision	22	16,122	21,010
Total non-current liabilities		16,122	23,135
Total liabilities		53,077	65,897
Net assets		189,766	187,344
Equity			
Share capital	23	699,564	699,564
Reserves	24	1,220	830
Accumulated losses		(511,018)	(513,050)
Total equity		189,766	187,344

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Share Capital \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2015		699,564	505	(517,463)	182,606
Total comprehensive profit for the year		-	-	4,413	4,413
Transactions with owners, recorded directly in equity					
Equity settled share based payment	24	-	325	-	325
Total transactions with owners of the Company		-	325	-	325
Balance at 30 June 2016		699,564	830	(513,050)	187,344

		Share Capital \$'000	Option Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016		699,564	830	(513,050)	187,344
Total comprehensive profit for the year		-	-	2,032	2,032
Transactions with owners, recorded directly in equity					
Equity settled share based payment	24	-	390	-	390
Total transactions with owners of the Company		-	390	-	390
Balance at 30 June 2017		699,564	1,220	(511,018)	189,766

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	30 June 2017 \$'000	30 June 2016 \$'000
Cash flows from operating activities			
Receipts from sales		220,319	205,837
Payments to suppliers and employees		(156,324)	(150,845)
Net cash from operating activities	11	63,995	54,992
Cash flow from investing activities			
Interest received	7	662	482
Acquisition of plant and equipment		(6,315)	(2,562)
Proceeds from divestments	17	11,928	3,388
Exploration, evaluation and development expenditure		(43,306)	(35,575)
Net cash used in investing activities		(37,031)	(34,267)
Cash flows from financing activities			
Stamp duty paid		(3,937)	(3,553)
Interest paid		(474)	(1,067)
Net cash used in financing activities		(4,411)	(4,620)
Net increase in cash and cash equivalents		22,553	16,105
Cash and cash equivalents at 1 July		38,643	22,538
Cash and cash equivalents at 30 June	10	61,196	38,643

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. Basis of Preparation

Silver Lake Resources Limited ("Silver Lake" or "the Company") is a for profit entity domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities").

The consolidated financial statements were approved by the Board of Directors on 22 August 2017. The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001;
- complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB");
- has been presented on the historical cost basis except for the following items in the statement of financial position:
 - investments which have been measured at fair value.
 - equity settled share based payment arrangements have been measured at fair value.
 - inventories which have been measured at the lower of cost and net realisable value.
 - exploration, evaluation and development assets which have been measured at recoverable value where impairments have been recognised.

There have been no material changes to accounting policies for the periods presented in these consolidated financial statements. Significant accounting policies specific to one note are included in that note. Accounting policies determined non-significant are not included in the financial statements.

The accounting policies have been applied consistently to all periods presented and by all Group entities. Certain comparative disclosures have been reclassified to conform to the current year's presentation.

(a) 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/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information has been rounded off to the nearest thousand dollars, unless otherwise stated.

(b) Use of Judgements and Estimates

The preparation of 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.

Judgements and estimates which are material to the financial report are found in the following notes:

- Note 8 Income Tax - recognition of deferred tax assets
- Note 14 Exploration, evaluation and development expenditure carried forward - consideration of impairment triggers and recognition of impairment losses
- Note 14 Amortisation of development expenditure - estimation of future mineable inventory and future development expenditure when calculating units of production amortisation
- Note 14 Reserves and Resources- estimating reserves and resources
- Note 22 Closure and rehabilitation - measurement of provision based on key assumptions

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

(c) Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is disclosed in Note 29.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(e) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, exploration and evaluation expenditure and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

goodwill and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Long term development and production phase assets that relate to unmined resources are assessed in light of current economic conditions. Assumptions on the economic returns on and timing of specific production options may impact on the timing of development of these assets. The carrying values of these assets are assessed where an indicator of impairment exists using a fair value less cost to sell technique. This is done based on implied market values against their existing resource and reserve base and an assessment on the likelihood of recoverability from the successful development or sale of the asset. The implied market values are calculated based on recent comparable transactions within Australia converted to a value per ounce. This is considered to be a Level 3 valuation technique.

2. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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 Western Australia. The Board of Directors review internal management reports on a monthly basis that are 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 used by the Board to make strategic decisions.

3. Revenue

	30 June 2017 \$'000	30 June 2016 \$'000
Gold sales	226,568	209,124
Silver sales	923	373
Total	227,491	209,497

Included in current year gold sales is 97,019 ounces of gold sold (at an average price of A\$1,654/ounce) under various hedge programs. At 30 June 2017, the Company has a total of 142,291 ounces of gold left to be delivered under these programs.

Accounting Policies

Gold sales

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and the amount of revenue can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Gold forward contracts

The Group uses derivative financial instruments such as gold forward contracts to manage the risks associated with commodity price. The sale of gold under such hedge instruments is accounted for using the 'own use exemption' under *AASB 139 Financial Instruments* and as such all hedge revenue is recognised in the Statement of Profit or Loss and no fair value adjustments are subsequently made to sales yet to be delivered under the hedging program.

4. Cost of sales

		30 June 2017 \$'000	30 June 2016 \$'000
Mining and processing costs		125,872	124,297
Amortisation	14	55,824	36,063
Depreciation	15	10,050	9,323
Salaries and on-costs		17,207	15,740
Royalties		7,402	6,973
		216,355	192,396

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

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 the 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	10 Years
Haul roads	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.

5. Administration expenses

	30 June 2017 \$'000	30 June 2016 \$'000
Salaries and on-costs	4,675	4,574
Consultants and contractors	665	294
Professional fees	189	203
Travel and accommodation	109	121
Rental expense	653	619
Provision for doubtful debts (Note 12)	-	2,929
Other corporate costs	711	138
Total	7,002	8,878

6. Personnel expenses

	30 June 2017 \$'000	30 June 2016 \$'000
Wages and salaries	20,705	19,945
Other associated personnel expenses	1,315	1,280
Superannuation contributions	1,935	1,849
Total	23,955	23,074

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

7. Finance income and expenses

	30 June 2017 \$'000	30 June 2016 \$'000
Interest income	662	482
Change in fair value of listed investment	5,888	-
Finance income	6,550	482
Change in fair value of listed investment	-	(2,695)
Interest expense on interest bearing liabilities	(474)	(1,067)
Unwind of discount on provision	-	(776)
Finance costs	(474)	(4,538)
Net finance costs	6,076	(4,056)

Accounting Policies

Interest income comprises bank interest on funds invested and is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings and unwinding of the discount on provisions. All borrowing costs are recognised in the Statement of Profit or Loss using the effective interest method in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case, borrowing costs are capitalised as part of the qualifying asset.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

8. Taxes

(a) Income tax

	30 June 2017 \$'000	30 June 2016 \$'000
Current tax expense		
Current income tax loss	(26,752)	(10,089)
Adjustment for prior years	(12)	(2,476)
	<u>(26,764)</u>	<u>(12,565)</u>
Deferred income tax expense		
Origination and reversal of temporary differences	26,764	12,565
Income tax expense reported in profit or loss	<u>-</u>	<u>-</u>

	30 June 2017 \$'000	30 June 2016 \$'000
Numerical reconciliation between tax expenses and pre-tax profit		
Profit before tax	2,032	4,413
Income tax using the corporation tax rate of 30%	610	1,323
Movement due to non-deductible items	(1,931)	3,302
Adjustment for prior years	(12)	(2,476)
Changes in unrecognised temporary differences	1,333	(2,149)
Income tax expense reported in profit or loss	<u>-</u>	<u>-</u>

(b) Deferred tax assets and liabilities

	30 June 2017 \$'000	30 June 2016 \$'000
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets/(liabilities)		
Receivables	2,017	1,929
Inventories	(1,463)	(1,606)
Exploration, evaluation and mining assets	13,046	15,535
Property, plant and equipment	1,897	22,884
Accrued expenses	475	575
Provisions	4,952	6,372
Share issue costs	255	921
Tax losses	123,293	96,529
	<u>144,472</u>	<u>143,139</u>
Less deferred tax asset not recognised	(144,472)	(143,139)
Net deferred tax assets	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

Accounting Policies

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Tax consolidation

The Company and its wholly-owned entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity (Silver Lake Resources Limited is the head entity within the tax-consolidation group).

Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within the group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group. Any differences between these amounts are recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that the future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Tax losses

At 30 June 2017 the Company has \$410,976,000 (2016: \$321,763,000 loss) of tax losses that are available for offset against future taxable profits of the Company. The Group has not recorded these carry forward tax losses that equate to an unrecognised deferred tax asset at 30 June 2017 of \$123,293,000 (2016: \$96,529,000).

The potential benefit of carried forward tax losses will only be obtained if taxable profits are derived of a nature and, of an amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Group provided that:

- i) the provisions of deductibility imposed by law are complied with; and
- ii) no change in tax legislation adversely affects the realisation of the benefit from the deductions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

In accordance with the Group's accounting policies for deferred taxes, a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses.

Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgments about commodity prices, ore resources, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

9. Earnings per share

	30 June 2017 \$'000	30 June 2016 \$'000
Profit used in calculating basic and diluted EPS	2,032	4,413
	Number of Shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	503,708,000	503,234,000
Effect of dilution	6,758,000	4,707,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	510,466,000	507,941,000

Accounting Policies

Basic EPS is calculated as profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares.

Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees.

10. Cash and cash equivalents

	30 June 2017 \$'000	30 June 2016 \$'000
Cash at bank	61,196	38,643

Accounting Policies

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. The Group ensures that as far as possible it maintains excess cash and cash equivalents in short-term high interest bearing deposits.

The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 25.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

11. Reconciliation of cash flows from operating activities

	30 June 2017 \$'000	30 June 2016 \$'000
Cash flow from operating activities		
Profit after tax	2,032	4,413
Adjustments for:		
Depreciation	10,050	9,323
Amortisation	55,824	36,063
Impairment of exploration and development expenditure	4,661	2,825
Share based payments	390	325
Net finance cost	(5,888)	3,471
(Profit)/loss from the sale of non-current assets	960	(3,118)
Operating profit before changes in working capital and provisions	68,029	53,302
Change in trade and other receivables	(7,401)	2,649
Change in inventories	1,344	(3,929)
Change in prepayments	(22)	(29)
Change in trade and other payables	2,041	2,915
Change in other liabilities	4	84
Total	63,995	54,992

12. Trade and other receivables

	30 June 2017 \$'000	30 June 2016 \$'000
Current		
Trade receivables	14,557	7,386
GST receivable	1,697	1,654
Provision for doubtful debts (Note 25 (b)(ii))	(6,723)	(6,723)
Total	9,531	2,317

The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 25.

Accounting Policies

Trade receivables are recognised initially at the value of the invoice sent to the counterparty and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding change to the profit or loss statement.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

13. Inventories

	30 June 2017 \$'000	30 June 2016 \$'000
Current		
Materials and supplies	4,882	5,354
Ore stocks	9,814	9,103
Gold in circuit	3,535	2,415
Bullion on hand	706	3,836
	<u>18,937</u>	<u>20,708</u>
Non-Current		
Ore stocks	1,868	2,052
Total	<u>20,805</u>	<u>22,760</u>

At the reporting date the Group carried out an impairment review of inventory and assessed that all inventory was carried at the lower of cost and net realisable value and that no impairment was required.

Accounting Policies

Inventory

Inventories of ore, gold in circuit and gold bullion are physically measured or estimated and valued at the lower of cost and net realisable value.

The cost comprises direct materials, labour and transportation expenditure in bringing such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure based on weighted cost incurred during the period in which such inventories were produced.

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to perform the sale. Inventories of consumable supplies and spare parts that are expected to be used in production are valued at cost. Obsolete or damaged inventories of such items are valued at net realisable value.

Consumables and spare parts are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified.

Bullion on Hand

Bullion on hand comprises gold that has been delivered to the Perth Mint prior to period end but which has not yet been delivered into a sale contract.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

14. Exploration, evaluation and development expenditure

During the year ended 30 June 2017 the Group incurred and capitalised the following on exploration, evaluation and development expenditure:

	30 June 2017 \$'000	30 June 2016 \$'000
Exploration and evaluation phase		
Cost brought forward	14,198	37,078
Capitalised during the year	9,538	10,620
Decrease in rehabilitation provision	-	(1,851)
Disposed during the year	-	(92)
Impairment	(4,661)	(2,825)
Transferred to development phase	-	(16,383)
Transferred to asset held for sale	(1,500)	(9,156)
Expensed during period	(2,557)	(3,193)
Balance at 30 June	15,018	14,198
	30 June 2017 \$'000	30 June 2016 \$'000
Development phase		
Cost brought forward	45,897	41,845
Transfer from exploration and evaluation phase	-	16,383
Expenditure during the year	1,315	9,914
Transferred to production phase	(38,326)	(22,245)
Balance at 30 June	8,886	45,897
	30 June 2017 \$'000	30 June 2016 \$'000
Production phase		
Cost brought forward	63,798	64,556
Transfer from development phase	38,326	22,245
Expenditure during the year	33,584	14,776
Disposed during the year	(4,726)	(221)
Decrease in rehabilitation provision	-	(1,495)
Amortisation expense	(55,824)	(36,063)
Balance at 30 June	75,158	63,798
Total	99,062	123,893

Accounting Policies

Exploration and evaluation expenditure

Exploration and evaluation expenditures are those expenditures incurred in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred.

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Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation or from sale of the area; and
- exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and active and significant operations in, or relating to, this area are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to the area of interest. If costs do not meet the criteria noted above, they are written off in full against the profit and loss statement.

Exploration and evaluation assets are transferred to Development Phase assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are tested for impairment, and any impairment loss is recognised, prior to being reclassified.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- the term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted or planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resource and the decision was made to discontinue such activities in the specific area; or
- sufficient data exists to indicate that, although a development in the specific area of interest is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest.

Impairment testing of assets in the development or production phase

The carrying amounts of assets in the development or production phase are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present

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value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Exploration expenditure commitments

Exploration expenditure commitments represent tenement rentals and minimum spend requirements that are required to be met under the relevant legislation should the Group wish to retain tenure on all its current tenements.

Mine properties and mining assets

Mine properties represent the acquisition cost and/or accumulated exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

Mine development costs are deferred until commercial production commences. When commercial production is achieved mine development is transferred to mine properties, at which time it is amortised on a unit of production basis based on ounces mined over the total estimated resources related to this area of interest.

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient resources to proceed with development and approval by the board of Directors to proceed with development of the project.

Underground development expenditure incurred in respect of a mine development after the commencement of production is carried forward as part of mine development only when substantial future economic benefits are expected. Otherwise, this expenditure is expensed as incurred.

Deferred Stripping Costs

Stripping is the process of removing overburden and waste materials from surface mining operations to access the ore. Stripping costs are capitalised during the development of a mine and are subsequently amortised over the life of mine on a units of production basis, where the unit of account is tonnes of ore milled. Stripping costs capitalised at year end are included in the Production phase in Note 14.

Reserves and Resources

Resources are estimates of the amount of gold product that can be economically extracted from the Group’s mine properties. In order to calculate resources, estimates and assumptions are required about a range of

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geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long term commodity prices and exchange rates.

Estimating the quantity and/or grade of resources requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgments and calculations to interpret the data.

The Group determines and reports ore resources under the Australian Code of Reporting for Mineral Resource and Ore Reserves (2004 and 2012), known as the JORC Code. The JORC Code requires the use of reasonable assumptions to calculate resources. Due to the fact that economic assumptions used to estimate resources change from period to period, and geological data is generated during the course of operations, estimates of resources may change from period to period. Changes in reported resources may affect the Group's financial results and financial position in a number of ways, including:

- asset carrying values may be impacted due to changes in estimates of future cash flows;
- amortisation charged in the Statement of Profit or Loss may change where such charges are calculated using the units of production basis;
- decommissioning, site restoration and environmental provisions may change due to changes in estimated resources after expectations about the timing or costs of these activities change; and
- recognition of deferred tax assets, including tax losses.

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15. Property, Plant and Equipment

	Land & Building	Plant & Equipment	Haul Roads	Motor Vehicles	Office Furniture & Equipment	Capital Work In Progress	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
Balance 1 July 2015	13,908	191,642	3,561	2,504	1,983	524	214,122
Additions	-	-	-	-	-	2,564	2,564
Reclassified as held for sale	(900)	-	-	-	-	-	(900)
Transfers	94	2,147	-	231	209	(2,681)	-
Disposals	-	-	-	(385)	-	-	(385)
Balance 30 June 2016	13,102	193,789	3,561	2,350	2,192	407	215,401
Additions	-	-	-	-	-	6,315	6,315
Reclassification of assets	-	-	-	-	-	1,405	1,405
Transfers	-	5,952	326	153	693	(7,124)	-
Disposals	(366)	(11,421)	-	(234)	(5)	-	(12,026)
Balance 30 June 2017	12,736	188,320	3,887	2,269	2,880	1,003	211,094
Depreciation							
Balance at 1 July 2015	10,470	139,729	1,780	2,058	1,693	-	155,730
Depreciation expense	4	444	7,594	712	253	-	9,323
Disposal	-	-	-	(327)	-	-	(327)
Balance 30 June 2016	10,914	147,323	2,492	2,051	1,946	-	164,726
Depreciation expense	4	363	8,531	811	202	-	10,050
Disposal	-	(53)	(1,675)	-	(203)	(1)	(1,932)
Balance 30 June 2017	11,224	154,179	3,303	1,991	2,147	-	172,843
Carrying Amount							
At 30 June 2015	3,438	51,913	1,781	446	290	526	58,394
At 30 June 2016	2,188	46,466	1,069	299	246	407	50,675
At 30 June 2017	1,512	34,141	584	278	733	1,003	38,251

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For the year ended 30 June 2017

Accounting Policies

Items of plant and equipment are stated at their cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

16. Investments

	30 June 2017 \$'000	30 June 2016 \$'000
Investments in listed entities - at fair value	12,386	4,806
Movements as follows:		
Balance at 1 July	4,806	7,561
Acquisitions	2,300	75
Disposals	(608)	(135)
Change in fair value	5,888	(2,695)
Balance at 30 June	12,386	4,806

Accounting Policies

Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss comprise investments in equity securities.

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated at such on initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the profit or loss.

The fair values of investments in equity securities are determined with reference to their quoted ASX closing price at balance date.

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For the year ended 30 June 2017

17. Disposal of Assets

Great Southern Project

In August 2016, the Company completed the sale of the Great Southern Project for cash consideration of \$5 million. The carrying value of the project comprised \$10,401,000 of assets and \$5,056,000 of liabilities and resulted in a loss on disposal of \$345,000 being included in the current year Statement of Profit or Loss.

Murchison Operation

In June 2017, the Company agreed to sell its Murchison assets to a wholly owned subsidiary of Westgold Resources Limited (ASX: WGX) for a total consideration of approximately \$10 million. The sale assets comprised:

- the Tuckabianna gold processing facility and underlying mining tenure (Tuckabianna Assets); and
- the Company's 40% joint venture interest in the Cue Joint Venture (JV Interest).

The purchase price payable for the Tuckabianna Assets was a cash consideration of \$6 million and 1,250,000 fully paid ordinary shares in Westgold. Completion of this part of the transaction occurred on 30 June 2017.

Assets held for sale of \$1,500,000 represents the sale of the Cue Project Joint Venture. Completion of this transaction occurred in August 2017 and resulted in an impairment of \$4,661,000 being included in the current year Statement of Profit or Loss.

Accounting Policies

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

18. Trade and other payables

	30 June 2017 \$'000	30 June 2016 \$'000
Trade payables	29,354	26,949
Other payables	3,602	3,965
Total	32,956	30,914

The Group's exposure to liquidity risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 25.

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 Consolidated Financial Statements

For the year ended 30 June 2017

19. Interest bearing liabilities

	30 June 2017 \$'000	30 June 2016 \$'000
Current liability		
Stamp duty	2,125	3,937
	<u>2,125</u>	<u>3,937</u>
Non-current liability		
Stamp duty	-	2,125
Total	<u><u>2,125</u></u>	<u><u>6,062</u></u>

The stamp duty liability is payable over the next 6 months and incurs interest at the rate of 10.7% per annum.

The Group's exposure to interest rate and liquidity risk arising from these interest-bearing liabilities is disclosed in Note 25.

Accounting Policies

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

20. Employee benefits

	30 June 2017 \$'000	30 June 2016 \$'000
Current		
Liability for annual leave	1,484	1,327
Liability for long service leave	390	370
Total	<u><u>1,874</u></u>	<u><u>1,697</u></u>

Accounting Policies

(i) Defined Contribution Superannuation Funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are incurred.

(ii) Other Long-Term Employee Benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs. The benefit is discounted to determine its present value using a discount rate that equals the yield at the reporting date on Australian corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

(iii) Short-Term Benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

21. Share based payments

Employee options (equity-settled)

The number of and weighted average exercise prices of share options are as follows:

	Weighted Average Exercise Price 2017	Number of Options 2017	Weighted Average Exercise Price 2016	Number of Options 2016
Outstanding at 1 July	\$1.07	2,000,000	\$1.07	2,000,000
Forfeited during period	-	-	-	-
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at 30 June	\$1.07	2,000,000	\$1.07	2,000,000
Exercisable at 30 June	\$1.07	2,000,000	\$0.99	1,000,000

The total expense recognised in the Statement of Profit or Loss for these options for the year ended 30 June 2017 was \$54,729 (2016: \$150,275). These options expire on 18 October 2017 if unexercised.

Performance rights (equity settled)

Performance rights have been issued to the Managing Director and other eligible employees in accordance with long term incentive plans approved by shareholders. Movements in Performance Rights are summarised as follows:

	Held at 30 June 2016	FY2017 Rights Granted	Rights Exercised	Rights Lapsed	Held at 30 June 2017	Vested during the year	Vested & exercisable at 30 June 2017
Total	5,694,329	2,058,334	-	(994,704)	6,757,959	-	-

The fair value of the performance rights was measured using a hybrid employee share option pricing model (correlation simulation and Monte Carlo model) and was calculated by independent consultants. Details of the valuation and vesting conditions are included in the Remuneration Report.

The total expense recognised in the Statement of Profit or Loss for all performance rights for the period ended 30 June 2017 was \$390,000 (2016: \$325,000).

Accounting Policies

Share-Based Payment Transactions

The grant-date fair value of equity-settled share based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately

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recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

22. Provisions

	30 June 2017 \$'000	30 June 2016 \$'000
Closure and rehabilitation		
Opening balance at 1 July	22,168	30,058
Adjustment to provisions during the year	343	(2,718)
Disposal of asset	(5,873)	(264)
Unwind of discount	-	776
Transferred to liabilities held for sale	-	(5,056)
Rehabilitation spend	(516)	(628)
Closing balance at 30 June	16,122	22,168
Current provision	-	1,158
Non-current provision	16,122	21,010
Closing balance at 30 June	16,122	22,168

At year end a review of the Group's closure and rehabilitation provision was undertaken using updated cost assumptions and life of mine plans. As a result of this review the provision was increased by \$343,000 (2016: decreased by \$2,718,000).

Accounting Policies

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Closure and Rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

Provisions for the cost of each closure and rehabilitation program are recognised when the Group has a present obligation and it is probable that rehabilitation/restoration costs will be incurred at a future date, which generally arises at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly.

Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure, in connection with disturbances, as at the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements.

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows.

When provisions for closure and rehabilitation are initially recognised, to the extent that it is probable that future economic benefits associated with the rehabilitation, decommissioning and restoration expenditure will flow in the entity, the corresponding cost is capitalised as an asset. The capitalised cost of closure and rehabilitation activities is recognised in exploration evaluation and mine properties and is amortised accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance expenses.

Closure and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost of the related assets, where it is probable that future economic benefits will flow to the entity, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the Statement of Profit or Loss.

Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include:

- revisions to estimated reserves, resources and lives of operations;
- regulatory requirements and environmental management strategies;
- changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates;
- movements in interest rates affecting the discount rate applied; and
- the timing of cash flows.

At each reporting date, the rehabilitation and restoration provision is remeasured to reflect any of these changes.

23. Share capital

	Number	\$'000
Movements in issued capital		
Balance as at 1 July 2015	503,233,971	699,564
Movement in the period *	473,675	-
Balance as at 30 June 2016	503,707,646	699,564
Movement in the period	-	-
Balance as at 30 June 2017	503,707,646	699,564

* Movement relates to the vesting of performance rights issued for nil consideration.

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Accounting Policy

Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

24. Reserves

	2017 \$'000	2016 \$'000
Movement in options reserve		
Balance as at 1 July	830	505
Equity settled share based payment expense	390	325
Balance as at June	<u>1,220</u>	<u>830</u>

25. Financial risk management

(a) Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board regularly reviews the use of derivatives and opportunities for their use within the Group. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Presently, the Group undertakes gold mining, exploration and evaluation activities exclusively in Australia. At the balance sheet date, there were no significant concentrations of credit risk.

i) Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with major Australian financial institutions.

ii) Trade and other receivables

The Group's trade and other receivables relate to gold sales, GST refunds and rental income.

At 30 June 2017, a provision for doubtful debts of \$6,723,000 (2016: \$6,723,000) has been recorded against rental income receivable as a result of a debtor being placed in liquidation in a prior year. This receivable is therefore not reflected in the trade and other receivables balance in Note 25(c). The Group has determined that its credit risk exposure on all other trade receivables is low, as customers are considered to be reliable and have short contractual payment terms. Management does not expect any of these counterparties to fail to meet their obligations.

Notes to the Consolidated Financial Statements

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(c) Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2017 \$'000	2016 \$'000
Trade and other receivables	9,546	2,317
Cash and cash equivalents	61,196	38,643
Total	70,742	40,960

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate cash reserves from funds generated from operations and by continuously monitoring forecast and actual cash flows.

To mitigate large fluctuations in the USD:AUD exchange rate as well as the USD denominated gold price, the Company has entered into hedging programmes whereby future bullion sales are hedged at a predetermined AUD gold price. At 30 June 2017, the Company has a total of 142,291 ounces to be delivered under these hedges over the next 36 months at an average of A\$1,700/oz. The sale of gold under these hedges is accounted for using the 'own use exemption' under AASB 139 *Financial Instruments* and as such all hedge revenue is recognised in the Statement of Profit or Loss and no mark to market valuation is performed on undelivered ounces.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2017	Carrying Amount \$'000	Contractual Cash Flows \$'000	6 Months or Less \$'000		
Trade and other payables	32,955	32,955	32,955		
Stamp duty	2,125	2,189	2,189		
Total	35,080*	35,144	35,144		

30 June 2016	Carrying Amount \$'000	Contractual Cash Flows \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000
Trade and other payables	30,914	30,914	30,914	-	-
Stamp duty	6,062	6,568	2,189	2,189	2,190
Total	36,976*	37,482	33,103	2,189	2,190

* The carrying value at balance date approximates fair value

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For the year ended 30 June 2017

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return. The Group has exposure to foreign exchange risk on US denominated sales, refer to Note 25 (d) for the Group's strategy for managing this risk. In addition, the Group has exposure to interest rate and equity price risks.

i) Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents and its interest-bearing liabilities), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying Amount	
	2017 \$'000	2016 \$'000
Fixed rate instruments		
Financial liabilities		
Stamp duty liability	(2,125)	(6,062)
Variable rate instruments		
Financial assets		
Cash and cash equivalents	61,196	38,643

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss after tax by \$612,000 (2016: \$386,000). This analysis assumes that all other variables remain constant.

ii) Equity price risk

Equity investments are long-term investments that have been classified as financial assets at fair value through profit or loss.

(f) Fair values

The carrying value of cash and cash equivalents, trade and other receivable, trade and other payables and interest-bearing liabilities is considered to be a fair approximation of their fair values.

The carrying amounts of equity investments are valued at year end at their quoted market price.

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For the year ended 30 June 2017

(g) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business through future exploration and development of its projects. There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

26. Commitments

The Group has \$4,048,000 (2016: \$4,670,000) of commitments relating to minimum exploration expenditure on its various tenements.

27. Operating leases

The Company leases assets for operations including plant and office premises. The leases have an average life of 1 to 3 years. At 30 June 2017, the future minimum lease payments under non-cancellable leases were payable as follows.

	2017 \$'000	2016 \$'000
Less than one year	3,527	3,955
Between one and five years	1,634	4,399
	<u>5,161</u>	<u>8,354</u>

28. Related parties

(a) Key Management Personnel Compensation

	30 June 2017 \$'000	30 June 2016 \$'000
Short-term employee benefits	2,676	2,549
Post-employment benefits	182	188
Other long-term benefits	324	554
Total	<u>3,182</u>	<u>3,291</u>

(b) Individual directors and executives' compensation disclosures

Information regarding individual Directors and Executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

During the current period 1,533,829 performance rights were awarded to key management personnel. See Note 21 for further details of these related party transactions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

29. Group Entities

The Company controlled the following subsidiaries:

Subsidiaries	Country of Incorporation	Ownership Interest	
		2017	2016
Silver Lake (Integra) Pty Ltd	Australia	100%	100%
Backlode Pty Ltd	Australia	100%	100%
Loded Pty Ltd	Australia	100%	100%
Paylode Pty Ltd	Australia	100%	100%
Cue Minerals Pty Ltd	Australia	100%	100%
Great Southern Minerals Pty Ltd	Australia	100%	100%

Accounting Policies

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

30. Joint Operations

As at 30 June, the Group has the following interests in unincorporated joint operations:

Joint Operation	Principal Activities	Joint Operation Parties	Group Interest	
			2017	2016
Bandalup Gossan	Exploration	SLR/Traka Resources Ltd	-	80.0%
West Tuckabianna	Exploration	SLR/George Petersons	90.0%	90.0%
Peter's Dam	Exploration	SLR/Rubicon	69.2%	69.2%
Cue Project	Exploration	SLR/Musgrave Minerals Ltd	60.0%	-

Accounting Policies

Joint Operation Arrangements

The Group has investments in joint operations but they 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. The joint operations do not hold any assets and accordingly the Group's share of exploration evaluation and development expenditure is accounted for in accordance with the policy set out in Note 14.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

31. Auditor's Remuneration

	30 June 2017 \$'000	30 June 2016 \$'000
KPMG:		
Audit and review of the Company's financial statements	168	162
Taxation services	21	57
Total	189	230

32. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

33. Parent Entity

As at, and throughout the financial year ended 30 June 2017, the parent company of the Group was Silver Lake Resources Limited.

	30 June 2017 \$'000	30 June 2016 \$'000
Results of the parent entity		
Profit for the year	844	1,817
Total comprehensive profit for the year	844	1,817
Financial position of parent entity at year end		
Current assets	72,770	42,249
Total assets	219,504	231,078
Current liabilities	36,793	36,548
Total liabilities	40,247	53,055
Total equity of the parent entity comprising of:		
Share capital	699,564	699,564
Reserves	1,220	830
Accumulated losses	(521,527)	(522,372)
Total equity	179,257	178,022

The parent entity has \$4,048,000 (2016: \$4,670,000) of commitments relating to minimum exploration expenditure on its various tenements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

34. Deed of Cross Guarantee

The Company and its wholly owned subsidiary Silver Lake (Integra) Pty Ltd have entered into a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the Deed of Cross Guarantee, Silver Lake (Integra) Pty Ltd has been relieved from the Corporations Act 2001 requirement to prepare, audit and lodge a financial report and Directors' report under Class Order 98/1418 (as amended).

35. New Standards and interpretations not yet adopted

The standards and interpretations relevant to the Company that have not been early adopted are:

- i. *AASB 9 Financial Instruments*: applicable to annual reporting periods beginning on or after 1 July 2018.

AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model under AASB 139. Lastly, the standard amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the Company.

The Group's assessment of the impacts of AASB 9 are set out below:

- *Classification and measurement*: The Group does not expect a material impact to its financial statements on applying the classification and measurement requirements of AASB 9 based on the Group's current financial assets and liabilities.
- *Impairment*: AASB 9 requires the Group to use an expected credit loss model for its trade and other receivables measured at amortised cost, either on a 12-month or lifetime basis. Given the short-term nature of the Group's receivables, the Group does not expect these changes to have a material impact.
- *Hedge accounting*: The Group is currently in the process of assessing the impact of this component of the new standard.
- *Disclosure*: The adoption of AASB 9 will require extensive new disclosure, in particular about credit risk and the Group's plans to implement controls necessary to capture required data.

The Group will continue to perform its assessment and monitor further developments.

- ii. *AASB15 Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaced IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014.

Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted however the IASB and the AASB have proposed a one year deferral to IFRS 15/AASB 15, which if approved, would move the effective date to annual reporting periods commencing on or after 1 July 2018.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

The core principle of IFRS 15 *Revenue from Contracts with Customers* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- a) identify the contract(s) with a customer
- b) identify the performance obligations in the contract
- c) determine the transaction price
- d) allocate the transaction price to the performance obligations in the contract
- e) recognise revenue when (or as) the entity satisfies a performance obligation

The Group is currently in the process of assessing the impact of the new standard but expects there may be changes to the timing of revenue recognition. This will continue to be assessed in light of the contracts in place at the time the standard is implemented.