

## APPENDIX 4E (Rule 4.3A) PRELIMINARY FINAL REPORT for the year ended 30 June 2011

### Results for Announcement to the Market

Current Reporting Period: 12 Months ended 30 June 2011  
 Previous corresponding reporting period: 12 months ended 30 June 2010

(all comparisons to year ended 30 June 2010)

	30 June 2011 (AU\$'000)				
Revenues from ordinary activities	up	30.3%	from	69,073	to 89,982
Profit/(loss) from ordinary activities after tax attributable to members	up	34.0%	from	11,782	to 15,790
Net profit/(loss) for the period attributable to members	up	34.0%	from	11,782	to 15,790

#### Dividend information

The Company has not proposed to pay any dividends.

#### Net tangible Assets

	30 Jun 11	30 Jun 10
Net tangible assets per security*	\$0.27	\$0.26

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

#### Financial Results

The following appendix 4E reporting requirements are found in the attached Annual Financial Report.

Requirement	Title	Reference
Review of Results	Directors' Report	Page 3
A statement of comprehensive income	Statement of comprehensive income	Page 34
A statement of financial position	Statement of financial position	Page 35
A statement of cash flows	Statement of cash flows	Page 37
A statement of retained earnings	Statements of changes in equity	Page 36
Earnings per security	Earnings per share	Page 57
Independent audit report	Independent audit report	Page 32

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

There have been no gains or losses of control over entities in the year ended 30 June 2011.

#### Associate and joint venture entities

There are no associate or joint venture entities.

This Report is based on the Annual Financial Report which has been audited.

# Silver Lake Resources Limited

ABN 38 108 779 782

## Annual Financial Report For the year ended 30 June 2011

## Corporate Directory

### Directors

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

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

### Company Secretary

Peter Armstrong

### Principal Office

31 Malcolm Street  
West Perth WA 6005  
Tel: +61 8 6313 3800  
Fax: +61 8 6313 3888  
Email: [contact@silverlakeresources.com.au](mailto:contact@silverlakeresources.com.au)

### Registered Office

31 Malcolm Street  
West Perth WA 6005

### Solicitors

Gilbert + Tobin  
1202 Hay Street  
West Perth WA 6005

### Share Register

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

### Auditors

KPMG  
235 St George's Terrace  
Perth WA 6000

### Internet Address

[www.silverlakeresources.com.au](http://www.silverlakeresources.com.au)

**ABN 38 108 779 782**

**ASX Code: SLR**

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## Directors' Report

The Directors present their report on the consolidated entity consisting of Silver Lake Resources Limited ("Silver Lake" or "the Company") and the entities it controlled at the end of, or during the financial year ended 30 June 2011 ("the Group").

### DIRECTORS

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

#### **Paul Chapman**

*B Comm, ACA, Grad Dip Tax, CFTP (Snr), MAICD, MAusIMM*

Non-Executive Chairman

Appointed 20 April 2004

Mr Chapman is a chartered accountant with over 20 years experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas.

Mr Chapman has held Managing Director and other senior management roles in public companies of various sizes and is Chairman of WA based copper explorer Encounter Resources Ltd (since 7 October 2005) and copper/gold explorer Rex Minerals Ltd (since 2007), and was a Director of Albidon Ltd (from 18 April 2007 to 23 April 2009).

#### **Les Davis**

*MSc (Min Econs)*

Managing Director

Appointed 25 May 2007

Mr Davis has over 30 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 has held no other Directorships in publicly listed companies in the last three years.

#### **Chris Banasik**

*B App Sc (Physics), MSc (Econ Geol), Grad Dip Ed, MAusIMM*

Executive Director - Exploration & Geology

Appointed 25 May 2007

Mr Banasik has over 25 years experience in the resource industry which includes 10 years hands-on experience in mine geology resource and reserve calculation and a history of successful exploration in the Kambalda region of Western Australia.

Mr Banasik has extensive experience in leading geology and exploration teams and managing drilling programmes, surveying, mine planning and other technical services through 11 years in management roles with WMC Resources Ltd, Reliance Mining Ltd and Consolidated Minerals Ltd.

Mr Banasik has held no other Directorships in publicly listed companies in the last three years.

## Directors' Report

### **Brian Kennedy**

*Cert Gen Eng*

Non-Executive Director

Appointed 20 April 2004

Mr Kennedy has operated a successful resource consultancy for over 25 years and has worked in the coal, iron ore, nickel, gold and fertilizer industries. During this time Mr Kennedy managed large scale mining operations such as Kambalda and Mount Keith on behalf of WMC Resources Ltd.

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 publicly listed companies in the last three years.

### **Peter Johnston**

*BA, FAICD, FAusIMM*

Non-Executive Director

Appointed 22 May 2007

Mr Johnston's extensive management career spans 30 years. That time includes senior management roles at WMC Resources Ltd, Alcoa of Australia Limited and Lion Nathan Limited. Mr Johnston has been Chief Executive Officer/Director of Minara Resources Ltd since 20 November 2001. As Executive General Manager at WMC Resources Ltd for over eight years, Mr Johnston was at various times responsible for nickel and gold operations, Olympic Dam operations, Queensland Fertilizers Ltd and human resources.

Mr Johnston is an Executive Council member and a past President of the Chamber of Minerals and Energy, a Director and past Chairman of the Nickel Institute, Chairman of the Minerals Council of Australia, a Director of Emeco Holdings Limited since 1 September 2006, and Vice President of the Australian Mines and Metals Association.

### **David Griffiths**

*B Bus*

Non-Executive Director

Appointed 25 May 2007

Mr Griffiths has more than 30 years management and strategic communications experience developing from an initial focus on human resources and employee relations to broader, group-wide strategic roles. Previously Mr Griffiths was employed by WMC Resources Ltd and held the roles of Group Manager - Employee Relations and more recently, General Manager Corporate Affairs and Community Relations.

Currently, Mr Griffiths is the Managing Director of the communications strategy and public relations company Gryphon Management Australia Pty Ltd which he established in 2004. Gryphon Management assists companies to develop and implement strategic communication plans, human resources strategies and corporate reputation plans.

Mr Griffiths has held no Directorships in publicly listed companies in the last three years.

## COMPANY SECRETARY

### **Peter Armstrong**

*ACIS, B Bus(Acct)*

Appointed 16 January 2009

Mr Armstrong has over 30 years of accounting experience, including the last 25 years in the resources sector. He has extensive experience in senior commercial management roles with Normandy Mining, WMC and Newcrest. This experience involved working across a wide range of commodity businesses including gold, nickel, copper, coal and iron ore.

## Directors' Report

### COMMITTEE MEMBERSHIP

As at the date of this report, the Company has an Audit Committee, Remuneration Committee and a Nomination Committee.

Those members acting on the committees of the Board during the year were:

Audit*	Remuneration*	Nomination*
David Griffiths (c)	Brian Kennedy (c)	Peter Johnston (c)
Peter Johnston	Peter Johnston	Brian Kennedy
Paul Chapman	David Griffiths	David Griffiths

(c) Designates the chairman of the committee

\* Formed on 17 August 2007

### DIRECTORS' MEETINGS

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

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of meetings held:	9	2	1	1
Number of meetings attended:				
Paul Chapman	9	2	*	*
Les Davis	9	*	*	*
Chris Banasik	9	*	*	*
Brian Kennedy	7	*	1	1
Peter Johnston	9	2	1	1
David Griffiths	9	2	1	1

\*Not a member of this committee

### DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital as notified by the Directors to the Australian Stock 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
Paul Chapman	4,606,908	4,000,000
Les Davis	4,200,000	4,000,000
Chris Banasik	4,000,000	4,000,000
Brian Kennedy	4,075,377	4,000,000
Peter Johnston	4,318,253	4,000,000
David Griffiths	4,158,377	4,000,000

Note: Details of relevant interest of each Director are outlined at Note 30 to the financial statements.

## 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 Operations and exploration and evaluation of projects.

### CORPORATE STRUCTURE

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

### OPERATING REVIEW

The Company is an ASX 300 gold producing and exploration company with a resource base of 3.3 million oz in highly prospective regions including the Mount Monger goldfield and the Murchison goldfield. The Group's strategy is to develop large production centres at Mount Monger and at the Murchison with multiple mines at each centre.

The Mount Monger Operation contains the Daisy Milano, Daisy East, Rosemary & Haoma underground mines and is located 50 km south east of Kalgoorlie. Mount Monger has additional multi mine potential underpinned by emerging open pit production from the Wombola Dam, Wombola Pit and Magic deposits.

Gold ore from Mount Monger is transported to the Group's 600,000 tonne per annum Lakewood Gold Processing Facility located 5 km south east of Kalgoorlie and 45 km from the Daisy Milano mine. This facility is currently being expanded to 700,000 tonnes per annum by December 2011 and up to 1 million tonnes per annum by September 2012 quarter.

In the Murchison, the strategy is to develop a second mining operation with multiple mines feeding a central processing facility. Accordingly, the focus is on extending resources, particularly below 100 metres depth, to sustain a 100,000 oz per annum operation. A 1.2 million tonne per annum mill has been acquired for this project. A decision to mine in the Murchison is expected late in 2011.

The Group's exploration programme is targeting over 10 million oz Au in resource over time with a short term target of 5 million oz au in resource by June 2012.

### SAFETY

There were five (5) Lost Time Injuries during the period. All incidents were thoroughly investigated and preventative measures put in place to reduce the likelihood of similar occurrences. Silver Lake's Lost Time Injury Frequency Rate stands at 11.97.

### UNDERGROUND MINE PRODUCTION

Underground production during the period totaled 300,369 tonnes at 7.2 g/t Au for 69,923 ounces (refer to table 1).

### OPEN PIT PRODUCTION

Open pit production during the period totaled 105,156 tonnes at 2.2 g/t Au for 7,358 ounces (refer to table 1).

### COMBINED MINE PRODUCTION

Combined mine production during the period totaled 405,525 tonnes at 5.9 g/t Au for 77,281 ounces (refer to table 1).

## Directors' Report

Mount Monger	Units	Full Year FY11	Jun Qtr 2011	Mar Qtr 2011	Dec Qtr 2010	Sep Qtr 2010
<u>Daisy Milano - Underground</u>						
Ore hoisted	Tonnes	185,180	29,139	49,384	65,592	41,065
Mined grade	g/t Au	7.2	7.3	6.5	7.1	8.2
Gold in ore hoisted	Oz	42,869	6,852	10,306	14,907	10,804
<u>Daisy East - Underground</u>						
Ore hoisted	Tonnes	112,728	48,200	25,327	17,892	21,309
Mined grade	g/t Au	7.2	6.9	9.8	4.3	7.5
Gold in ore hoisted	Oz	26,173	10,678	7,987	2,390	5,118
<u>Rosemary - Underground</u>						
Ore hoisted	Tonnes	491	491	-	-	-
Mined grade	g/t Au	8.4	8.4	-	-	-
Gold in ore hoisted	Oz	132	132	-	-	-
<u>Hamoia - Underground</u>						
Ore hoisted	Tonnes	1,970	1,970	-	-	-
Mined grade	g/t Au	11.8	11.8	-	-	-
Gold in ore hoisted	Oz	749	749	-	-	-
Underground ore hoisted	Tonnes	300,369	79,800	74,711	83,484	62,374
Underground mined grade	g/t Au	7.2	7.2	7.6	6.4	7.9
Underground gold in ore hoisted	Oz	69,923	18,411	18,293	17,297	15,922
<u>Open Pit</u>						
Ore hoisted	Tonnes	105,156	1,235	41,847	62,074	-
Mined grade	g/t Au	2.2	2.1	2.7	1.80	-
Gold in ore hoisted	Oz	7,358	84	3,683	3,591	-
Total ore hoisted	Tonnes	405,525	81,035	116,558	145,558	62,374
Mined grade	g/t Au	5.9	7.1	5.9	4.5	7.9
Gold in ore hoisted	Oz	77,281	18,495	21,976	20,888	15,922

Table 1: Mine production statistics

## Directors' Report

### PROCESSING

The Lakewood Gold Processing Facility is located 5 km southeast of Kalgoorlie and 45 km from the Daisy Milano mine.

356,684 tonnes were milled during the period at 5.8 g/t Au for 66,571 contained oz. Recovery was 95% resulting in 63,425 oz produced (refer to table 2).

Lakewood Gold Processing Facility	Units	Full Year FY11	Jun Qtr 2011	Mar Qtr 2011	Dec Qtr 2010	Sep Qtr 2010
Ore milled	Tonnes	356,684	99,500	89,107	80,536	87,541
Head grade	g/t Au	5.8	5.7	6.4	5.8	5.3
Contained gold	Oz	66,571	18,350	18,404	14,975	14,841
Recovery	%	95	95	97	95	95
Gold produced	Oz	63,425	17,384	17,800	14,229	14,013
Gold refined & sold	Oz	64,703	16,688	18,219	14,820	14,976

Table 2: Processing statistics

### BUSINESS DEVELOPMENT

Silver Lake's strategy is to develop large production centres at Mount Monger and at the Murchison with multiple mines at each centre. Strategic milestones reached during the period include:

#### *MOUNT MONGER OPERATIONS:*

Substantial progress towards expanding Mount Monger Operations to >100,000 oz in FY12 and 150,000 oz in FY13:

- 520 metre deep ventilation shaft completed on time & on budget;
- underground operations debottlenecked with production from four underground mines;
- access established to 32 level Haoma & ore development commenced;
- low capital upgrade of Lakewood Gold Processing Facility to 1.0 million tonne per annum, in progress;
- commitment to commence open pit production at Wombola Dam; and
- significant drill intercepts between Daisy Deeps & Haoma.

#### *MURCHISON PROJECT:*

The definitive feasibility study, which includes mining reserves and project financials, is continuing. Work completed to the end of the period includes:

- detailed mine designs and schedules for 14 open pit and 4 underground mines;
- operating and capital cost estimates; and
- infill and extensional drilling in progress at depth.

## Directors' Report

Work completed to date supports a production plan of 100,000 oz per annum with an 8 to 10 year mine life. Exploration activities in the Murchison have also identified significant copper targets immediately north of the planned 1.2 million tonne per annum gold mill.

### UNPROCESSED ORE STOCKS

Unprocessed ore stocks at the end of the period totaled 108,600 tonnes containing 13,500 ounces.

### GOLD IN CIRCUIT

Gold in circuit at the end of the period totaled 5,535 ounces.

### GOLD SALES

Gold sales for the period totaled 64,703 oz at an average realised price of A\$1,390oz.

### REVIEW OF FINANCIAL CONDITION

The profit of the Group for the financial period, after providing for income tax amounted to \$15,790,000. (2010: \$11,782,000).

At the end of the financial year the Group had \$16,085,000 in cash (2010: \$29,503,000), \$2,364,000 in cash deposits to cover environmental bonds (2010: \$2,376,000) and \$4,934,000 in gold bullion and dore (2010: \$4,248,000). The positive cash flow generated through operating activities was reinvested in growth projects and used mainly to: accelerate exploration (\$15.7m) to increase the resource inventory by ~1 million oz; construct a 520 metre ventilation shaft (\$5.1m) to debottleneck the underground operations; increase development at Mount Monger operations (\$13.3m) resulting in production being sourced from 4 underground mines; acquire the North Monger project (\$3.0m); and purchase a treatment plant facility for the Murchison project (\$3.1m).

Capitalised mineral exploration and evaluation expenditure and mining assets is \$75,857,000 (2010: \$42,092,000) including capital development \$22,967,000 (2010: \$8,453,000).

The \$4,934,000 in gold bullion and dore mentioned above is the market value, its value based on cost of production is \$3,331,000 (\$1,263,000 in Bullion and \$2,068,000 in dore).

Expenditure was principally directed to mining and exploration for gold in Western Australia.

### CAPITAL STRUCTURE

As at the report date the Company had 178,882,838 fully paid ordinary shares and 24,240,000 options over ordinary shares on issue.

### CASH FROM OPERATIONS

Details of the Cash from Operations are outlined in Note 15 of the financial statements.

### DIVIDENDS

The Directors have reviewed the dividend policy for the current fiscal year and have decided to defer a dividend and instead conserve cash generated to continue to grow the business through the following projects:

## Directors' Report

- continuation of the accelerated exploration programme to grow the current 3.3 million oz JORC resource base;
- expansion of the Lakewood Gold Processing Facility; and
- possible decision to develop a second mining operation in the Murchison with multiple mines feeding a central processing facility.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the period.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As at the date of this report Silver Lake has announced the following strategic initiatives, however, in some cases the results of these initiatives depend on the results of future exploration and evaluation and are inherently uncertain:

- the Sale of the Rothsay tenements to Auricup Resources Pty Ltd for \$1.25m was settled on 18 August 2011;
- the Company plans to open further open pit ore sources at its Mount Monger Operations, with the Wombola pit to commence production in September 2011; and
- the Company is continuing with a definitive feasibility study to determine strategies to open a second multi-source mining centre at its Murchison project.

Further information on likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because the Directors believe disclosure would be likely to result in unreasonable prejudice to the Company.

### ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Company's operations hold licenses issued by the relevant regulatory authorities. These licenses 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.

### SHARE OPTIONS

During the financial year, no unlisted options to acquire ordinary shares were issued to employees of the Company.

A total of 125,000 ordinary shares were issued on the exercise of options during the financial year.

As at the date of this report, the total unissued ordinary shares of the Company under option are:

Number of Options	Exercise Price (\$)	Vesting Date	Expiry Date
24,000,000	\$0.30	-	31 December 2012
240,000	\$0.30	29 January 2009	29 January 2013

### EMPLOYEES

The consolidated entity had 61 employees as at 30 June 2011. In addition, Silver Lake also engages contractors and consultants.

## Directors' Report

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current Directors and Officers against any liability (other than the Company or related body corporate) 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 of \$12,006 in respect of liability of any current and future Officers, and senior executives of the Company.

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

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of Silver Lake or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behavior and accountability, the Directors of Silver Lake support and have adhered to the principles of good corporate governance. The Company's corporate governance statement is contained in the following section of this annual report and on the Company's website.

### 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 2011. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

### NON-AUDIT SERVICES

The following non-audit services were provided by the Company's auditor, KPMG. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The Board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act and APES 110.

KPMG received the following amounts for the provision of non-audit services:

	2011 \$	2010 \$
Taxation services	51,050	24,700

## Directors' Report

### REMUNERATION REPORT - AUDITED

Silver Lake chooses to remunerate and reward its Directors, Officers and employees in accordance with the Company's Remuneration Policy.

Emoluments of Directors and Officers are set by reference to payments made by other ASX listed companies of similar size, revenue base, employee numbers and profitability. In addition, reference is made to the mining and exploration sectors and to the skills and experience of the Directors and Officers. Details of the nature and amount of emoluments of each Director, Officer and Senior Manager of the Company are disclosed annually in the Company's annual report.

### Remuneration Committee

The role of the Remuneration Committee and the Board of Directors of Silver Lake is to assist in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

- a) remuneration packages of Executive Directors, Non-Executive Directors and Officers; and
- b) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### Non-Executive Director Remuneration

The Company's policy is to remunerate Non-Executive Directors at market rates (for comparable ASX listed companies) for time, commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Company, however, to align Directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Company. It is ensured that:

- a) fees paid to Non-Executive Directors are within the aggregate amount approved by shareholders and recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's annual general meeting;
- b) Non-Executive Directors are remunerated by way of fees (in the form of cash and/or superannuation benefits);
- c) Non-Executive Directors are not provided with retirement benefits other than statutory superannuation entitlements; and
- d) Non-Executive Directors are not entitled to participate in equity-based remuneration schemes designed for executives without due consideration and appropriate disclosure to the Company's shareholders.

The Constitution provides that the Non-Executive Directors 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. The Directors' fees payable in aggregate to the Non-Executive Directors of the Company are currently set at \$500,000 per annum.

The remuneration of Non-Executive Directors is detailed on page 17 of this report.

### Executive Directors' and Officers' Remuneration

Executive Directors' and Officers' pay and reward consists of a base salary and performance incentives to ensure that:

- a) remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives;

## Directors' Report

### Remuneration Report - Audited (cont)

- b) a proportion of remuneration is structured in a manner designed to link reward to corporate and individual performances; and
- c) recommendations are made to the Board with respect to the quantum of incentive payments to be paid by the remuneration committee.

Executive Directors and Officers are offered a competitive level of base pay at market rates (for comparable ASX listed companies) and are reviewed annually to ensure market competitiveness.

### Senior Management

Senior Management's pay and reward consists of a base salary and performance incentives.

Senior Management are offered a competitive level of base pay at market rates (for comparable ASX listed companies) and are reviewed annually to ensure market competitiveness.

### Incentive Plans and Benefits Programmes

It is the place of the Remuneration Committee to:

- a) review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Equity-based plans are provided to Executives who are involved in the day to day operations. Except as otherwise delegated by the Board, the committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising grants, in accordance with the terms of those plans;
- b) ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and
- c) continually review and if necessary improve any existing benefit programmes established for employees.

### Non-Executive Letters of Engagement

All Non-Executive Directors conduct their duties under the following terms:

- a Non-Executive Director may resign from his position and thus terminate their contract on written notice to the Company;
- the Company may by resolution remove any Director before the expiration of their period of office, and may by resolution appoint another person in their place. Payment is paid in lieu of the notice period (based on the fixed component of the Non-Executive Director's remuneration) if termination is initiated by the Company, except where termination is initiated for serious misconduct; and
- the office of Directors shall automatically become vacant without notice if serious misconduct has occurred.

In consideration of the services provided by Messrs Kennedy, Johnston and Griffiths, the Company will pay each \$75,000 per annum plus statutory superannuation, from 1 January 2011, previously \$40,000 per

## Directors' Report

### Remuneration Report - Audited (cont)

annum. In consideration of the Chairman services provided by Mr Chapman the Company will pay him \$140,000 per annum plus statutory superannuation, from 1 January 2011, previously \$70,000 per annum.

Messrs Chapman, Kennedy, Johnston and Griffiths are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform extra services or make special exertions on behalf of the Company. There were no such extra fees during the year. They may also be reimbursed for out of pocket expenses incurred as a result of their Directorships.

### Executive Directors' and Officer's Employment Agreements

The Company has entered into service agreements with Mr Les Davis and Mr Chris Banasik (each an "Executive") and Mr Peter Armstrong (an "Officer") on the following material terms and conditions. Terms defined in this section have the same meaning as contained in the service agreements.

Mr Davis was appointed to act as Managing Director of the Company for a minimum term of twenty four months commencing from 7 June 2007. This contract was renewed for a further twenty four month term on 1 January 2010. Mr Davis will receive base salary of \$450,000 per annum and the statutory superannuation plus 2.5% to be reviewed annually or as agreed in writing between the Executive and the Company. Previously Mr Davis' salary was \$320,000 per annum up until 31 December 2010. Mr Davis may also receive an annual performance-based bonus of 25% of his current base salary, the performance criteria, assessment and timing of which will be negotiated annually with the Board.

Mr Banasik was appointed to act as Exploration and Geology Director of the Company for a minimum term of twenty four months commencing from 1 June 2007. This contract was renewed for a further twenty four month term on 1 January 2010. Mr Banasik will receive an annual base salary of \$350,000 per annum and the statutory superannuation plus 2.5% to be reviewed annually or as agreed in writing between the Executive and the Company. Previously Mr Banasik's salary was \$270,000 per annum up until 31 December 2010. Mr Banasik may also receive an annual performance-based bonus of up to 25% of his current base salary, the performance, assessment and timing of which will be negotiated annually with the Board.

Mr Armstrong was appointed to act as Company Secretary of the Company. Mr Armstrong will receive an annual base salary of \$250,000 per annum plus the statutory superannuation to be reviewed annually or as agreed in writing between Mt Armstrong and the Company. Mr Armstrong may also receive an annual performance-based bonus of up to 20% of his current base salary, the performance, assessment and timing of which will be negotiated annually with the Managing Director.

The Executives and Officer can, at their sole discretion, elect for part of their remuneration to be paid in the form of benefits other than salary. The Company is required to provide such facilities, equipment, assistance and services as the Executives and Officers reasonably require and reimburse them for any expenses incurred by them in the course of their employment, including home telephone expenses, travel, accommodation and entertainment expenses, upon presentation of an itemised account to the Company.

### Senior Manager Employment Agreements

Mr Crockford was appointed to act as Mining Manager of the Mount Monger Operations from 1 January 2011. Mr Crockford will receive an annual base salary of \$230,000 per annum plus the statutory superannuation to be reviewed annually or as agreed in writing between Mr Crockford and the Company. Mr Crockford may also receive an annual performance-based bonus of up to 20% of his current base salary, commencing in the 2012 financial year, the performance, assessment and timing of which will be negotiated annually with the Managing Director.

## Directors' Report

### Remuneration Report - Audited (cont)

The Executive Directors', Officer's and Senior Manager's Service Agreements may be terminated by:

- a) the Executive, Officer, Senior Manager or the Company providing three months notice or, in the case of notice given by the Executive, Officer or Senior Manager, any shorter period as the Company may agree in writing;
- b) the death of the Executive, Officer or Senior Manager;
- c) the Company giving a notice of dismissal to the Executive, Officer or Senior Manager as a result of the Executive's, Officer's or Senior Manager's misconduct, willful neglect in the discharge of his duties, serious or persistent breach of the provisions of the Service Agreement, the Executive, Officer or Senior Manager being charged with a criminal offence which in the reasonable opinion of the Chairman of the Board brings Silver Lake into disrepute; and
- d) the Company or the Executive, Officer or Senior Manager giving one months notice if by reason of the Executive's, Officer's or Senior Manager's illness or incapacity his absence aggregates 26 weeks in any 52 consecutive weeks or the Executive, Officer or Senior Manager becomes permanently incapable of performing the responsibilities and duties of his office.

If a notice is given under paragraph (a) above, then the Company may opt to pay the Executive, Officer or Senior Manager the equivalent of any amount payable to the Executive, Officer or Senior Manager during the remainder of the notice period and the appointment will terminate on the making of that payment.

If the Company makes a decision that could have a significant effect on the Executive's, Officer's or Senior Manager's employment, such as major changes in its work force, then the Company must notify and discuss the changes with the Executive, Officer or Senior Manager as soon as possible. In the event of redundancy, the Executive, Officer or Senior Manager is entitled to a severance payment of a lump sum of three months fixed salary for any service period up to 12 years in length.

Under the Service Agreement, the Executive, Officer and Senior Manager are employed as full-time employees of the Company and are entitled to 20 business days annual leave and at least the minimum level of long service leave prescribed by law.

### Short-term Incentive Payment

Each year the remuneration committee sets the key performance indicators (KPIs) for the Executive Directors, who in turn set the KPIs for Senior Management personnel. The KPIs generally include measures relating to the Group, the operating segment, and the individual, and include financial, production, people, and risk measures. The measures are chosen as they directly align the individual's rewards to the KPIs of the Group and to its strategy and performance.

The financial performance objective is 'profit after tax' which is compared to budget and previous years performances. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, risk measures, growing the resource base and achieving production targets. All performance objectives are weighted when calculating the maximum STI.

At the end of the year the remuneration committee will assess the actual performance of the Executive Directors and the Managing Director will assess the performance of other Senior Management personnel. The assessment will include the performance of the Group and the individual against the KPIs set at the beginning of the financial year. A percentage of the incentive amount is awarded depending on the results, with no incentive being awarded where the performance falls below the minimum requirement.

## Directors' Report

### Remuneration Report - Audited (cont)

The performance evaluation in respect of the year ended 30 June 2011 has taken place in accordance with this process.

#### Shareholding Qualifications

The Directors are not required to hold any shares in Silver Lake under the Constitution.

#### Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and previous financial years.

	2011	2010	2009	2008	IPO Nov 2007
Profit after tax attributable to shareholders	\$15,790,000	\$11,782,000	\$10,650,000	(\$3,664,000)	N/A
Closing share price at 30 June	\$2.00	\$1.75	\$0.69	\$0.31	\$0.30
Dividend paid	-	-	-	-	N/A

Profit after tax is considered as one of the financial performance targets in setting the short term incentives. Profit amounts for 2008 to 2011 have been calculated in accordance with Australian Accounting Standards (AASBs).

## Directors' Report

### Remuneration

Details of the remuneration of each Director, Officer and Senior Manager of Silver Lake who received the highest remuneration for the year ended 30 June 2011 are set out in the following table:

30 June 2011	Short term			Post-employment	Other Long Term	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
	Base Emolument \$	(A) STI Cash Payment \$	Total Benefit \$	Superannuation \$	Options \$			
Paul Chapman Non-Executive Chairman	102,308	-	102,308	9,208	-	111,516	-	-
Les Davis Managing Director	380,000	78,750	458,750	52,756	-	511,506	15.4%	-
Chris Banasik Executive Director -	306,923	61,250	368,173	42,340	-	410,513	14.9%	-
Brian Kennedy Non-Executive Director	56,154	-	56,154	5,054	-	61,208	-	-
Peter Johnston Non-Executive Director	56,154	-	56,154	5,054	-	61,208	-	-
David Griffiths Non-Executive Director	56,154	-	56,154	5,054	-	61,208	-	-
Peter Armstrong Company Secretary	239,231	37,500	276,731	24,906	-	301,637	12.4%	-
David Crockford Mining Manager Mount Monger	230,000	-	230,000	20,700	-	250,700	-	-
<b>Total</b>	<b>1,426,924</b>	<b>177,500</b>	<b>1,604,424</b>	<b>165,072</b>	<b>-</b>	<b>1,769,496</b>	<b>-</b>	<b>-</b>

- (A) The above short-term incentive payments were cash payments determined and granted in August 2011 after performance reviews were completed and approved by the remuneration committee. The short-term incentive payment is for performance during the respective financial year using the criteria defined on page 15.

## Directors' Report

### Remuneration Report - Audited (cont)

30 June 2010	Short term			Post-employment	Other Long Term	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
	Base Emolument \$	Other Benefit \$	Total Benefit \$	Superannuation \$	Base Emolument \$			
Paul Chapman Non-Executive Chairman	59,308	-	59,308	5,338	-	64,646	-	-
Les Davis Managing Director	271,885	-	271,885	31,267	-	303,152	-	-
Chris Banasik Executive Director -	240,596	-	240,596	27,669	-	268,265	-	-
Brian Kennedy Non-Executive Director	40,000	-	40,000	3,600	-	43,600	-	-
Peter Johnston Non-Executive Director	40,000	-	40,000	3,600	-	43,600	-	-
David Griffiths Non-Executive Director	40,000	-	40,000	3,600	-	43,600	-	-
Peter Armstrong Company Secretary	205,942	20,000	225,942	20,335	-	246,277	-	-
David Crockford Mining Manager Mount Monger	220,000	-	220,000	19,800	-	239,800	-	-
<b>Total</b>	<b>1,117,731</b>	<b>-</b>	<b>1,137,731</b>	<b>115,209</b>	<b>-</b>	<b>1,252,940</b>	<b>-</b>	<b>-</b>

#### Details of performance related remuneration

Details of the vesting profile of the short-term incentive payments awarded as remuneration to Executive Directors, Officers and Senior Management personnel are detailed below:

Short-term incentive payments	Included in remuneration \$	(A) % vested in year	(B) % forfeited in year
Les Davis	78,750	70%	30%
Chris Banasik	61,250	70%	30%
Peter Armstrong	37,500	75%	25%
David Crockford	N/A	N/A	N/A

## Directors' Report

### Remuneration Report - Audited (cont)

- (A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the incentive schemes for the 2011 financial year.
- (B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

### Options granted as compensation

No options over ordinary shares in the Company were granted as compensation to any key management person during the reporting period and no options vested during the reporting period.

### Exercise of options granted as compensation

No ordinary shares were issued on the exercise of options previously granted as compensation to key management. A total of 125,000 ordinary shares were issued on the exercise of options previously granted to other employees.

Signed in accordance with a resolution of the Directors.



Les Davis  
Managing Director  
30 August 2011

## Auditor's Independence Declaration



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

To: the directors of Silver Lake Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 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



R Gambitta  
*Partner*

Perth  
30 August 2011

## Corporate Governance

### Statement

Silver Lake Resources Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

### Disclosure of Corporate Governance Practices

#### Summary Statement

	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 1.3 <sup>3</sup>	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 <sup>3</sup>	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 <sup>3</sup>	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3 <sup>3</sup>	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 <sup>3</sup>	n/a	n/a
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure - information required is either provided or it is not.

### Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.silverlakeresources.com.au](http://www.silverlakeresources.com.au), under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

## Corporate Governance

Charters	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct	3.1, 3.3
Compliance Procedures for ASX Listing Rule Disclosure Requirements (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Strategy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

### Disclosure - Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year ("Reporting Period").

#### Principle 1 - Lay solid foundations for management and oversight

##### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

##### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent Director, as appropriate.

## Corporate Governance

### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

#### Disclosure:

Each year the remuneration committee sets the key performance indicators (KPIs) for the Executives, who in turn set the KPIs for key management personnel. The KPIs generally include measures relating to the Group, the operating segment, and the individual, and include financial, production, people, and risk measures. The measures are chosen as they directly align the individual's rewards to the KPIs of the Group and to its strategy and performance.

The performance evaluations of Executives Directors are undertaken by the Chair on formal and informal basis, as required.

### Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

#### Disclosure:

During the Reporting Period, an evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

Please refer to the section above marked Website Disclosures.

## Principle 2 - Structure the board to add value

### Recommendation 2.1:

A majority of the Board should be independent Directors.

#### Disclosure:

The Board has a majority of Directors who are independent.

The independent Directors of the Board are Paul Chapman, David Griffiths, Peter Johnston and Brian Kennedy and the non-independent Directors of the Board are Les Davis and Christopher Banasik.

### Recommendation 2.2:

The Chair should be an independent Director.

#### Disclosure:

The independent Chair of the Board is Paul Chapman.

### Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

#### Disclosure:

The Managing Director is Les Davis who is not Chair of the Board.

## Corporate Governance

### Recommendation 2.4:

The Board should establish a Nomination Committee.

#### Disclosure:

The Board has established a Nomination Committee.

### Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

#### Disclosure:

The Nomination Committee is responsible for evaluation of the Managing Director, the Board and, when deemed appropriate, Board committees and individual Directors.

The evaluations of the Managing Director, the Board and, when deemed appropriate, Board committees and individual Directors are conducted informally as required.

### Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

#### Disclosure:

#### Skills, Experience, Expertise and term of office of each Director

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### Identification of Independent Directors

The independent Directors of the Company are Paul Chapman, David Griffiths, Peter Johnston and Brian Kennedy. These Directors are independent as they are Non-Executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. These Directors are also not substantial shareholders of the Company.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

#### Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.

## Corporate Governance

- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

### Statement concerning availability of Independent Professional Advice

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains written approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

### Nomination Matters

The Nomination Committee held one meeting during the Reporting Period, which all the members of the Nomination Committee (Peter Johnston, who is the Chair of the Nomination Committee, Brian Kennedy and David Griffiths) attended.

### Performance Evaluation

During the Reporting Period a performance evaluation of the Board, individual Directors and any applicable committees occurred in accordance with the process disclosed at Recommendation 2.5.

### Selection and (Re)Appointment of Directors

Directors are selected by reference to their background and experience which is relevant to the business needs of the Company. New Directors are invited to join the Board by the Chair, who makes the invitation based on recommendations made by the Nomination Committee and approved by the Board. The Board's Policy and Procedure for Selection and (Re)Appointment of Directors is available on the Company's website. Please refer to the section above marked Website Disclosure.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or a third of the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

## Corporate Governance

### Principle 3 - Promote ethical and responsible decision-making

#### Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

#### Disclosure:

The Company has established a policy concerning trading in the Company's securities by Directors, senior executives and employees.

#### Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

#### Disclosure:

Please refer to the section above marked Website Disclosures.

### Principle 4 - Safeguard integrity in financial reporting

#### Recommendation 4.1:

The Board should establish an Audit Committee.

#### Disclosure:

The Company has established an Audit Committee.

#### Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of Non-Executive Directors;
- consists of a majority of independent Directors;
- is chaired by an independent Chair, who is not Chair of the Board; and
- has at least three members.

## Corporate Governance

### Disclosure:

The Audit Committee comprises three independent Non-Executive Directors: David Griffiths; Peter Johnston; and Paul Chapman. David Griffiths chairs the Audit Committee and is not chair of the Board.

### Recommendation 4.3:

The Audit Committee should have a formal charter.

### Disclosure:

The Company has adopted an Audit Committee Charter.

### Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

### Disclosure:

The Audit Committee held two meetings during the Reporting Period, which all the members of the Audit Committee (David Griffiths, Peter Johnston, and Paul Chapman) attended.

Details of each of the Director's qualifications are set out in the Directors' Report.

All of the Directors consider themselves to be financially literate and have relevant industry experience. Paul Chapman has a Bachelor of Commerce, a Graduate Diploma in Taxation and is a chartered accountant with over 20 years experience in the resources sector gained in Australia and the United States.

The Company has established procedures for the selection, appointment and rotation of its external auditor (which is available on the Company's website). The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

## Principle 5 - Make timely and balanced disclosure

### Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

### Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

### Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

## Corporate Governance

### Disclosure:

Please refer to the section above marked Website Disclosures.

### Principle 6 - Respect the rights of shareholders

#### Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

### Disclosure:

The Company has designed a communications strategy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

#### Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

### Disclosure:

Please refer to the section above marked Website Disclosures.

### Principle 7 - Recognise and manage risk

#### Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

### Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

## Corporate Governance

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has established a formal system to manage its material business risks. The Company holds risk review meetings at least annually at Board level and also at the operational and exploration levels. At these meetings the Company's material business risks are identified and risk management strategies established. In addition, the process of management of material business risks is allocated to members of senior management. The Managing Director is responsible for reporting to the Board as to the outcome of the meetings held at the operational and exploration levels.

The categories of risk identified by the Company and reported on include financial, operational, human capital, political, technological, economic cycle, legal and compliance.

### Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the management of its material business risks.

### Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from the Managing Director as to the effectiveness of the Company's management of its material business risks.

### Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### Disclosure:

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

### Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

## Corporate Governance

### Disclosure:

The Board has received the report from the Managing Director under Recommendation 7.2.

The Board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

### Principle 8 - Remunerate fairly and responsibly

#### Recommendation 8.1:

The Board should establish a Remuneration Committee.

### Disclosure:

The Company has established a Remuneration Committee.

#### Recommendation 8.2:

Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

### Disclosure:

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance.

Pay and rewards for Executive Directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

#### Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

### Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee held one meeting during the Reporting Period, which all the members of the Remuneration Committee (Brian Kennedy who is the Chair of the Remuneration Committee, Peter Johnston, and David Griffiths) attended.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

The Company's Policy on Trading in Company Securities includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

## Directors' Declaration

1. In the opinion of the Directors:
  - a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001 including:
    - i) Giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year then ended; and
    - ii) Complying with Australian Accounting Standards (including Australian Accounting Interpretations) and Corporations Regulations 2001
  - b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2;
  - c) The remuneration disclosures that are contained in the remuneration report in the Directors report comply with Australian Accounting Standards AASB 124 related party disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;
  - d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
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 for the financial year ended 30 June 2011

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



Les Davis  
Managing Director  
30 August 2011

## Independent Audit Report



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

#### **Report on the financial report**

We have audited the accompanying financial report of Silver Lake Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Audit Report



### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is 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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Silver Lake Resources Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

R Gambitta  
*Partner*

Perth  
30 August 2011

## Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	GROUP	
		30 June 2011 \$,000	30 June 2010 \$,000
Revenue	7	89,982	69,073
Cost of sales		(64,918)	(50,769)
<b>Gross Profit</b>		<b>25,064</b>	<b>18,304</b>
Other income		-	10
Administrative expenses	8	(3,082)	(2,235)
<b>Results from operating activities</b>		<b>21,982</b>	<b>16,079</b>
- finance income		958	803
- finance expenses		(166)	(200)
<b>Net Finance Income</b>	11	<b>792</b>	<b>603</b>
<b>Profit Before Income Tax</b>		<b>22,774</b>	<b>16,682</b>
Income tax expense	12	(6,984)	(4,900)
<b>Profit For the Period</b>		<b>15,790</b>	<b>11,782</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the period</b>		<b>15,790</b>	<b>11,782</b>
<b>Total Comprehensive Income Attributable to:</b>			
Owners of the Company		<b>15,790</b>	<b>11,782</b>
		<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>Earnings Per Share</b>			
Basic earnings per share (cents per share)	13	<b>8.83c</b>	<b>6.88c</b>
Diluted earnings per share (cents per share)	13	<b>7.91c</b>	<b>6.22c</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

As at 30 June 2011

		GROUP	
	Notes	30 June 2011 \$,000	30 June 2010 \$,000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	14	16,085	29,503
Trade and other receivables	16	1,342	1,904
Inventories	17	14,798	7,802
Assets held for sale	31	1,250	-
Prepayments		122	22
<b>Total Current Assets</b>		<b>33,597</b>	<b>39,231</b>
<b>Non-Current Assets</b>			
Trade and other receivables	16	2,364	2,376
Property, plant and equipment	19	16,165	13,499
Exploration evaluation and mining assets	18	75,857	42,092
<b>Total Non-Current Assets</b>		<b>94,386</b>	<b>57,967</b>
<b>TOTAL ASSETS</b>		<b>127,983</b>	<b>97,198</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	20	17,213	11,441
Interest bearing liabilities	21	352	345
Employee benefits	22	573	339
<b>Total Current Liabilities</b>		<b>18,138</b>	<b>12,125</b>
<b>Non-Current Liabilities</b>			
Rehabilitation and restoration provision	24	4,584	2,340
Interest bearing liabilities	21	54	338
Deferred tax liability	12	13,834	6,850
<b>Total Non-Current Liabilities</b>		<b>18,472</b>	<b>9,528</b>
<b>TOTAL LIABILITIES</b>		<b>36,610</b>	<b>21,653</b>
<b>NET ASSETS</b>		<b>91,373</b>	<b>75,545</b>
<b>EQUITY</b>			
Share capital	26	56,261	56,224
Reserves	27	150	182
Retained profits		34,962	19,139
<b>TOTAL EQUITY</b>		<b>91,373</b>	<b>75,545</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

	Notes	GROUP			Total Equity \$,000
		Share Capital \$,000	Option Reserve \$,000	Retained Earnings \$,000	
<b>Balance at 1 July 2009</b>		<b>38,033</b>	<b>629</b>	<b>6,908</b>	<b>45,570</b>
<b>Total comprehensive income for the period</b>					
Profit		-	-	11,782	11,782
Other Comprehensive income		-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>					
Issue of ordinary shares net of transaction costs	26	17,507	-	-	17,507
Issue of employee options		-	2		2
Exercise of employee options	26	684	(449)	449	684
<b>Balance at 30 June 2010</b>		<b>56,224</b>	<b>182</b>	<b>19,139</b>	<b>75,545</b>
<b>Total comprehensive income for the period</b>					
Profit		-	-	15,790	15,790
Other Comprehensive income		-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>					
Issue of ordinary shares net of transaction costs	26	-	-	-	-
Issue of employee options		-	-		-
Exercise of employee options	26	37	(32)	33	38
<b>Balance at 30 June 2011</b>		<b>56,261</b>	<b>150</b>	<b>34,962</b>	<b>91,373</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

For the year ended 30 June 2011

	Notes	GROUP	
		30 June 2011 \$,000	30 June 2010 \$,000
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers		91,178	67,877
Cash paid to suppliers and employees		(57,832)	(48,050)
<b>Net Cash From Operating Activities</b>	15	<u>33,346</u>	<u>19,827</u>
<b>Cash Flow From Investing Activities</b>			
Interest received		958	804
Acquisition of plant and equipment		(7,752)	(7,701)
Proceeds from sale of plant and equipment		357	403
Exploration, evaluation and mining assets		(40,058)	(17,795)
Deposit for environmental bonds		12	(400)
<b>Net Cash Used In Investing Activities</b>		<u>(46,483)</u>	<u>(24,689)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowing		82	815
Repayment of borrowing		(359)	(840)
Interest paid		(42)	(42)
Proceeds from the issue of share capital		38	19,018
Payments of transaction costs		-	(1,150)
<b>Net Cash (Used In)/ From Financing Activities</b>		<u>(281)</u>	<u>17,801</u>
Net increase in cash and cash equivalents		(13,418)	12,939
Cash and cash equivalents at 1 July		29,503	16,564
<b>Cash and Cash Equivalents at 30 June</b>	14	<u><u>16,085</u></u>	<u><u>29,503</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 1. Reporting Entity

Silver Lake Resources Limited ("Silver Lake" or "the Company") is a company domiciled in Australia. The address of the Company's registered office is 31 Malcolm St, West Perth WA 6005. The Consolidated Financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group Entities"). The Group primarily is involved in the production of gold and minerals exploration.

### 2. Statement of Compliance

The financial statements are general purpose financial statements which have 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. The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on 30 August 2011.

### 3. Basis of Preparation

#### (a) Functional and presentation currency

The 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 Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

#### (b) Basis of measurement

The financial statements are presented on the historical cost basis.

#### (c) Use of estimates and judgements

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. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

In particular information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- o Note 12 (c) - Utilisation of tax losses.
- o Note 4 (e)(i) - Exploration and evaluation expenditure carry forward
- o Note 4 (e)(ii) - Amortisation of development expenditure
- o Note 4 (e)(iii) - Reserves and resources
- o Note 4(n) - Closure and rehabilitation
- o Note 4 (s) - Impairment of assets

## Notes to the Financial Statements

For the year ended 30 June 2011

### 4. Significant Accounting Policies

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 30 June 2010.

#### (a) Production Stripping Costs

As a result of commencement of production at Christmas Flat, the Group has adopted a policy of deferring stripping costs incurred during the production stage of its operations. This is the case where there are fluctuations in stripping costs over the life of the mine and the effect is material. The amount of stripping costs deferred is based on the ratio obtained by dividing the amount of waste tonnes mined by the quantity of ore tonnes mined. Stripping costs incurred in a period are deferred to the extent that the period's waste to ore ratio exceeds the life of mine waste to ore ratio, by capitalising these costs to mine properties. Deferred stripping costs are then charged against reported profits to the extent that, in subsequent periods, the period's ratio falls below the life of mine waste to ore ratio. The life of mine waste to ore ratio is based on economically recoverable resources of the operation. Changes to the estimated life of mine ratio are accounted for prospectively, from the date of the change.

#### (b) Basis for consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain future economic benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### (c) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised costs.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### (d) 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.

## Notes to the Financial Statements

For the year ended 30 June 2011

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 not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that the related tax benefit will be realised.

### (i) Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from 11 November 2007. The head entity within the tax-consolidation group is Silver Lake Resources Limited.

Current tax expense/income, 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.

### (e) Exploration and Evaluation and Mining Assets

#### (i) Exploration and Evaluation Expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group 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.

## Notes to the Financial Statements

For the year ended 30 June 2011

Accounting for exploration and evaluation expenditures is assessed separately for each '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.

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.

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. 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.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploration drilling, trenching and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are classified as intangible. As the assets are not yet ready for use, they are not depreciated. Assets that are classified as tangible assets include:

- Piping and pumps;
- Tanks; and
- Exploration vehicles and drilling equipment.

Assets that are classified as intangible assets include:

- Drilling rights;
- Acquired rights to explore;
- Exploration drilling costs; and
- Trenching and sampling costs

Exploration and evaluation assets are transferred to Development 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.

## Notes to the Financial Statements

For the year ended 30 June 2011

### *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 license 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. The Group performs impairment testing in accordance with accounting policy 3(r)(ii).

### **(ii) Mine Properties and Mining Assets**

Mine properties represents 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.

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred.

Development expenditure includes the following:

- Reclassified exploration and evaluation assets;
- Direct costs of construction;
- Pre-production stripping costs; and
- An appropriate allocation of overheads and borrowing costs incurred during the construction phase.

Open pit waste removal costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs, which are subsequently amortised over the life of the open pit resource, once transferred to mine properties.

## Notes to the Financial Statements

For the year ended 30 June 2011

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 classified as part of production and expensed as incurred.

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, changes to these estimates and assumptions may impact the amortisation charge in the income statement and asset carrying values which would be adjusted if appropriate on a prospective basis.

The Group uses ounces mined over JORC compliant resources as its basis for depletion of mine properties. In the absence of reserves the Group believes resources in the best measure as evidenced by historical conversion of resources to reserves. The Group applies a discount of 20% to ounces within the inferred resource category and 10% to ounces in the indicated resource category when adopting the units of production method to reflect the risk of conversion from the inferred and indicated categories to reserves.

### (iii) 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 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 December 2004, 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 income statement 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.

### (f) 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. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## Notes to the Financial Statements

For the year ended 30 June 2011

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, corporate expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill, but including exploration evaluation and mining assets.

### (g) Plant and Equipment

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.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives 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 lives. Land is not depreciated.

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

	<b>Period</b>
Buildings	10 Years
Plant and equipment	3-5 Years
Office furniture and equipment	3-15 Years
Motor vehicles	3-5 Years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

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

### (h) Employee Benefits

#### (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; that benefit is discounted to determine its present value, and the fair value of

## Notes to the Financial Statements

For the year ended 30 June 2011

any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

### (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, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

### (iv) Share-Based Payment Transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

### (i) Revenue

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, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

### (j) Lease Payments

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

### (k) Finance Income and Expenses

Interest income comprises interest income 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 profit and loss using the effective interest method.

### (l) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST

## Notes to the Financial Statements

For the year ended 30 June 2011

recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (m) 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 pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

### (n) Closure and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land 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. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

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 and determined according to the probability of alternative estimates of cash flows occurring for each operation. 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 property, plant and equipment as appropriate and depreciated/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 undepreciated 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 income statement. 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:

## Notes to the Financial Statements

For the year ended 30 June 2011

- 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.

### (o) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated as profit attributable ordinary shareholders of the Company divided by the weighted average number of ordinary shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### (p) Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

### (q) 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.

### (r) Inventory

Inventories of broken ore, gold in circuit and work in progress 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 are expected to be used in production are valued at cost. Obsolete or damaged inventories of such items are valued at net realisable value.

Insurance and capital (or recirculating) spare parts are capitalised and depreciated over the same remaining life as the equipment with which they are associated.

### (s) Impairment

#### (i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence

## Notes to the Financial Statements

For the year ended 30 June 2011

indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The impairment losses are recognised in profit and loss. An impairment loss is reversed if the reversal can relate objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit and loss.

### (ii) 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 pre-tax 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 profit and loss. Impairment losses recognised in respect of cash-generating units are allocated 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.

### (t) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of the initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing these financial statements:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group not yet determined the potential effect of the standard;

## Notes to the Financial Statements

For the year ended 30 June 2011

### 5. Financial Risk Management

#### (a) Overview

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

The Group does not generally use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. The Board does however regularly review 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 of Directors 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 counterparties that have an acceptable credit rating.

##### ii) Trade and Other Receivables

The Group's trade and other receivables relate mainly to gold sales, environmental bonds on deposit and GST refunds. The Group has determined that its exposure to trade receivable credit risk is low, as customers perceived to be reliable and have short contractual payment terms. Management does not expect any counterparty to fail to meet its obligations. Environmental bonds is cash held on deposit with financial institutions with acceptable credit ratings.

The Group has not established an allowance for impairment.

#### (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:

	GROUP Carrying Amount	
	2011 \$,000	2010 \$,000
Trade and other receivables	3,706	4,280
Cash and cash equivalents	16,085	29,503
<b>Total</b>	<b>19,791</b>	<b>33,783</b>

None of the Group's receivables are past due (2010: nil).

## Notes to the Financial Statements

For the year ended 30 June 2011

### (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.

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

	GROUP 30 JUNE 2011					
	Carrying Amount \$,000	Contractual Cash Flows \$,000	6 Mths or Less \$,000	6-12 Mths \$,000	1-2 Years \$,000	2-5 Years \$,000
Interest bearing liabilities	406	455	208	186	45	16
Trade and other payables	17,213	17,213	17,213	-	-	-
<b>Total</b>	<b>17,619</b>	<b>17,668</b>	<b>17,421</b>	<b>186</b>	<b>45</b>	<b>16</b>

	GROUP 30 JUNE 2010					
	Carrying Amount \$,000	Contractual Cash Flows \$,000	6 Mths or Less \$,000	6-12 Mths \$,000	1-2 Years \$,000	2-5 Years \$,000
Interest bearing liabilities	683	763	193	193	363	14
Trade and other payables	11,441	11,441	11,441	-	-	-
<b>Total</b>	<b>12,124</b>	<b>12,204</b>	<b>11,635</b>	<b>193</b>	<b>363</b>	<b>14</b>

### (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, while optimising the return. The Group only has exposure to interest rate risk.

### (f) 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.

The Group ensures that as far as possible it maintains excess cash and cash equivalents in short term deposits at interest rates maturing over 90 day rolling periods.

#### i) Profile

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

## Notes to the Financial Statements

For the year ended 30 June 2011

	GROUP Carrying Amount	
	2011 \$,000	2010 \$,000
<b>Fixed Rate Instruments</b>		
Financial liabilities		
Equipment loans	(406)	(683)
<b>Total</b>	<b>(406)</b>	<b>(683)</b>
<b>Variable Rate Instruments</b>		
Financial assets		
Cash and cash equivalents	16,085	29,503
Environmental bonds	2,364	2,376
<b>Total</b>	<b>18,449</b>	<b>31,879</b>

ii) **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.

iii) **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 by the amounts shown below. This analysis assumes that all other variables, remain constant.

	GROUP Profit or Loss/Equity	
	100bp Increase \$,000	100bp Decrease \$,000
<b>30 June 2011</b>		
Variable rate instruments	129	(129)

	GROUP Profit or Loss/Equity	
	100bp Increase \$,000	100bp Decrease \$,000
<b>30 June 2010</b>		
Variable rate instruments	223	(223)
<b>(g) Fair Values</b>		

The carrying amounts of financial assets and liabilities for the Group approximate fair value.

## Notes to the Financial Statements

For the year ended 30 June 2011

### (h) 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.

Borrowings have been kept to a minimum with \$406,000 outstanding in equipment loans as at 30 June 2011 (2010: \$683,000).

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.

The Group is not subject to externally imposed capital requirements.

### 6. Segment Reporting

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

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

The Group has no reliance on any one major customer as gold is sold through an agent at the best spot price.

#### Information about reportable segments For the year ended 30 June

	Production		Exploration		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
External revenues	89,982	69,073	-	-	89,982	69,073
Interest Income	-	-	-	-	-	-
Interest Expense	(166)	(200)	-	-	(166)	(200)
Depreciation and Amortisation	(11,136)	(7,556)	-	-	(11,136)	(7,556)
Reportable segment profit before income tax	25,728	18,248	(830)	(134)	24,898	18,114
Reportable segment assets	72,011	41,993	37,274	23,141	109,285	65,134
Capital Expenditure	31,573	13,941	16,237	11,476	47,810	25,417

## Notes to the Financial Statements

For the year ended 30 June 2011

Reconciliation of reportable segment revenue	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Total revenue for reportable segments	89,982	69,073
<b>Consolidated profit before income tax</b>	<b>89,982</b>	<b>69,073</b>

Reconciliation of reportable segment profit/(loss)	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Total profit or loss for reportable segments	24,898	18,114
Unallocated amounts:		
Finance income	958	803
Other corporate expenses	(3,082)	(2,235)
<b>Consolidated profit before income tax</b>	<b>22,774</b>	<b>16,682</b>

Reconciliation of reportable segment assets	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Total assets for reportable segments	109,285	65,134
Unallocated amounts:		
Cash and cash equivalents	16,085	29,503
Environmental bonds on deposit	2,364	2,376
Corporate assets	249	185
<b>Consolidated total assets</b>	<b>127,983</b>	<b>97,198</b>

The Group has no material reconciliation items between management reports and financial statement figures.

### 7. Revenue

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Gold sales	89,680	68,919
Silver sales	270	154
Other sales	32	-
<b>Total Sales</b>	<b>89,982</b>	<b>69,073</b>

## Notes to the Financial Statements

For the year ended 30 June 2011

### 8. Administrative Expenses

The following expenses were incurred during the period:

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Salaries and on costs	1,697	1,043
Consultants	47	104
Professional fees	99	107
Travel and accommodation	146	145
Contractors	544	447
Rental expense	138	113
Other	411	276
<b>Total</b>	<b>3,082</b>	<b>2,235</b>

### 9. Personnel Expenses

		GROUP	
	Note	30 June 2011 \$,000	30 June 2010 \$,000
Wages and salaries		7,690	5,559
Other associated personnel expenses		558	520
Superannuation contributions		713	610
Increase in liability for annual leave		234	110
Employee option expenses	27	-	2
<b>Total</b>		<b>9,195</b>	<b>6,801</b>

Personnel expenses included in cost of goods sold is \$6,289,000 (2010: \$5,784,000).

### 10. Depreciation and Amortisation

Included within cost of sales is an amount of \$4,723,000 (2010: \$3,325,000) for depreciation and \$6,413,000 (2010: \$4,231,000) for amortisation.

### 11. Finance Income and Expenses

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Interest income	958	803
<b>Finance Income</b>	<b>958</b>	<b>803</b>
Interest expense on financial liabilities	(42)	(41)
Unwind of discount on site rehabilitation provision	(124)	(159)
Finance expense	(166)	(200)
<b>Net Finance Income and Expense</b>	<b>792</b>	<b>603</b>

## Notes to the Financial Statements

For the year ended 30 June 2011

### 12. Income Tax Expense

#### (a) Recognised in the Income Statement

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Current Tax Expense</b>		
Current income tax	-	79
Current year tax losses not recognised	-	-
	<u>-</u>	<u>79</u>
<b>Deferred Income Tax Expense</b>		
Origination and reversal of temporary differences	6,984	4,821
Changes in previously unrecognised temporary differences	-	-
	<u>6,984</u>	<u>4,821</u>
Income tax expense reported in income statement	<u>6,984</u>	<u>4,900</u>
<b>Income Tax Recognised Directly in Equity</b>		
Share capital transaction costs	<u>-</u>	<u>323</u>
<b>Numerical Reconciliation Between Tax Expenses and Pre-Tax Profit</b>		
Profit before tax	22,774	16,682
Income tax using the domestic corporation tax rate of 30% (2010: 30%)	6,832	5,005
Increase in income tax expense due to non-deductible expenses	78	49
Decrease in income tax due to:		
Tax incentives	-	(154)
Recognition of previously unrecognised tax losses	-	-
Changes in unrecognised temporary differences	74	-
<b>Income Tax Expense on Pre-Tax Net Profit</b>	<u>6,984</u>	<u>4,900</u>

## Notes to the Financial Statements

For the year ended 30 June 2011

### (b) Deferred Tax Assets and Liabilities

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Deferred tax assets and liabilities are attributable to the following:		
<b>Deferred Tax Assets/(Liabilities)</b>		
Receivables	(448)	(41)
Inventories	(739)	(142)
Exploration and evaluation assets	(10,146)	(6,996)
Mine properties	(8,307)	(4,374)
Property, plant and equipment	(558)	(801)
Accrued expenses	(1)	19
Provisions	927	804
Share issue costs	412	573
Tax losses recognised	5,026	4,108
<b>Net Tax Liabilities</b>	<b>(13,834)</b>	<b>(6,850)</b>

### (c) Tax Losses

At 30 June 2011 the Company has \$16,754,004 (2010: \$13,693,566) of tax losses that are available for offset against future taxable profits of the Company. The unrecognised deferred tax asset arising on tax losses at 30 June 2011 is nil (2010: nil).

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 affect the realisation of the benefit from the deductions.

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.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 13. Earnings Per Share

#### Basic earnings per share

The earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of \$15,790,000 (2010: \$11,782,000) and the weighted average number of ordinary shares outstanding as at 30 June 2011 of 178,838,660 (2010: 171,362,789).

	GROUP 30 June 2011 '000	GROUP 30 June 2010 '000
<b>Weighted Average Number of Ordinary Shares</b>		
Issued ordinary shares at 1 July	178,758	153,409
Issue of shares pursuant to fund raising	-	16,404
Issue of shares on exercise of options	81	1,550
<b>Total</b>	<b>178,839</b>	<b>171,363</b>

#### Diluted earnings per share

The diluted earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of \$15,790,000 (2010: \$11,782,000) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 199,636,522 (2010: 189,279,000).

	GROUP 30 June 2011 '000	GROUP 30 June 2010 '000
<b>Weighted Average Number of Ordinary Shares</b>		
Basic weighted average number of ordinary shares	178,839	171,363
Effect of share options on issue	20,798	17,916
<b>Total</b>	<b>199,637</b>	<b>189,279</b>

### 14. Cash and Cash Equivalents

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Cash at bank and on hand - unrestricted	16,085	29,503
<b>Total</b>	<b>16,085</b>	<b>29,503</b>

The Groups exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 5.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 15. Reconciliation of Cash Flows From Operating Activities

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Cash Flow From Operating Activities</b>		
Profit after tax	15,790	11,782
Adjustments for:		
Depreciation	4,723	3,325
Amortisation	6,413	4,231
Net finance expenses	(792)	(603)
Exploration impairment	829	134
Loss on sale of asset	3	-
Equity-settled share-based payments	38	2
Income tax expense	6,984	4,900
Operating profit before changes in working capital and provisions	33,988	23,771
Change in trade and other receivables	562	(1,341)
Change in inventories	(6,995)	(5,344)
Change in trade and other payables	5,772	2,631
Change in prepayments	(100)	42
Change in provisions	234	110
Interest paid	(115)	(42)
<b>Total</b>	<b>33,346</b>	<b>19,827</b>

### 16. Trade and Other Receivables

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Current</b>		
Bullion sale receivable	-	1,196
Other receivables	1,342	708
	<u>1,342</u>	<u>1,904</u>
<b>Non-Current</b>		
Environmental bonds on deposit*	2,364	2,376
	<u>2,364</u>	<u>2,376</u>
<b>Total</b>	<b>3,706</b>	<b>4,280</b>

The Groups exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 5.

\* Relates to security deposits to cover bank guarantees for mining lease bonds.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 17. Inventories

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Materials and supplies - at cost	821	473
Ore stocks - at cost	8,579	2,286
Gold in circuit - at cost	4,135	2,771
Gold bullion - at cost	1,263	2,272
<b>Total</b>	<b>14,798</b>	<b>7,802</b>

### 18. Exploration, Evaluation and Mining Assets

During the twelve months ended 30 June 2011 the Group incurred and capitalised the following on exploration, evaluation and mining assets:

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Exploration and Evaluation Assets</b>		
Cost brought forward	23,141	11,889
Capitalised during the year	16,237	11,476
Expenditure impairment	(829)	(134)
Transferred to mine development	(25)	(90)
Transferred to Assets held for sale	(1,250)	-
<b>Balance at 30 June</b>	<b>37,274</b>	<b>23,141</b>

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

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Mine Development</b>		
Cost brought forward	90	-
Transfer from exploration and evaluation assets	25	90
Expenditure during the year	-	-
Transferred to mine properties	(115)	-
<b>Balance at 30 June</b>	<b>-</b>	<b>90</b>

## Notes to the Financial Statements

For the year ended 30 June 2011

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Mine Properties</b>		
Cost brought forward	18,861	16,852
Transfer from development phase	115	-
Expenditure during the year	23,822	6,240
Increase in rehabilitation provision	2,198	-
Amortisation expense	(6,413)	(4,231)
Balance at 30 June	38,583	18,861
<b>Total</b>	<b>75,857</b>	<b>42,092</b>

## Notes to the Financial Statements

For the year ended 30 June 2011

### 19. Property, Plant and Equipment

	Land & Building	Plant & Equipment	GROUP Motor Vehicles	Office Furniture & Equipment	Capital Work In Progress	Total
<b>Cost</b>						
Balance 1 July 2009	178	9,382	399	222	1,781	11,962
Additions	304	7,028	125	107	137	7,701
Transfers	28	1,748		5	(1,781)	-
Disposals	-	(519)	-	-	-	(519)
<b>Balance 30 June 2010</b>	<b>510</b>	<b>17,639</b>	<b>524</b>	<b>334</b>	<b>137</b>	<b>19,144</b>
Balance 1 July 2010	510	17,639	524	334	137	19,144
Additions	15	4,880	84	158	2,615	7,752
Transfers	-	133	-	4	(137)	-
Disposals	-	(363)	-	-	-	(363)
<b>Balance 30 June 2011</b>	<b>525</b>	<b>22,289</b>	<b>608</b>	<b>496</b>	<b>2,615</b>	<b>26,533</b>
<b>Depreciation</b>						
Balance at 1 July 2009	25	2,247	87	76	-	2,435
Depreciation expense	37	3,087	129	72	-	3,325
Disposal	-	(115)	-	-	-	(115)
Balance 30 June 2010	62	5,219	216	148	-	5,645
Balance at 1 July 2010	62	5,219	216	148	-	5,645
Depreciation expense	50	4,437	137	99	-	4,723
Disposal	-	-	-	-	-	-
Balance 30 June 2011	112	9,656	353	247	-	10,368
<b>Carrying Amount</b>						
At 1 July 2009	153	7,135	312	146	1,781	9,527
At 30 June 2010	448	12,420	308	186	137	13,499
At 1 July 2010	448	12,420	308	186	137	13,499
At 30 June 2011	413	12,633	255	249	2,615	16,165

## Notes to the Financial Statements

For the year ended 30 June 2011

### 20. Trade and Other Payables

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Trade payables	15,491	10,186
Other payables	1,722	1,255
<b>Total</b>	<b>17,213</b>	<b>11,441</b>

The Groups exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 5.

### 21. Interest Bearing Liabilities

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Current Liability</b>		
Equipment loan - Crushing Plant*	233	233
Equipment loan - Motor Vehicles	119	112
	<b>352</b>	<b>345</b>
<b>Non-Current Liability</b>		
Equipment loan - Crushing Plant*	-	233
Equipment loan - Motor Vehicles	54	105
	<b>54</b>	<b>338</b>
<b>Total</b>	<b>406</b>	<b>683</b>

\* The Equipment loan - crushing plant was a fixed interest loan over three years.

### 22. Employee Benefits

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Current</b>		
Liability for annual leave	573	339
<b>Total</b>	<b>573</b>	<b>339</b>

## Notes to the Financial Statements

For the year ended 30 June 2011

### 23. Share Based Payments

During the 30 June 2008 financial year the Group established a share option programme that entitles employees to purchase shares in the Company.

The terms and conditions of the grants are as follows:

Grant Date/Entitlement	Number	Vesting Conditions	Contractual Life
Options granted - 24 January 2008	1,935,000	1 year service	5 years
Options granted - 14 March 2008	636,560	1 year service	5 years
Options granted - 20 August 2008	361,500	1 year service	5 years
<b>Total Share Options</b>	<b>2,933,060</b>		

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

	Weighted Average Exercise Price 2011	Number of Options 2011	Weighted Average Exercise Price 2010	Number of Options 2010
Outstanding at 1 July	\$0.30	24,365,000	\$0.30	26,506,250
Forfeited during period	-	-	-	-
Granted during the period	-	-	-	-
Exercised during the period	\$0.30	(125,000)	\$0.32	(2,141,250)
<b>Outstanding at 30 June</b>	<b>\$0.30</b>	<b>24,240,000</b>	<b>\$0.30</b>	<b>24,365,000</b>
<b>Exercisable at 30 June</b>	<b>\$0.30</b>	<b>24,240,000</b>	<b>\$0.30</b>	<b>24,365,000</b>

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes option pricing model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

	Issued 29 January 2008	Issued 14 March 2008	Issued 20 August 2008
<b>Fair Value of Share Options and Assumptions</b>			
Fair value at grant date	25.293c	22.752c	14.763c
Share price	35.0c	31.5c	21.5c
Exercise price	30.0c	33.0c	39.0c
Volatility	86.49%	89.47%	98.87%
Risk free rate	6.37%	6.7%	5.66%
Expiry date	24 January 2013	14 March 2013	20 August 2013

## Notes to the Financial Statements

For the year ended 30 June 2011

### 24. Provisions

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
<b>Closure and Rehabilitation</b>		
Opening balance at 1 July	2,340	2,303
Additional provisions during the year	2,198	-
Unwind of discount	125	159
Rehabilitation expense	(79)	(122)
<b>Closing Balance at 30 June</b>	<b>4,584</b>	<b>2,340</b>

### 25. Operating Leases

The Group leases its office space in West Perth under a non-cancellable operating lease. The lease is for four years from 17 December 2007 at a cost of \$118,000 per annum.

The Group rents its communications network which connects Perth Office to operational sites under a non-cancellable rent agreement. The agreement is for three years from 01 May 2009 at a cost of \$62,400 per annum.

### 26. Share Capital

	Company	
	Number	\$,000
<b>Movements in Issued Capital</b>		
Balance as at 01 July 2009	153,409,424	38,033
Shares issued on exercise of employee options	2,141,250	684
Shares Issued for capital raising	23,207,164	18,334
Capital transaction costs (net of tax)	-	(827)
<b>Balance as at 30 June 2010</b>	<b>178,757,838</b>	<b>56,224</b>
Shares issued on exercise of employee options	125,000	37
Shares Issued for capital raising	-	-
Capital transaction costs (net of tax)	-	-
<b>Balance as at 30 June 2011</b>	<b>178,882,838</b>	<b>56,261</b>

No shares were issued for capital raising (2010: 23,207,164 shares at a price of \$0.79 per share). All issued shares are fully paid.

Additionally 125,000 shares were issued as a result of the exercise of vested options granted to employees under the share option programme (2010: 2,141,250). All issued shares are fully paid and the holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 27. Option Reserves

	Number	\$,000
<b>Movement in Options Reserve</b>		
Balance as at 1 July 2009	26,506,250	629
Expensed - 20/08/2009 - Employee option	-	2
Options Exercised	(2,141,250)	(449)
<b>Balance as at 30 June 2010</b>	<b>24,365,000</b>	<b>182</b>
Balance at 1 July 2010	24,365,000	182
Expensed - 20/08/2009 - Employee option	-	-
Options Exercised	(125,000)	(32)
<b>Balance as at 30 June 2011</b>	<b>24,240,000</b>	<b>150</b>

The fair value of options vesting during the period and recognised in the income statement was nil.

The option reserve is established to show the total value of share options vested.

### 28. Parent Entity

As at, and throughout the financial year ended 30 June 2011 the parent company of the Group was Silver Lake Resources Limited.

	Notes	30 June 2011 \$,000	30 June 2010 \$,000
<b>Results of the parent entity</b>			
Profit for the period		15,790	11,811
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>15,790</b>	<b>11,811</b>
<b>Financial position of parent entity at year end</b>			
Current assets		33,597	39,231
<b>Total assets</b>		<b>126,865</b>	<b>97,083</b>
Current liabilities		18,138	12,125
<b>Total liabilities</b>		<b>35,463</b>	<b>21,509</b>
<b>Total equity of the parent entity comprising of:</b>			
Share capital		56,261	56,224
Option reserve		150	182
Retained earnings		34,991	19,168
<b>Total equity</b>		<b>91,402</b>	<b>75,574</b>

The parent entity has commitments of \$3,094,865 (2010: \$1,430,200) and no other commitments or guarantees.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 29. Commitments

Commitments for the next financial year total \$3,368,465 and are made up of:

- The Group holds various mineral titles which require a total minimum exploration expenditure of \$2,206,780 (2010: \$1,609,800) in the next financial year.
- Contracts signed or orders raised for plant and equipment associated with the expansion of the Lakewood Gold Processing Facility \$1,161,685 (2010: nil).

### 30. Related Parties

#### (a) Key Management Personnel Compensation

The key management personnel compensation included in "personnel expenses" is as follows:

	GROUP	
	30 June 2011 \$,000	30 June 2010 \$,000
Short-term employee benefits	1,604	1,138
Post employment benefits	165	115
Share based payments	-	-
<b>Total</b>	<b>1,769</b>	<b>1,253</b>

#### (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.

#### (c) Transactions With Key Management Personnel

A number of key management persons hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management persons were no more favorable than those available, or which might be reasonably expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

	Transaction Value Year Ended		Balance Outstanding as at	
	30 June 2011 \$,000	30 June 2010 \$,000	30 June 2011 \$,000	30 June 2010 \$,000
<b>Expenses</b>				
Gryphon Management - Administrative Services*	1	-	1	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>

\* A company controlled by David Griffiths - Non-Executive Director for consulting services.

## Notes to the Financial Statements

For the year ended 30 June 2011

### (d) Movement in Options

The movement during the reporting period in the number of options over ordinary shares in Silver Lake Resources Limited held, directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

Key Management Person	Held at 1 July 2010	Granted as Compensation	Options Exercised	Options Acquired	Held at 30 June 2011	Vested During The Year	Vested and Exercisable at 30 June 2011
Paul Chapman	4,000,000	-	-	-	4,000,000	-	4,000,000
Les Davis	4,000,000	-	-	-	4,000,000	-	4,000,000
Chris Banasik	4,000,000	-	-	-	4,000,000	-	4,000,000
Brian Kennedy	4,000,000	-	-	-	4,000,000	-	4,000,000
Peter Johnston	4,000,000	-	-	-	4,000,000	-	4,000,000
David Griffiths	4,000,000	-	-	-	4,000,000	-	4,000,000
Peter Armstrong	200,000	-	-	-	200,000	-	200,000
David Crockford	-	-	-	-	-	-	-
<b>Total</b>	<b>24,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,200,000</b>	<b>-</b>	<b>24,200,000</b>

Key Management Person	Held at 1 July 2009	Granted as Compensation	Options Exercised	Options Acquired	Held at 30 June 2010	Vested During The Year	Vested and Exercisable at 30 June 2010
Paul Chapman	4,000,000	-	-	-	4,000,000	-	4,000,000
Les Davis	4,000,000	-	-	-	4,000,000	-	4,000,000
Chris Banasik	4,000,000	-	-	-	4,000,000	-	4,000,000
Brian Kennedy	4,000,000	-	-	-	4,000,000	-	4,000,000
Peter Johnston	4,000,000	-	-	-	4,000,000	-	4,000,000
David Griffiths	4,000,000	-	-	-	4,000,000	-	4,000,000
Peter Armstrong	200,000	-	-	-	200,000	-	200,000
David Crockford	240,000	-	(240,000)	-	-	-	-
<b>Total</b>	<b>24,440,000</b>	<b>-</b>	<b>(240,000)</b>	<b>-</b>	<b>24,200,000</b>	<b>-</b>	<b>24,200,000</b>

## Notes to the Financial Statements

For the year ended 30 June 2011

### (e) Movement in Shares

The movement during the reporting period in the number of ordinary shares in Silver Lake Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Key Management Person	Held at 1 July 2010	Shares Purchased	Shares Exercised	Shares Sold	Held at 30 June 2011
Paul Chapman	4,606,908	-	-	-	4,606,908
Les Davis	4,200,000	-	-	-	4,200,000
Chris Banasik	4,000,000	-	-	-	4,000,000
Brian Kennedy	4,075,377	-	-	-	4,075,377
Peter Johnston	4,318,253	-	-	-	4,318,253
David Griffiths	4,158,377	-	-	-	4,158,377
Peter Armstrong	449,959	-	-	-	449,959
David Crockford	177,222	-	-	-	177,222
<b>Total</b>	<b>25,986,096</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,986,096</b>

Key Management Person	Held at 1 July 2009	Shares Purchased	Shares Exercised	Shares Sold	Held at 30 June 2010
Paul Chapman	4,606,908	-	-	-	4,606,908
Les Davis	4,200,000	-	-	-	4,200,000
Chris Banasik	4,000,000	-	-	-	4,000,000
Brian Kennedy	4,075,377	-	-	-	4,075,377
Peter Johnston	4,318,253	-	-	-	4,318,253
David Griffiths	4,158,377	-	-	-	4,158,377
Peter Armstrong	460,000	75,959	-	(86,000)	449,959
David Crockford	-	-	240,000	(62,778)	177,222
<b>Total</b>	<b>25,818,915</b>	<b>75,959</b>	<b>240,000</b>	<b>(148,778)</b>	<b>25,986,096</b>

### (f) Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for capital purchases and continued exploration activities. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2011, such loans to subsidiaries totaled \$3,635,000 (2010: \$2,633,000).

### 31. Subsequent Events

On 7<sup>th</sup> June 2011 the Company signed an option agreement with Auricup Resources Pty Limited which gives Auricup the right to purchase the Rothsay leases from the Company for \$1.25m. This option was taken up by Auricup and the sale transaction occurred on 18 August 2011. All leases relating to the Rothsay project were transferred to Assets held for sale during the year, pending finalisation of this agreement.

There has not been any other matter or circumstance that has arisen since the end of the interim financial period that has significantly affected the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

## Notes to the Financial Statements

For the year ended 30 June 2011

### 32. Auditor's Remuneration

	2011 \$	2010 \$
Audit and review of the Company's financial statements	107,000	106,931
Taxation services	51,050	24,700
<b>Total</b>	<b>158,050</b>	<b>131,631</b>

### 33. Group Entities

The Company controlled the following subsidiaries:

Subsidiaries	Country of Incorporation	Ownership Interest	
		2011	2010
Cue Minerals Pty Ltd	Australia	100%	100%

## ASX Additional Information

For the year ended 30 June 2011

At 30 June 2011 the Company had issued the following equity securities:

	Fully Paid Ordinary Shares	Options	Option Exercise	Option Expiry
Quoted Securities:	178,882,838	Nil		
<b>Unquoted Securities:</b>				
Restricted until 14 November 2009		20,999,998	\$0.30	31/12/2012
Other unquoted securities:		3,000,002	\$0.30	31/12/2012
		240,000	\$0.30	29/01/2013
<b>Total all Securities</b>	<b>178,882,838</b>	<b>24,240,000</b>		

### DISTRIBUTION OF HOLDERS

			Fully Paid Ordinary Shares	Options
1	-	1,000	610	-
1,001	-	5,000	1,488	-
5,001	-	10,000	611	-
10,001	-	100,000	876	1
100,001	-	and over	120	7
<b>Total Holders</b>			<b>3,705</b>	<b>8</b>

There are no holders of less than a marketable parcel of shares.

### VOTING RIGHTS OF SECURITIES

Subject to any rights or restrictions for the time being attached to any class or classes of Shares (at present there is only one class of Shares), at meetings of Shareholders of Silver Lake:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

Options do not carry any voting rights.

## ASX Additional Information

For the year ended 30 June 2011

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011 the substantial holders disclosed to the Company were:

Registered Holder	Beneficial Owner	Number of Shares	Percentage of Issued Shares
RBC Dexia Investor Service Cormark Securities Inc Scotia Capital	Sprott Asset Management LP.	16,559,283	9.3%
HSBC Custody Nominee (Australia) Ltd	Eye Investment Fund Ltd	10,000,000	5.6%
Macquarie Group Limited	Mcquarie Group Limited	7,003,589	3.9%

### TOP 20 HOLDERS OF QUOTED SECURITIES

Registered Holder	Number of Quoted Securities	Percentage of Issued Shares
HSBC Custody Nominees (Australia) Limited	27,583,029	15.4%
National Nominees Limited	14,131,250	7.9%
JP Morgan Nominees Australia Ltd	11,494,058	6.4%
HSBC Custody Nominees (Australia) Limited	10,492,775	5.9%
JP Morgan Nominees Australia Ltd	7,556,699	4.2%
BRGM Nominees Pty Ltd (BRGM Unit Account	4,000,000	2.2%
Goldfields Hotel Pty Ltd (Exchange Hotel Unit Trust)	3,000,000	1.7%
Citicorp Nominees Pty Limited	2,695,320	1.5%
Bond Street Custodians Ltd	2,483,250	1.4%
UBS Nominees Pty Ltd	2,355,708	1.3%
Goldfields Hotel Pty Ltd (Exchange Hotel Unit Trust)	2,000,000	1.1%
Mellett Super Pty Ltd	1,876,185	1.1%
Forsyth Barr Custodians Ltd	1,825,631	1.0%
Bramor Superannuation Pty Ltd	1,150,000	0.6%
Bond Street Custodians Ltd	896,114	0.5%
Aust Executor Trustees NSW Ltd	832,548	0.5%
Kiki Super Fund A/C	800,000	0.5%
HSBC Custody Nominees (Australia) Limited	750,000	0.4%
Dr Bhasin Neelesh	582,502	0.3%
Brispot Nominees Pty Ltd	578,946	0.3%
	<b>97,084,015</b>	<b>54.3%</b>

ASX LISTING RULE 4.10.19

## **ASX Additional Information**

For the year ended 30 June 2011

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives, which are exploration and evaluation of projects, gold mining from the Daisy Milano operations and gold processing at Lakewood Gold Processing Facility.